



Supplement No. 5 pursuant to Articles 10.1, 23.1 and 23.5 of the Prospectus Regulation (EU) 2017/1129, as amended from time to time

dated 30 July 2021 to the Registration Document dated 12 October 2020 of UBS AG (hereafter the "**Registration Document**"), as approved by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – the "**BaFin**").

This Supplement relates to the bipartite prospectuses constituted from the Registration Document, as supplemented from time to time, and the following securities notes:

- Securities Note dated 8 September 2020 for the offer of Certificates linked to a Notional Reference Portfolio, as approved by the BaFin, as supplemented from time to time,
- Securities Note dated 3 November 2020 for the offer of Securities, as approved by the Swedish Financial Supervisory Authority (*Finansinspektionen* – the "**SFSA**"), as supplemented from time to time, and
- Securities Note dated 17 December 2020 for the offer of Certificates linked to a Notional Reference Portfolio, as approved by the BaFin, as supplemented from time to time,
- Securities Note dated 5 May 2021 for the offer of Warrants and other leveraged Securities, as approved by the BaFin, as supplemented from time to time,
- Securities Note dated 16 June 2021 for the offer of Securities, as approved by the BaFin, as supplemented from time to time, and
- Securities Note dated 25 June 2021 for the offer of Express Securities, Twin Win Securities, Speeder Securities, Outperformance Plus Securities, Bonus Securities, Dolphin Securities, Capital Protected Securities, Accumulator Securities, GOAL Securities, Perles Plus Securities, Sprinter Securities, Discount Securities and Buy on Dips Securities, as approved by the BaFin, as supplemented from time to time.

Supplement No. 1 pursuant to Articles 23.1 of the Prospectus Regulation (EU) 2017/1129, as amended from time to time

dated 30 July 2021 to the Summary and Securities Note for the issue / public offer of 500,000 Portfolio Certificates linked to the linked to the Smart Health Care Portfolio dated 24 June 2021 of UBS AG (ISIN: DE000US8MAR5) (the "**Summary and Securities Note**"), as approved by the BaFin.

The Summary and Securities Note, as supplemented from time to time, constitutes together with the Registration Document, as supplemented from time to time, a prospectus (the "**Prospectus**") in the sense of the Prospectus Regulation (EU) 2017/1129, as amended from time to time.

This Supplement serves as update to the Registration Document and the Summary and Securities Note as mentioned above in connection to the following occurrence:

The publication of the second quarter 2021 report as per 30 June 2021 of UBS Group AG (further the "**UBS Group Second Quarter 2021 Report**") on 20 July 2021 and UBS AG (further the "**UBS AG Second Quarter 2021 Report**") on 23 July 2021 (please refer to the table below).

The following table shows the updated information and reason for the update of the Registration Document and the Summary and Securities Note, as mentioned above, and the revisions that have been made as a result thereof.

Updated information and reason for the update	Revisions
<p>Information regarding UBS AG have been updated pursuant to the above mentioned UBS Group Second Quarter 2021 Report and the UBS AG Second Quarter 2021 Report.</p>	<ol style="list-style-type: none"> <li data-bbox="831 584 1409 920">1. Update of the information regarding UBS AG in the Registration Document. Please refer to the following sections of this Supplement: Risk Factors; Information about UBS AG; Business Overview; Trend Information; Administrative, Management and Supervisory Bodies of UBS AG; Financial Information concerning the Issuer's Assets and Liabilities; Financial Position and Profits and Losses; Litigation, Regulatory and Similar Matters; <li data-bbox="831 976 1409 1189">2. Update of the Appendix 9 – INFORMATION FOR THE PURPOSES OF ART. 26 (4) OF THE REGULATION (EU) 2017/1129. Please refer to the following section of this Supplement: Update of the Appendix 9 of the Registration Document <li data-bbox="831 1245 1409 1435">3. The UBS Group Second Quarter 2021 Report is added as Appendix 15 to the Registration Document. Please refer to the following section of this Supplement: UBS Group Second Quarter 2021 Report <li data-bbox="831 1491 1409 1682">4. The UBS AG Second Quarter 2021 Report is added as Appendix 16 to the Registration Document. Please refer to the following section of this Supplement: UBS AG Second Quarter 2021 Report <li data-bbox="831 1738 1409 1955">5. Update of the information regarding UBS AG in the Summary and Securities Note. Please refer to the following sections of this Supplement: Summary of the Summary and Securities Note in the English Language Summary of the Summary and Securities Note in the German Language

Investors who have already agreed to purchase or subscribe for the securities before this Supplement is published shall have the right, exercisable on or before 4 August 2021, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy referred to in Article 23.2 (a) of Regulation (EU) 2017/1129, as amended from time to time, arose or was noted before the closing of the offer period or the delivery of the securities, whichever occurs first.

A withdrawal, if any, of an order must be communicated in writing to the Issuer at its Registered Head Office specified in the address list which can be found on page 41 of this supplement.

This Supplement must be read in conjunction with any information already supplemented by the previous supplements, if any, to the Registration Document and the Summary and Securities Note.

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1. Registration Document

In the section headed "1. Risk Factors", the second risk factor of the subsection "1.1 Market, credit and macroeconomic risks" shall be replaced as follows:

"UBS AG's results of operations and financial condition may be adversely affected by the COVID-19 pandemic and the response to it

The COVID-19 pandemic, governmental measures taken to manage it, as well as developments in fiscal policy and the possible withdrawal of stimulus measures may continue to adversely affect, global economic conditions, resulting in further contraction in the global economy, substantial volatility in the financial markets, increased unemployment, increased credit and counterparty risk, and operational challenges, such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols. While governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, these programs may be coming to an end. In addition, while vaccination campaigns are progressing and many economies are recovering, localized out-breaks, the spread of new variants of COVID-19, and uneven vaccination rates are causing uncertainty around a sustainable recovery. If the pandemic resurges, vaccine distribution is delayed, or available vaccines prove ineffective against evolving strains of the coronavirus, or the actions of governments and central banks are unsuccessful, the adverse impact on the global economy will deepen, UBS AG's results of operations and financial condition in future quarters may be adversely affected.

COVID-19 and lockdown and other measures to control the pandemic have significantly affected major economies across the world. Uncertainties are still at a high level, making predictions difficult. The COVID-19 pandemic has affected all of UBS's businesses, and these effects could be greater in the future if adverse conditions persist or worsen. These effects have included declines in some asset prices, spikes in volatility, lower or negative interest rates, widening of credit spreads and credit deterioration. These effects have resulted in decreases in the valuation of loans and commitments, an increase in the allowance for credit losses and lower valuations of certain classes of trading assets. While certain of these effects have partially reversed as economies have re-opened and economic stimulus has been maintained, or were offset by high levels of client activity in 2020, and, in the first six months of 2021, by a rebound in asset prices in some sectors, these favorable conditions may not persist.

Should adverse global market conditions recur, or the pandemic lead to additional market disruptions, UBS AG may experience reduced client activity and demand for its products and services, increased utilization of lending commitments, significantly increased client defaults, continued and increasing credit and valuation losses in its loan portfolios, loan commitments and other assets, and impairments of other financial assets. Declines in interest rates have decreased net interest margins and such declines may continue to sharpen. A decline in invested assets would also reduce recurring fee income in UBS's Global Wealth Management and Asset Management businesses. These factors and other consequences of the COVID-19 pandemic may negatively affect UBS AG's financial condition, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible changes or downgrades to credit ratings.

Although UBS AG is adapting its plans for the return of its employees to the offices following the gradual lifting of lockdowns and similar measures, a substantial portion of its workforce is still in work-from-home solutions, including client-facing and trading staff. If significant portions of its workforce, including key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, the adverse effects of the pandemic on UBS AG's businesses could be exacerbated. In addition, with staff working from outside the offices, UBS AG faces new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While it has taken measures to manage these risks, such measures have never been tested on the scale or duration that UBS AG is currently experiencing, and there is risk that these measures will not be effective in the current unprecedented operating environment.

The extent to which the pandemic, and the related adverse economic conditions, affect UBS's businesses, results of operations and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, including the scope and duration of the pandemic and any recovery period, the adequacy of vaccine distribution plans and execution of those plans, as well

as the efficacy of vaccines against potential virus variants, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on UBS's customers, counterparties, employees and third-party service providers."

In the section headed "4. Information about UBS AG" the subsection "4.1 Introduction" shall be completely replaced as follows:

"UBS AG Group provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Group Functions and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS articulated its statement of purpose as reimagining the power of investing and connecting people for a better world. UBS will aim to deliver a client experience that is personalized, relevant, on-time (the client sets the speed and can act on opportunities anytime and anywhere), and seamless (simple seamless and intuitive interaction between UBS and its clients). UBS also defined five strategic imperatives: Clients, Connections, Contributors – delivering the power of investing; Focus – play where UBS is positioned to win; Technology – make technology UBS's differentiator; Simplification and efficiency – increase ease of doing businesses and enable UBS's journey; Culture – mobilize employees behind UBS's future vision and to act as one firm.

On 30 June 2021, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 14.5%, the CET1 leverage ratio was 4.09%, the total loss-absorbing capacity ratio was 35.6%, and the total loss-absorbing capacity leverage ratio was 10.0%. On the same date, invested assets stood at USD 4,485 billion, equity attributable to shareholders was USD 58,765 million and market capitalisation was USD 53,218 million. On the same date, UBS employed 71,304 people.

On 30 June 2021, UBS AG consolidated CET1 capital ratio was 13.8%, the CET1 leverage ratio was 3.87%, the total loss-absorbing capacity ratio was 34.6%, and the total loss-absorbing capacity leverage ratio was 9.7%. On the same date, invested assets stood at USD 4,485 billion and equity attributable to UBS AG shareholders was USD 55,361 million. On the same date, UBS AG Group employed 47,227 people.

The rating agencies S&P Global Ratings Europe Limited ("**S&P**"), Moody's Deutschland GmbH ("**Moody's**"), and Fitch Ratings Limited ("Fitch") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch and S&P may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ (outlook: stable) from S&P, long-term senior debt rating of Aa3 (outlook: stable) from Moody's, and long-term issuer default rating of AA- (outlook: stable) from Fitch.

An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its securities. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Fitch is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**") and currently appears on the list of credit rating agencies registered or certified with the Financial Conduct Authority published on its website www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras. Ratings given by Fitch are endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") and currently appears on the list of credit ratings agencies published by ESMA on its website www.esma.europa.eu in accordance with the EU CRA Regulation. S&P and Moody's are established in the European Union and registered under the EU CRA Regulation and currently appear on the list of credit ratings agencies published by ESMA on its website in accordance with the EU CRA Regulation. Ratings given by S&P and Moody's are endorsed by Standard & Poor's Global Ratings UK Limited and Moody's Investors Service Ltd, respectively, which are established in the UK and registered under the UK CRA Regulation and currently appear on the list of credit rating agencies registered or certified with the FCA published on its website."

In the section "5. Business Overview", the subsection "5.3 UBS AG consolidated key figures" shall be completely replaced as follows:

"5.3 UBS AG consolidated key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2020, 2019 and 2018 from the Annual Report 2020, except where noted. The selected consolidated financial information included in the table below for the six months ended 30 June 2021 and 30 June 2020 was derived from the UBS AG Second Quarter 2021 Report.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Information for the years ended 31 December 2020, 2019, and 2018 which is indicated as being unaudited in the table below was included in the Annual Report 2020, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2020 and the UBS AG Second Quarter 2021 Report are incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below.

	As of or for the six months ended		As of or for the year ended		
	30.6.21	30.6.20	31.12.20	31.12.19	31.12.18
<i>USD million, except where indicated</i>					
	<i>unaudited</i>		<i>audited, except where indicated</i>		
Results					
Income statement					
Operating income	17,906	15,521	32,780	29,307	30,642
Net interest income	3,196	2,689	5,788	4,415	4,971
Net fee and commission income	11,282	9,336	19,207	17,460	17,930
Credit loss (expense) / release	108	(540)	(695)	(78)	(117)
Other net income from financial instruments measured at fair value through profit or loss	2,785	3,719	6,930	6,833	6,953
Operating expenses	13,274	12,197	25,081	24,138	25,184
Operating profit / (loss) before tax	4,632	3,324	7,699	5,169	5,458
Net profit / (loss) attributable to shareholders	3,623	2,615	6,196	3,965	4,107
Balance sheet					
Total assets	1,085,861		1,125,327	971,927	958,066
Total financial liabilities measured at amortized cost	721,311		732,364	617,429	612,174
<i>of which: customer deposits</i>	517,462		527,929	450,591	421,986
<i>of which: debt issued measured at amortized cost</i>	84,491		85,351	62,835	91,245
<i>of which: subordinated debt ¹</i>	5,232		7,744	7,431	7,511
Total financial liabilities measured at fair value through profit or loss	299,871		325,080	291,452	283,717
<i>of which: debt issued designated at fair value</i>	72,799		59,868	66,592	57,031
Loans and advances to customers	391,406		380,977	327,992	321,482
Total equity	55,645		58,073	53,896	52,400
Equity attributable to shareholders	55,361		57,754	53,722	52,224
Profitability and growth					
Return on equity (%) ²	12.7	9.3	10.9*	7.4*	7.9*

Return on tangible equity (%) ³	14.3	10.5	12.4*	8.5*	9.1*
Return on common equity tier 1 capital (%) ⁴	18.6	14.4	16.6*	11.3*	11.9*
Return on risk-weighted assets, gross (%) ⁵	12.4	11.6	11.9*	11.2*	12.0*
Return on leverage ratio denominator, gross (%) ^{6, 7}	3.4	3.4	3.4*	3.2*	3.4*
Cost / income ratio (%) ⁸	74.6	75.9	74.9*	82.1*	81.9*
Net profit growth (%) ⁹	38.5	10.1	56.3*	(3.4)*	441.9*
Resources					
Common equity tier 1 capital ¹⁰	40,190	37,403	38,181	35,233*	34,562*
Risk-weighted assets ¹⁰	290,470	284,798	286,743*	257,831*	262,840*
Common equity tier 1 capital ratio (%) ¹⁰	13.8	13.1	13.3*	13.7*	13.2*
Going concern capital ratio (%) ¹⁰	19.1	17.9	18.3*	18.3*	16.1*
Total loss-absorbing capacity ratio (%) ¹⁰	34.6	31.9	34.2*	33.9*	31.3*
Leverage ratio denominator ^{6, 10}	1,039,375	974,135	1,036,771*	911,228*	904,455*
Common equity tier 1 leverage ratio (%) ^{6, 10}	3.87	3.84	3.68*	3.87*	3.82*
Going concern leverage ratio (%) ^{6, 10}	5.3	5.2	5.1*	5.2*	4.7*
Total loss-absorbing capacity leverage ratio (%) ¹⁰	9.7	9.3	9.5*	9.6*	9.1*
Other					
Invested assets (USD billion) ¹¹	4,485	3,588	4,187	3,607	3,101
Personnel (full-time equivalents)	47,227	47,120	47,546*	47,005*	47,643*

* unaudited

¹ Amount as at 31 December 2018 is derived from the Annual Report 2019.

² Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.

³ Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets. This measure provides information about the profitability of the business in relation to tangible equity.

⁴ Calculated as net profit attributable to shareholders (annualized as applicable) divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.

⁵ Calculated as operating income before credit loss expense or release (annualized as applicable) divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.

⁶ The leverage ratio denominators and leverage ratios for the respective periods in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of the Annual Report 2020 for more information.

⁷ Calculated as operating income before credit loss expense or release (annualized as applicable) divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.

⁸ Calculated as operating expenses divided by operating income before credit loss expense or release. This measure provides information about the efficiency of the business by comparing operating expenses with gross income.

⁹ Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period. This measure provides information about profit growth in comparison with the prior-year period.

¹⁰ Based on the applicable Swiss systemically relevant bank framework as of 1 January 2020.

¹¹ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.

"

The section headed "7. Trend Information" shall be completely replaced as follows:

"7.1 Material Adverse Change in the Prospects of UBS AG

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2020.

7.2 Significant Changes in the Financial Performance of the UBS AG Group

There has been no significant change in the financial performance of UBS AG Group since 30 June 2021, which is the end of the last financial period for which financial information has been published.

7.3 Recent Developments

Refer to the "*Recent developments*" and the "*Credit risk*" sections of the UBS Group First Quarter 2021 Report and the UBS Group Second Quarter 2021 Report, as well as the "*Regulatory and legal developments*" in the "*Our strategy, business model and environment*" section of the Annual Report 2020, for information on key accounting, regulatory, legal and other developments.

7.4 Trend Information

As indicated in the UBS Group Second Quarter 2021 Report, investor sentiment remained positive in the second quarter of 2021, helped by the continued rebound in economic activity and greater optimism regarding further recovery, which was supported by mass COVID-19 vaccination campaigns around the globe and the gradual lifting of lockdowns and similar measures imposed to control the pandemic. Significant fiscal stimulus, notably in the US, along with continued accommodative monetary policy and strong economic data, contributed to generally more positive views on the timing and extent of a sustainable economic recovery. However, economic, social, and geopolitical tensions remain, raising questions around the sustainability and shape of the recovery. Continued localized outbreaks of COVID-19 infections and the spread of new variants, along with uneven vaccination rates, add to these existing concerns. The severity and duration of the effects of the pandemic in certain economic sectors also remain uncertain. The potential for rising inflation that could lead to more restrictive monetary policy has become an additional concern for the market. UBS's clients value strength and expert guidance, particularly in these uncertain times, and UBS remains focused on supporting them with advice and solutions. UBS expects its revenues in the third quarter of 2021 to be influenced by seasonal factors, such as lower client activity levels compared with the second quarter of 2021. Higher asset prices should have a positive effect on recurring fee income in UBS's asset gathering businesses. However, the continued uncertainty about the environment and economic recovery could affect both asset prices and client activity levels."

In the section headed "9 Administrative, Management and Supervisory Bodies of UBS AG" the subsection "9.2 Members of the Board of Directors (as of the date of this Registration Document)" shall be completely replaced as follows:

"9.2 Members of the Board of Directors

The current members of the BoD are listed below.

Member and business address	Title	Term of office	Current principal activities outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2022	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Councils of the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Advisory Board member of the Department of Economics, University of Zurich; member of the Trilateral Commission.
Jeremy Anderson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Vice Chairman	2022	Vice-Chairman and Senior Independent Director of the Board of Directors of UBS Group AG; board member of Prudential plc; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.
Claudia Böckstiegel UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; General Counsel and member of the Enlarged Executive Committee of Roche Holding AG.
William C. Dudley UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University; member of the Board of Treliant LLC; member of the Group of Thirty; member of the Council on Foreign Relations; chair of the Bretton Woods Committee board of directors; member of the Board of the Council for Economic Education.
Patrick Firmenich UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; chairman of the Board of Firmenich International SA; member of the Board of Jacobs Holding AG; member of the Board of INSEAD and INSEAD World Foundation; member of the Advisory Council of the Swiss Board Institute.
Reto Francioni UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG (Senior Independent Non-Executive Director, chair of the nomination committee); chairman of the board of Swiss International Air Lines AG; board member of MTIP AG.
Fred Hu UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; chairman of Primavera Capital Ltd and of Primavera Capital Group; member of the Board of Ant Group; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong; co-chairman of the Nature Conservancy Asia Pacific Council; member of the Board of Trustees of the Institute for Advanced Studies (IAS)..
Mark Hughes UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; chair of the Board of Directors of the Global Risk Institute; visiting lecturer at the University of Leeds; senior advisor to McKinsey & Company.
Nathalie Rachou UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; member of the Board of Euronext N.V. (chair of the remuneration committee); member of the Board of Veolia Environnement SA (chair of the audit committee).

Julie G. Richardson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Vereit, Inc. (chair of the compensation committee); member of the board of Datalog (chair of the audit committee).
Dieter Wemmer UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); chairman of Marco Capital Holding, Malta; member of the Berlin Center of Corporate Governance.
Jeanette Wong UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2022	Member of the Board of Directors of UBS Group AG; member of the board of Pudential plc; member of the board of Singapore Airlines limited; board member of Jurong Town Corporation; board member of PSA International; member of the Global Advisory Board, Asia, University of Chicago Booth School of Business; member of the Securities Industry Council; member of the Board of Trustees of the National University of Singapore.

"

In the section headed "9 Administrative, Management and Supervisory Bodies of UBS AG" the subsection "9.5 Members of the Executive Board (as of the date of this Registration Document)" shall be completely replaced as follows:

"9.5 Executive Board ("EB")

The current members of the EB are listed below. In addition, UBS has announced that Markus Diethelm is stepping down from the EB and Barbara Levi will succeed him as General Counsel effective 1 November 2021.

Member and business address	Function	Current principal activities outside UBS AG
Ralph Hamers UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; member of the Board of the Swiss-American Chamber of Commerce; member of the Institut International D'Etudes Bancaires; member of the McKinsey Advisory Council; member of the World Economic Forum International Business Council; Governor of the World Economic Forum (Financial Services).
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute.
Mike Dargan UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Digital and Information Officer	Member of the Group Executive Board and Chief Digital and Information Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of Directors of Done Next Holdings AG; member of the Board of Trustees of the Inter-Community School Zurich.
Markus U. Diethelm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; chairman of the Swiss-American Chamber of Commerce's legal committee; co-chairman of the American Swiss Foundation & Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the New York State Council of Business Leaders in Support of Access to Justice.
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Suni Harford	President Asset Management	Member of the Executive Board and President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; chair of the Board of UBS Optimus Foundation; member of the Leadership Council of the Bob Woodruff Foundation.

UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA		
Robert Karofsky UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA	President Investment Bank	Member of the Group Executive Board and President Investment Bank of UBS Group AG; president and board member of UBS Securities LLC; member of the Board of UBS Optimus Foundation; trustee of the UBS Americas Inc. Political Action Committee.
Iqbal Khan UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management and President UBS Europe, Middle East and Africa	Member of the Executive Board, co-President Global Wealth Management and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; member of the Board of UBS Optimus Foundation; board member of Room To Read Switzerland.
Edmund Koh UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of two subcommittees of the Singapore Ministry of Finance's Committee on the Future Economy; member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore; council member of the Asian Bureau of Finance and Economic Research; member of the Board of Trustees of the Wealth Management Institute, Singapore; board member of Next50 Limited, Singapore; board member of Medico Suites (S) Pte Ltd; board member of Medico Republic (S) Pte Ltd; Council member of the KidSTART program of Early Childhood Development Agency Singapore; trustee of the Cultural Matching Fund, Singapore; member of University of Toronto's International Leadership Council for Asia.
Tom Naratil UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation; member of the Board of Consultants for the College of Nursing at Villanova University.
Markus Ronner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Compliance and Governance Officer	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG.

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In the section headed "11. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses", the subsections "11.3 Interim Financial Information" and "11.4 Incorporation by Reference" shall be completely replaced as follows:

"11.3 Interim Financial Information

Reference is also made to the UBS Group AG first quarter 2021 report published on 27 April 2021 ("**UBS Group First Quarter 2021 Report**"), and the UBS AG first quarter 2021 report published on 30 April 2021 ("**UBS AG First Quarter 2021 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2021; and to (ii) the UBS Group AG second quarter 2021 report published on 20 July 2021 ("**UBS Group Second Quarter 2021 Report**") and the UBS AG second quarter 2021 report, published on 23 July 2020 ("**UBS AG Second Quarter 2021 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 June 2021. The interim consolidated financial statements are not audited

11.4 Incorporation by Reference

The Annual Report 2020, the Standalone Financial Statements 2020, the Annual Report 2019, the Standalone Financial Statements 2019, the UBS Group First Quarter 2021 Report, the UBS AG First Quarter 2021 Report, the UBS Group Second Quarter 2021 Report and the UBS AG Second Quarter 2021 Report are fully incorporated in, and form an integral part of, this document. "

The section headed "12. Litigation, Regulatory and Similar Matters" shall be replaced as follows:

"UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this section may refer to UBS AG and / or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, UBS states that it has established a provision, and for the other matters, it makes no such statement. When UBS makes this statement and it expects disclosure of the amount of a provision to prejudice seriously its position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, UBS does not disclose that amount. In some cases UBS is subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which UBS does not state whether it has established a provision, either: (a) it has not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) it has established a provision but expects disclosure of that fact to prejudice seriously its position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which UBS has established provisions, UBS is able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which it is able to estimate expected timing is immaterial relative to its current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in "Note 16a Provisions" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG Second Quarter 2021 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although

UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("LIBOR"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and was subject to probation, which ended in January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group Second Quarter 2021 Report.

Provisions for litigation, regulatory and similar matters by business division and in Group Functions¹

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Balance as of 31 December 2020	861	115	0	227	932	2,135
Balance as of 31 March 2021	810	109	1	217	935	2,072
Increase in provisions recognized in the income statement	20	0	0	66	1	87
Release of provisions recognized in the income statement	(11)	(11)	0	(2)	0	(24)
Provisions used in conformity with designated purpose	(27)	0	0	0	0	(27)
Foreign currency translation / unwind of discount	8	2	0	1	0	11
Balance as of 30 June 2021	800	100	1	282	936	2,119

¹ Provisions, if any, for matters described in this section are recorded in Global Wealth Management (item 3 and item 4) and Group Functions (item 2). Provisions, if any, for the matters described in items 1 and 6 of this section are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank and Group Functions.

12. 1 Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration ("FTA") to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and

2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("**caution**") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The trial in the Court of Appeal took place between 8-24 March 2021. At the conclusion of the trial, the prosecutor asserted that the maximum penalty was EUR 2.2 billion and requested the court to award a penalty of at least EUR 2 billion. The French state asked for civil damages of EUR 1 billion. The judgment on the merits of the case is currently set for 27 September 2021. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, its balance sheet at 30 June 2021 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 528 million at 30 June 2021). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on UBS's balance sheet at 30 June 2021 reflects its best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("**inculpé**") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud.

UBS's balance sheet at 30 June 2021 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

12.2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages.

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform,

Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019. On 10 December 2019, the district court denied UBS's motion to dismiss.

UBS's balance sheet at 30 June 2021 reflected a provision with respect to matters described in this item 2 in an amount that it believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

12.3 Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totalling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS ("**BMIS Trustee**").

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

12.4 Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission ("**SEC**") and the Financial Industry Regulatory Authority.

Since then UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans seeking aggregate damages of USD 3.4 billion, of which USD 2.9 billion have been resolved through settlements, arbitration or withdrawal of claims.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico ("**Commonwealth**") defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. In June 2021 the court in the first of the three cases denied defendants' motion to dismiss; defendants are seeking leave to appeal that decision. In July 2021, the court in another of these cases granted defendants' motion to dismiss. A motion to dismiss is pending in the remaining case.

UBS's balance sheet at 30 June 2021 reflected provisions with respect to matters described in this item 4 in amounts that it believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

12.5 Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with the UK Financial Conduct Authority ("**FCA**"), the US Commodity Futures Trading Commission ("**CFTC**"), FINMA, the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**") and the Connecticut Department of Banking, the DOJ's Criminal Division and the European Commission. UBS has ongoing obligations under the Cease and Desist Order of the Federal Reserve Board and the Office of the Comptroller of the Currency (as successor to the Connecticut Department of Banking), and to cooperate with relevant authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission ("**WEKO**"), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received final court approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In December 2019, UBS entered into an agreement with representatives of the class of USD lenders to settle their USD LIBOR class action. The agreement has received final court approval. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted

defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards.

Other benchmark class actions in the US: In 2014, 2015 and 2017, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint. Defendants moved to dismiss the amended complaint in October 2020. In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs have appealed. Also in 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint moved to dismiss. In February 2020, the court in the BBSW action granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings. The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint was granted on 31 March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007-2011 relating to European government bonds. The European Commission fined UBS EUR 172 million. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 30 June 2021 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

12.6 Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-

case basis. Considerations taken into account when assessing these cases include, among other things, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

UBS's balance sheet at 30 June 2021 reflected a provision with respect to matters described in this item 6 in an amount that it believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

The specific litigation, regulatory and other matters described above under items 12.1 to 12.6 include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in "Note 16 Provisions and contingent liabilities" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG Second Quarter 2021 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) that may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

Government sponsored entities ("**GSE**") bonds: Starting in February 2019, class action complaints were filed in the US District Court for the Southern District of New York against UBS and other banks on behalf of plaintiffs who traded GSE bonds. A consolidated complaint was filed alleging collusion in GSE bond trading between 1 January 2009 and 1 January 2016. In December 2019, UBS and eleven other defendants agreed to settle the class action for a total of USD 250 million. The settlement has been approved by the court and this matter is now resolved.

Foreign exchange-related civil litigation regarding indirect purchasers: In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint. UBS and 11 other banks have reached an agreement with the plaintiffs to settle the class action for a total of USD 10 million. The court approved the settlement in November 2020. "

2. Update of the Appendix 9 of the Registration Document

The "APPENDIX 9 - INFORMATION FOR THE PURPOSES OF ART. 26 (4) OF THE REGULATION (EU) 2017/1129" shall be completely replaced as follows:

Section B - Key information on the issuer					
Who is the Issuer of the securities?					
Domicile and legal form of the Issuer					
UBS AG is incorporated and domiciled in Switzerland, with its registered offices at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCEMIK50.					
Principal activities of the Issuer					
The purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. It may provide loans, guarantees and other kinds of financing and security for group companies.					
Major shareholders of the Issuer					
UBS Group AG owns 100% of the outstanding shares of UBS AG.					
Identity of the key managing directors of the Issuer					
The key managing directors of the issuer are the members of the issuer's Executive Board ("EB"). These are: Ralph Hamers, Christian Bluhm, Mike Dargan, Markus U. Diethelm, Kirt Gardner, Suni Harford, Robert Karofsky, Iqbal Khan, Edmund Koh, Tom Naratil, and Markus Ronner. In addition, UBS has announced that Markus Diethelm is stepping down from the EB and Barbara Levi will succeed him as General Counsel effective 1 November 2021.					
Identity of the statutory auditors of the Issuer					
The statutory auditors of the issuer are Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel.					
What is the key financial information regarding the Issuer?					
UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2020, 2019 and 2018 from the Annual Report 2020, except where noted. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The selected consolidated financial information included in the table below for the six months ended 30 June 2021 and 30 June 2020 was derived from the UBS AG Second Quarter 2021 Report.					
	As of or for the six months ended		As of or for the year ended		
<i>USD million, except where indicated</i>	30.6.21	30.6.20	31.12.20	31.12.19	31.12.18
	<i>unaudited</i>		<i>audited, except where indicated</i>		
Results					
Income statement					
Operating income	17,906	15,521	32,780	29,307	30,642
Net interest income	3,196	2,689	5,788	4,415	4,971
Net fee and commission income	11,282	9,336	19,207	17,460	17,930
Credit loss (expense) / release	108	(540)	(695)	(78)	(117)

Other net income from financial instruments measured at fair value through profit or loss	2,785	3,719	6,930	6,833	6,953
Operating expenses	13,274	12,197	25,081	24,138	25,184
Operating profit / (loss) before tax	4,632	3,324	7,699	5,169	5,458
Net profit / (loss) attributable to shareholders	3,623	2,615	6,196	3,965	4,107
Balance sheet					
Total assets	1,085,861		1,125,327	971,927	958,066
Total financial liabilities measured at amortized cost	721,311		732,364	617,429	612,174
of which: customer deposits	517,462		527,929	450,591	421,986
of which: debt issued measured at amortized cost	84,491		85,351	62,835	91,245
of which: subordinated debt ¹	5,232		7,744	7,431	7,511
Total financial liabilities measured at fair value through profit or loss	299,871		325,080	291,452	283,717
of which: debt issued designated at fair value	72,799		59,868	66,592	57,031
Loans and advances to customers	391,406		380,977	327,992	321,482
Total equity	55,645		58,073	53,896	52,400
Equity attributable to shareholders	55,361		57,754	53,722	52,224
Profitability and growth					
Return on equity (%)	12.7	9.3	10.9*	7.4*	7.9*
Return on tangible equity (%)	14.3	10.5	12.4*	8.5*	9.1*
Return on common equity tier 1 capital (%)	18.6	14.4	16.6*	11.3*	11.9*
Return on risk-weighted assets, gross (%)	12.4	11.6	11.9*	11.2*	12.0*
Return on leverage ratio denominator, gross (%) ²	3.4	3.4	3.4*	3.2*	3.4*
Cost / income ratio (%)	74.6	75.9	74.9*	82.1*	81.9*
Net profit growth (%)	38.5	10.1	56.3*	(3.4)*	441.9*
Resources					
Common equity tier 1 capital ³	40,190	37,403	38,181	35,233*	34,562*
Risk-weighted assets ³	290,470	284,798	286,743*	257,831*	262,840*
Common equity tier 1 capital ratio (%) ³	13.8	13.1	13.3*	13.7*	13.2*
Going concern capital ratio (%) ³	19.1	17.9	18.3*	18.3*	16.1*
Total loss-absorbing capacity ratio (%) ³	34.6	31.9	34.2*	33.9*	31.3*
Leverage ratio denominator ^{2,3}	1,039,375	974,135	1,036,771*	911,228*	904,455*
Common equity tier 1 leverage ratio (%) ^{2,3}	3.87	3.84	3.68*	3.87*	3.82*
Going concern leverage ratio (%) ^{2,3}	5.3	5.2	5.1*	5.2*	4.7*
Total loss-absorbing capacity leverage ratio (%) ³	9.7	9.3	9.5*	9.6*	9.1*
Other					
Invested assets (USD billion) ⁴	4,485	3,588	4,187	3,607	3,101
Personnel (full-time equivalents)	47,227	47,120	47,546*	47,005*	47,643*

* unaudited

¹ Amount as at 31 December 2018 is derived from the Annual Report 2019.

² The leverage ratio denominators and leverage ratios for the respective periods in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19.

³ Based on the applicable Swiss systemically relevant bank framework as of 1 January 2020.

⁴ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

What are the key risks that are specific to the Issuer?

Credit risk in relation to UBS AG as Issuer

Each investor in securities issued by UBS AG as Issuer is exposed to the credit risk of UBS AG. The assessment of UBS AG's creditworthiness may be affected by a number of factors and developments. These include the COVID-19 pandemic and related response to it, market conditions and macroeconomic climate, credit risk exposure to clients and counterparties, low and negative interest rates, material legal and regulatory risks, changes to assumptions, valuations and accounting standards, UBS AG's success in executing its strategic plans, and operational risks.

If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors. If restructuring or liquidation proceedings are instituted against UBS AG, holders of securities may suffer a substantial or **total loss** on the securities.

3. UBS Group Second Quarter 2021 Report
The UBS Group Second Quarter 2021 Report as contained on page 36 et seq. of this supplement is added as Appendix 15 to the Registration Document.

4. UBS AG Second Quarter 2021 Report

The UBS AG Second Quarter 2021 Report as contained on page 146 et seq. of this supplement is added as Appendix 16 to the Registration Document.

5. Summary of the Summary and Securities Note in the English Language

The section headed "Section B – Key information on the Issuer" of the Summary of the Summary and Securities Note in the English Language, shall be replaced as follows:

"

Section B - Key information on the issuer					
Who is the Issuer of the securities?					
<p>Domicile and legal form of the Issuer UBS AG is incorporated and domiciled in Switzerland, with its registered offices at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCEMIK50.</p> <p>Principal activities of the Issuer The purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. It may provide loans, guarantees and other kinds of financing and security for group companies.</p> <p>Major shareholders of the Issuer UBS Group AG owns 100% of the outstanding shares of UBS AG.</p> <p>Identity of the key managing directors of the Issuer The key managing directors of the issuer are the members of the issuer's Executive Board ("EB"). These are: Ralph Hamers, Christian Bluhm, Mike Dargan, Markus U. Diethelm, Kirt Gardner, Suni Harford, Robert Karofsky, Iqbal Khan, Edmund Koh, Tom Naratil, and Markus Ronner. In addition, UBS has announced that Markus Diethelm is stepping down from the EB and Barbara Levi will succeed him as General Counsel effective 1 November 2021.</p> <p>Identity of the statutory auditors of the Issuer The statutory auditors of the issuer are Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel.</p>					
What is the key financial information regarding the Issuer?					
UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2020, 2019 and 2018 from the Annual Report 2020, except where noted. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The selected consolidated financial information included in the table below for the six months ended 30 June 2021 and 30 June 2020 was derived from the UBS AG Second Quarter 2021 Report.					
	As of or for the six months ended		As of or for the year ended		
<i>USD million, except where indicated</i>	30.6.21	30.6.20	31.12.20	31.12.19	31.12.18
	<i>unaudited</i>		<i>audited, except where indicated</i>		
Results					
Income statement					
Operating income	17,906	15,521	32,780	29,307	30,642
Net interest income	3,196	2,689	5,788	4,415	4,971
Net fee and commission income	11,282	9,336	19,207	17,460	17,930

Credit loss (expense) / release	108	(540)	(695)	(78)	(117)
Other net income from financial instruments measured at fair value through profit or loss	2,785	3,719	6,930	6,833	6,953
Operating expenses	13,274	12,197	25,081	24,138	25,184
Operating profit / (loss) before tax	4,632	3,324	7,699	5,169	5,458
Net profit / (loss) attributable to shareholders	3,623	2,615	6,196	3,965	4,107
Balance sheet					
Total assets	1,085,861		1,125,327	971,927	958,066
Total financial liabilities measured at amortized cost	721,311		732,364	617,429	612,174
of which: customer deposits	517,462		527,929	450,591	421,986
of which: debt issued measured at amortized cost	84,491		85,351	62,835	91,245
of which: subordinated debt ¹	5,232		7,744	7,431	7,511
Total financial liabilities measured at fair value through profit or loss	299,871		325,080	291,452	283,717
of which: debt issued designated at fair value	72,799		59,868	66,592	57,031
Loans and advances to customers	391,406		380,977	327,992	321,482
Total equity	55,645		58,073	53,896	52,400
Equity attributable to shareholders	55,361		57,754	53,722	52,224
Profitability and growth					
Return on equity (%)	12.7	9.3	10.9*	7.4*	7.9*
Return on tangible equity (%)	14.3	10.5	12.4*	8.5*	9.1*
Return on common equity tier 1 capital (%)	18.6	14.4	16.6*	11.3*	11.9*
Return on risk-weighted assets, gross (%)	12.4	11.6	11.9*	11.2*	12.0*
Return on leverage ratio denominator, gross (%) ²	3.4	3.4	3.4*	3.2*	3.4*
Cost / income ratio (%)	74.6	75.9	74.9*	82.1*	81.9*
Net profit growth (%)	38.5	10.1	56.3*	(3.4)*	441.9*
Resources					
Common equity tier 1 capital ³	40,190	37,403	38,181	35,233*	34,562*
Risk-weighted assets ³	290,470	284,798	286,743*	257,831*	262,840*
Common equity tier 1 capital ratio (%) ³	13.8	13.1	13.3*	13.7*	13.2*
Going concern capital ratio (%) ³	19.1	17.9	18.3*	18.3*	16.1*
Total loss-absorbing capacity ratio (%) ³	34.6	31.9	34.2*	33.9*	31.3*
Leverage ratio denominator ^{2,3}	1,039,375	974,135	1,036,771*	911,228*	904,455*
Common equity tier 1 leverage ratio (%) ^{2,3}	3.87	3.84	3.68*	3.87*	3.82*
Going concern leverage ratio (%) ^{2,3}	5.3	5.2	5.1*	5.2*	4.7*
Total loss-absorbing capacity leverage ratio (%) ³	9.7	9.3	9.5*	9.6*	9.1*
Other					
Invested assets (USD billion) ⁴	4,485	3,588	4,187	3,607	3,101

Personnel (full-time equivalents)	47,227	47,120	47,546*	47,005*	47,643*
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* unaudited

¹ Amount as at 31 December 2018 is derived from the Annual Report 2019.

² The leverage ratio denominators and leverage ratios for the respective periods in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19.

³ Based on the applicable Swiss systemically relevant bank framework as of 1 January 2020.

⁴ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

What are the key risks that are specific to the Issuer?

Credit risk in relation to UBS AG as Issuer

Each investor in securities issued by UBS AG as Issuer is exposed to the credit risk of UBS AG. The assessment of UBS AG's creditworthiness may be affected by a number of factors and developments. These include the COVID-19 pandemic and related response to it, market conditions and macroeconomic climate, credit risk exposure to clients and counterparties, low and negative interest rates, material legal and regulatory risks, changes to assumptions, valuations and accounting standards, UBS AG's success in executing its strategic plans, and operational risks.

If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors. If restructuring or liquidation proceedings are instituted against UBS AG, holders of securities may suffer a substantial or **total loss** on the securities.

..

6. Summary of the Summary and Securities Note in the German Language

The section headed "Section B – Basisinformationen über den Emittenten" of the Summary of the Summary and Securities Note in the German Language, shall be replaced as follows:

"

Abschnitt B – Basisinformationen über den Emittenten					
Wer ist die Emittentin der Wertpapiere?					
<i>Sitz und Rechtsform der Emittentin</i>					
UBS AG ist in der Schweiz gegründet, hat ihren Sitz in der Bahnhofstrasse 45, CH-8001 Zürich, Schweiz, und in Aeschenvorstadt 1, CH-4051 Basel, Schweiz, und ist nach dem Schweizerischen Obligationenrecht als Aktiengesellschaft tätig. Die Rechtsträgerkennung (Legal Entity Identifier, "LEI") der UBS AG ist BFM8T61CT2L1QCEMIK50.					
<i>Hauptgeschäftstätigkeiten der Emittentin</i>					
Zweck der UBS AG ist der Betrieb einer Bank. Ihr Geschäftskreis umfasst alle Arten von Bank-, Finanz-, Beratungs-, Dienstleistungs- und Handelsgeschäften in der Schweiz und in anderen Jurisdiktionen. UBS AG kann Mittel am Kapitalmarkt aufnehmen und anlegen. Sie kann Darlehen, Garantien und andere Arten der Finanzierung und von Sicherheitsleistungen für Konzerngesellschaften gewähren.					
<i>Wesentliche Aktionäre der Emittentin</i>					
Die UBS Group AG ist Eigentümerin von 100 Prozent der ausstehenden Aktien der UBS AG.					
<i>Identität der wesentlichen Geschäftsleiter der Emittentin</i>					
Die wesentlichen Geschäftsleiter der Emittentin sind die Mitglieder ihrer Geschäftsleitung (" EB "). Die Mitglieder sind: Ralph Hamers, Christian Bluhm, Mike Dargan, Markus U. Diethelm, Kirt Gardner, Suni Harford, Robert Karofsky, Iqbal Khan, Edmund Koh, Tom Naratil und Markus Ronner. Darüber hinaus hat UBS bekannt gegeben, dass Markus Diethelm aus der EB zurücktreten und Barbara Levi mit Wirkung zum 1. November 2021 die Nachfolge als General Counsel antreten wird.					
<i>Identität des Abschlussprüfers der Emittentin</i>					
Der Abschlussprüfer der Emittentin ist Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel.					
Welches sind die wesentlichen Finanzinformationen über die Emittentin?					
Die ausgewählten konsolidierten Finanzinformationen in der folgenden Tabelle für die am 31. Dezember 2020, 2019 und 2018 endenden Geschäftsjahre stammen aus dem Geschäftsbericht 2020, sofern nicht anders angegeben. Die konsolidierten Abschlüsse wurden in Übereinstimmung mit den International Financial Reporting Standards (" IFRS ") des International Accounting Standards Board (" IASB ") erstellt. Die ausgewählten konsolidierten Finanzinformationen, die in der nachstehenden Tabelle für die am 30. Juni 2021 und am 30. Juni 2020 abgeschlossenen sechs Monate enthalten sind, stammen aus dem zweiten Quartalsbericht 2021 der UBS AG.					
	Für die sechs Monate endend am oder per		Für das Jahr endend am oder per		
<i>Mio, USD, Ausnahmen sind angegeben</i>	30.6.21	30.6.20	31.12.20	31.12.19	31.12.18
	<i>Ungeprüft</i>		<i>Geprüft, Ausnahmen sind angegeben</i>		
Ergebnisse					
Gewinn- und Verlustrechnung					

Geschäftsertrag	17.906	15.521	32.780	29.307	30.642
Nettozinserträge	3.196	2.689	5.788	4.415	4.971
Provisionsüberschuss	11.282	9.336	19.207	17.460	17.930
Wertberichtigungen für Kreditrisiken	108	(540)	(695)	(78)	(117)
Andere Erträge aus erfolgswirksam zum Zeitwert bilanzierten Finanzinstrumenten	2.785	3.719	6.930	6.833	6.953
Geschäftsaufwand	13.274	12.197	25.081	24.138	25.184
Ergebnis vor Steuern	4.632	3.324	7.699	5.169	5.458
Den Aktionären zurechenbares Ergebnis	3.623	2.615	6.196	3.965	4.107
Bilanz					
Bilanzsumme	1.085.861		1.125.327	971.927	958.066
Gesamte zu fortgeführten Anschaffungskosten bewertete Finanzverbindlichkeiten	721.311		732.364	617.429	612.174
<i>davon: Kundeneinlagen</i>	517.462		527.929	450.591	421.986
<i>davon: zu fortgeführten Anschaffungskosten bewertete Schuldtitel</i>	84.491		85.351	62.835	91.245
<i>davon: nachrangige Verbindlichkeiten ¹</i>	5.232		7.744	7.431	7.511
Gesamte finanzielle Verbindlichkeiten, die erfolgswirksam zum beizulegenden Zeitwert bewertet werden	299.871		325.080	291.452	283.717
<i>davon: Schuldtitel, die zum beizulegenden Zeitwert bewertet werden</i>	72.799		59.868	66.592	57.031
Forderungen an Kunden	391.406		380.977	327.992	321.482
Gesamteigenkapital	55.645		58.073	53.896	52.400
Den Aktionären zurechenbares Eigenkapital	55.361		57.754	53.722	52.224
Profitabilität und Wachstum					
Rendite auf Eigenkapital (%)	12,7	9,3	10,9*	7,4*	7,9*
Rendite auf das materielle Eigenkapital (%)	14,3	10,5	12,4*	8,5*	9,1*
Rendite auf Hartes Kernkapital (CET1) (%)	18,6	14,4	16,6*	11,3*	11,9*
Rendite auf risikogewichteten Aktiven brutto (%)	12,4	11,6	11,9*	11,2*	12,0*
Rendite auf den Leverage Ratio-Nenner brutto (%) ²	3,4	3,4	3,4*	3,2*	3,4*

Verhältnis von Geschäftsaufwand / Geschäftsertrag (%)	74,6	75,9	74,9*	82,1*	81,9*
Wachstum des Ergebnisses (%)	38,5	10,1	56,3*	(3,4)*	441,9*
Resourcen					
Hartes Kernkapital (CET1) ³	40.190	37.403	38.181	35.233*	34.562*
Risikogewichtige Aktiven ³	290.470	284.798	286.743*	257.831*	262.840*
Harte Kernkapitalquote (CET1) (%) ³	13,8	13,1	13,3*	13,7*	13,2*
Going Concern Kapitalquote (%) ³	19,1	17,9	18,3*	18,3*	16,1*
Total Verlustabsorptionsfähigkeit Ratio (%) ³	34,6	31,9	34,2*	33,9*	31,3*
Leverage Ratio-Nenner ^{2,3}	1.039.375	974.135	1.036.771*	911.228*	904.455*
Harte Kernkapitalquote (CET1)	3,87	3,84	3,68*	3,87*	3,82*
Leverage Ratio (%) ^{2,3}					
Going Concern Leverage Ratio (%) ^{2,3}	5,3	5,2	5,1*	5,2*	4,7*
Total Verlustabsorptionsfähigkeit Leverage Ratio (%) ³	9,7	9,3	9,5*	9,6*	9,1*
Andere					
Verwaltete Vermögen (in Mrd, USD) ⁴	4.485	3.588	4.187	3.607	3.101
Personal (auf Vollzeitbasis)	47.227	47.120	47.546*	47.005*	47.643*
* ungeprüft					
¹ Der Betrag zum 31. Dezember 2018 wird aus dem Geschäftsbericht 2019 abgeleitet. ² Die Leverage-Ratio-Nenner und Leverage Ratios für die jeweiligen Perioden im Jahr 2020 spiegeln nicht die Auswirkungen der temporären Ausnahme wider, die vom 25. März 2020 bis zum 1. Januar 2021 galt und von der FINMA im Zusammenhang mit COVID-19 gewährt wurde. ³ Basiert auf den anwendbaren Regeln für Schweizer systemrelevante Banken (SRB) ab dem 1. Januar 2020. ⁴ Besteht aus dem Vermögen unter der Verwaltung von Global Wealth Management, Asset Management und Personal & Corporate Banking.					
Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?					
Kreditrisiko im Zusammenhang mit UBS AG als Emittentin Jeder Anleger in Wertpapieren, die von der UBS AG als Emittentin ausgegebenen werden, unterliegt dem Kreditrisiko der UBS AG. Die Bewertung der Bonität der UBS AG kann durch eine Reihe von Faktoren und Entwicklungen beeinflusst werden. Dazu gehören die COVID-19-Pandemie und die damit verbundene Reaktion darauf, Marktbedingungen und makroökonomisches Klima, das Kreditrisiko in Bezug auf Kunden und Gegenparteien, niedrige und negative Zinssätze, wesentliche rechtliche und regulatorische Risiken, Änderungen von Annahmen, Bewertungen und Rechnungslegungsstandards, der Erfolg der UBS AG bei der Umsetzung ihrer strategischen Pläne und betriebliche Risiken. Falls UBS in finanzielle Schwierigkeiten gerät, hat FINMA die Befugnis, in Bezug auf UBS Group AG, UBS AG oder UBS Switzerland AG Sanierungs- oder Liquidationsverfahren zu eröffnen oder Schutzmaßnahmen aufzuerlegen, und solche Verfahren oder Maßnahmen können eine wesentlich nachteilige Auswirkung auf Aktionäre und Gläubiger der UBS haben. Falls Sanierungs-					

oder Liquidationsverfahren in Bezug auf UBS AG eröffnet werden, können Inhaber von Wertpapieren einen erheblichen oder vollständigen Verlust in Bezug auf die Wertpapiere erleiden.

„

ADDRESS LIST

ISSUER

Registered Head Office

UBS AG
Bahnhofstrasse 45
8001 Zurich
Switzerland

UBS AG
Aeschenvorstadt 1
4051 Basel
Switzerland

Executive Office of UBS AG, Jersey Branch

UBS AG, Jersey Branch
24 Union Street
St. Helier JE2 3RF
Jersey
Channel Islands

Executive Office of UBS AG, London Branch

UBS AG, London Branch
5 Broadgate
London EC2M 2QS
United Kingdom

Availability of Documents

The Registration Document dated 12 October 2020,

the Securities Note dated 8 September 2020 for the offer Certificates Linked to a Notional Reference Portfolio,

the Securities Note dated 17 December 2020 for the offer Certificates Linked to a Notional Reference Portfolio,

the Securities Note dated 3 November 2020 for the offer of Securities,

the Securities Note dated 5 May 2021 for the offer of Warrants and other leveraged Securities,

the Securities Note dated 16 June 2021 for the offer of Securities,

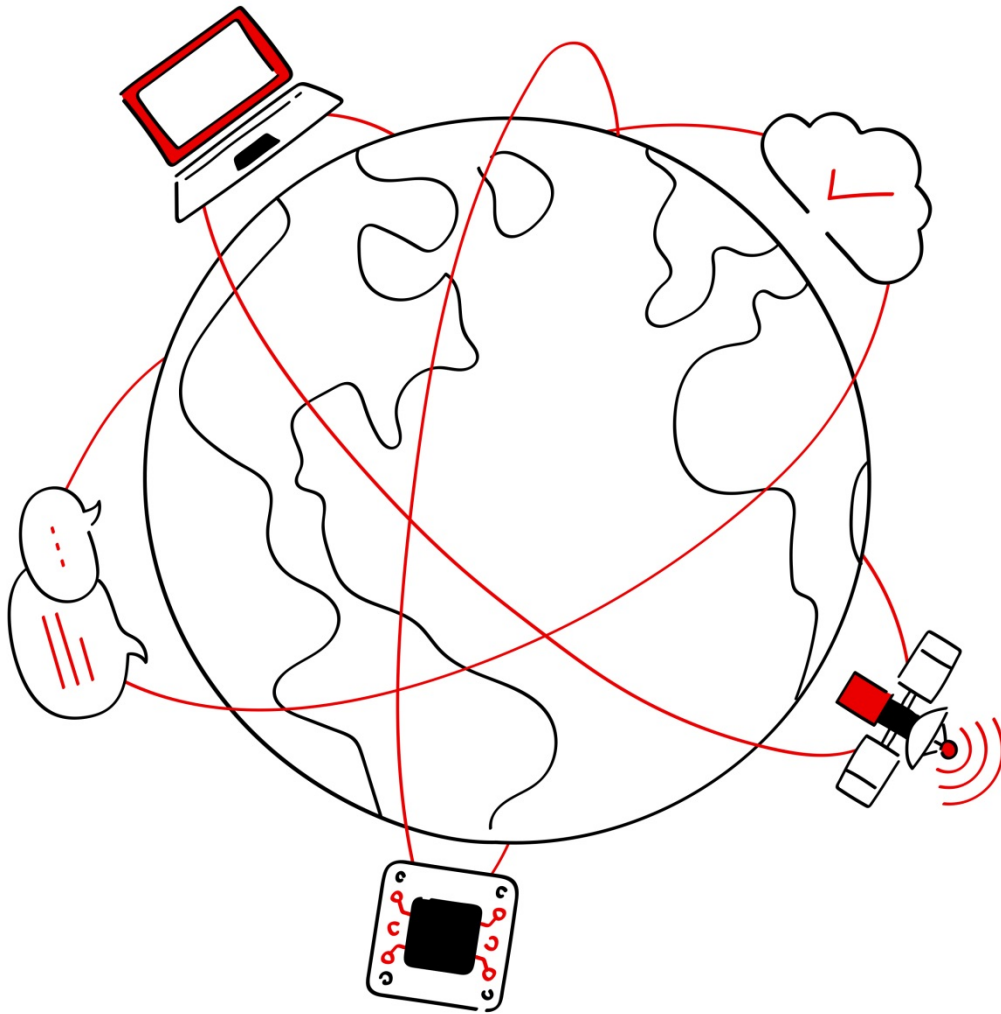
the Summary and Securities Note for the issue / public offer of 500,000 Portfolio Certificates linked to the linked to the Smart Health Care Portfolio dated 24 June 2021 (ISIN: DE000US8MAR5),

the Securities Note dated 25 June 2021 for the offer of Express Securities, Twin Win Securities, Speeder Securities, Outperformance Plus Securities, Bonus Securities, Dolphin Securities, Capital Protected Securities, Accumulator Securities, GOAL Securities, Perles Plus Securities, Sprinter Securities, Discount Securities and Buy on Dips Securities,

and all supplements thereto, if any, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website <https://keyinvest-de.ubs.com/rechtliche-dokumentation> or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on <http://keyinvest-de.ubs.com/bekanntmachungen>.

In addition, the annual and quarterly financial reports of UBS AG and UBS Group AG are published on UBS's website, at www.ubs.com/investors or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on <http://keyinvest-de.ubs.com/bekanntmachungen>.

The UBS Group Second Quarter 2021 Report



Our financial results

Second quarter 2021 report

Corporate calendar UBS Group AG

Publication of the third quarter 2021 report:
Publication of the fourth quarter 2021 report:

Tuesday, 26 October 2021
Tuesday, 1 February 2022

Corporate calendar UBS AG

Publication of the second quarter 2021 report: Friday, 23 July 2021

Publication dates of future quarterly and annual reports and results are made available as part of the corporate calendar of UBS AG at ubs.com/investors

Contacts

Switchboards

For all general inquiries
ubs.com/contact

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Our key figures

USD million, except where indicated	As of or for the quarter ended				As of or year-to-date	
	30.6.21	31.3.21	31.12.20	30.6.20	30.6.21	30.6.20
Group results						
Operating income	8,976	8,705	8,117	7,403	17,681	15,337
Operating expenses	6,384	6,407	6,132	5,821	12,790	11,747
Operating profit / (loss) before tax	2,593	2,298	1,985	1,582	4,891	3,591
Net profit / (loss) attributable to shareholders	2,006	1,824	1,636	1,232	3,830	2,827
Diluted earnings per share (USD) ¹	0.55	0.49	0.44	0.33	1.04	0.76
Profitability and growth²						
Return on equity (%)	13.7	12.4	11.0	8.6	13.1	9.9
Return on tangible equity (%)	15.4	14.0	12.4	9.7	14.7	11.2
Return on common equity tier 1 capital (%)	19.3	18.2	16.8	13.2	18.8	15.4
Return on risk-weighted assets, gross (%)	12.2	12.0	11.4	10.7	12.1	11.4
Return on leverage ratio denominator, gross (%) ³	3.4	3.3	3.2	3.2	3.4	3.3
Cost / income ratio (%)	71.8	73.8	74.9	75.8	72.8	74.0
Effective tax rate (%)	22.4	20.5	17.2	21.9	21.5	21.1
Net profit growth (%)	62.8	14.3	126.7	(11.5)	35.5	11.6
Resources²						
Total assets	1,086,519	1,107,712	1,125,765	1,063,849	1,086,519	1,063,849
Equity attributable to shareholders	58,765	58,026	59,445	57,003	58,765	57,003
Common equity tier 1 capital ⁴	42,583	40,426	39,890	38,114	42,583	38,114
Risk-weighted assets ⁴	293,277	287,828	289,101	286,436	293,277	286,436
Common equity tier 1 capital ratio (%) ⁴	14.5	14.0	13.8	13.3	14.5	13.3
Going concern capital ratio (%) ⁴	20.2	19.6	19.4	18.7	20.2	18.7
Total loss-absorbing capacity ratio (%) ⁴	35.6	35.0	35.2	32.7	35.6	32.7
Leverage ratio denominator ^{3,4}	1,039,939	1,038,225	1,037,150	974,359	1,039,939	974,359
Common equity tier 1 leverage ratio (%) ^{3,4}	4.09	3.89	3.85	3.91	4.09	3.91
Going concern leverage ratio (%) ^{3,4}	5.7	5.4	5.4	5.5	5.7	5.5
Total loss-absorbing capacity leverage ratio (%) ⁴	10.0	9.7	9.8	9.6	10.0	9.6
Liquidity coverage ratio (%) ⁵	156	151	152	155	156	155
Other						
Invested assets (USD billion) ⁶	4,485	4,306	4,187	3,588	4,485	3,588
Personnel (full-time equivalents)	71,304	71,779	71,551	69,931	71,304	69,931
Market capitalization ¹	53,218	54,536	50,013	41,303	53,218	41,303
Total book value per share (USD) ¹	16.90	16.47	16.74	15.89	16.90	15.89
Total book value per share (CHF) ¹	15.64	15.57	14.82	15.05	15.64	15.05
Tangible book value per share (USD) ¹	15.05	14.65	14.91	14.10	15.05	14.10
Tangible book value per share (CHF) ¹	13.92	13.85	13.21	13.36	13.92	13.36

¹ Refer to the "Share information and earnings per share" section of this report for more information. ² Refer to the "Performance targets and capital guidance" section of our Annual Report 2020 for more information about our performance targets. ³ Leverage ratio denominators and leverage ratios for the respective periods in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ⁴ Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. ⁵ Refer to the "Liquidity and funding management" section of this report for more information. ⁶ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of our Annual Report 2020 for more information.

Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in the discussion of the financial and operating performance of the Group, our business divisions and our Group Functions. We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented under "Alternative performance measures" in the appendix to this report. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

UBS Group

Management report

Terms used in this report, unless the context requires otherwise

"UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our"	UBS Group AG and its consolidated subsidiaries
"UBS AG consolidated"	UBS AG and its consolidated subsidiaries
"UBS Group AG" and "UBS Group AG standalone"	UBS Group AG on a standalone basis
"UBS AG" and "UBS AG standalone"	UBS AG on a standalone basis
"UBS Switzerland AG" and "UBS Switzerland AG standalone"	UBS Switzerland AG on a standalone basis
"UBS Europe SE consolidated"	UBS Europe SE and its consolidated subsidiaries
"UBS Americas Holding LLC" and "UBS Americas Holding LLC consolidated"	UBS Americas Holding LLC and its consolidated subsidiaries

Recent developments

Our response to COVID-19

While vaccination campaigns are progressing and many economies are recovering, localized outbreaks, the spread of new variants of COVID-19, and uneven vaccination rates are causing uncertainty around a sustainable recovery.

We monitor country- and location-specific developments, as well as the gradual lifting of lockdowns and similar measures imposed to control the pandemic, and are adapting our plans for the return of employees to our offices accordingly, while continuing to prioritize the health and safety of our employees and clients.

Following earlier donations to various COVID-19-related aid projects that support communities across regions in which we operate, we committed a further USD 1.5 million to support a range of relief programs in India in the second quarter of 2021, with the first tranche focusing on the delivery of oxygen and other medical supplies to those most in need. Additionally, we have provided support to employees in India in the event of significant medical expenditures and helped ensure their well-being through various tele-healthcare, emergency- and community-support measures.

The program established by the Swiss Federal Council in March 2020 to support small and medium-sized entities (SMEs) by granting loans closed on 31 July 2020. Outstanding commitments under the program amounted to CHF 2.6 billion on 30 June 2021, with a total amount drawn of CHF 1.7 billion.

Regulatory and legal developments

Swiss Federal Council report on systemically important banks

In June 2021, the Swiss Federal Council issued the results of its bi-annual review of the Swiss too-big-to-fail regulatory framework. The report concludes that no fundamental changes to the framework are needed. Potential areas for adjustment identified include the further tightening of the liquidity requirements for systemically important banks and the alignment of incentive systems to support a bank's resolvability.

Further details on potential changes to the regulatory framework are expected by the end of 2021.

The Swiss Responsible Business Initiative counterproposal

After the Responsible Business Initiative (the RBI) was rejected in the November 2020 public vote, the Swiss Federal Office of Justice issued a consultation on the implementation of the RBI

counterproposal in April 2021. The counterproposal consists of a non-financial reporting obligation covering environmental, social and governance topics based on the EU Non-Financial Reporting Directive and also includes new due diligence requirements in the areas of child labor and conflict minerals. The ordinance will apply to firms that are headquartered in Switzerland and are considered large public-interest companies with more than 500 employees. Given UBS's existing due diligence and reporting procedures, the impact is expected to be limited. The RBI counterproposal will be subject to parliamentary discussion in Switzerland.

Swiss stamp duty and withholding tax

In June 2021, the Swiss Parliament approved an extension of the current withholding tax exemption for total loss-absorbing capacity instruments, including additional tier 1, from 2021 until the end of 2026. It also decided to abolish the stamp duty on the issuance of equity capital. The decisions of the Swiss Parliament are still subject to an optional referendum.

The Swiss Federal Council also adopted a dispatch on the Withholding Tax Act reform, which, if also passed by the Swiss Parliament, would maintain the withholding tax on interest paid on bank deposits of natural persons with tax domicile in Switzerland, abolish the withholding tax on bond interest payments and discontinue the turnover stamp duty on domestic bonds.

Planned privatization of PostFinance AG

In June 2021, the Swiss Federal Council submitted to the Swiss Parliament a dispatch on the privatization of PostFinance AG, a Swiss systemically important bank. If the revision passes the legislative process, which is expected to start later this year, reform could further intensify competition in the Swiss mortgage market.

The Institutional Framework Agreement with the EU

In May 2021, the Swiss Federal Council terminated negotiations on the Institutional Framework Agreement (the IFA) between Switzerland and the EU due to substantial differences of opinion with regard to key aspects of the agreement. The IFA would have formed a mutually agreed basis to consolidate and further develop Switzerland's bilateral market access approach with the EU. As a result, the EU is unlikely to be ready to conclude new market access agreements with Switzerland in the near future.

Federal Reserve Board stress test results

In June 2021, the Federal Reserve Board (the FRB) released the results of the 2021 Dodd–Frank Act Stress Test (DFAST), which is complementary to the Federal Reserve’s Comprehensive Capital Adequacy Review (CCAR) process. UBS’s intermediate holding company, UBS Americas Holding LLC, exceeded minimum capital requirements under the severely adverse scenario. The FRB also lifted the temporary limitations on capital distributions imposed during the pandemic. As a result, UBS Americas Holding LLC is permitted to make capital distributions as long as it maintains compliance with its total capital requirements, including its stress capital buffer.

Registration under the US security-based swaps regulations

UBS AG will be required to register as a security-based swap dealer with the US Securities and Exchange Commission (the SEC) by 1 November 2021. UBS AG has made a substituted compliance application that would permit it to comply with comparable provisions of Swiss law instead of the corresponding SEC regulations. FINMA has entered into negotiations with the SEC to agree a memorandum of understanding, which is a condition to SEC approval of substituted compliance and to permanent registration. A failure to obtain substituted compliance may require UBS to restructure its operations and would likely result in substantial costs to implement additional SEC requirements.

OECD corporate tax reform

In June 2021, the G7 agreed to continue to work on the Organisation for Economic Co-operation and Development (the OECD) blueprint for the international tax reform, which was subsequently endorsed by the G20 at their July 2021 meeting. Specific details concerning the OECD blueprint will be developed and released in advance of the OECD meeting in October 2021. UBS is monitoring the developments closely and will be in a position to evaluate the potential impact on UBS once a detailed framework has been released.

Environmental, social and governance (ESG) matters and climate-related risks

In May 2021, FINMA published the revised Circular 2016/01 “Disclosure – banks,” which will require disclosure of climate-related financial risk information for Swiss systemically important banks, including UBS. The disclosure requirements are based on the recommendations of the Financial Stability Board (the FSB) Task Force on Climate-related Financial Disclosures (the TCFD) and cover governance, strategy and risk management, as well as quantitative information regarding climate-related financial risks. The requirements will be applicable for our 2021 annual reporting.

In July 2021, the European Commission (the EC) adopted regulations prescribing the content, methodology and presentation of climate-related disclosures that are required under Art. 8 of the EU Taxonomy Regulation. As part of their non-financial reporting, credit institutions will be required to disclose a green asset ratio covering the banking book and certain trading portfolios, as well as other key performance indicators (KPIs), including the proportion of green taxonomy-aligned off-balance sheet exposures and fees and commission income. Starting with the annual reporting for 2021, taxonomy-eligible assets are required to be disclosed; the remaining set of KPIs is to be fully phased in for our annual reporting for 2025. These disclosure requirements will apply to UBS AG and UBS Europe SE.

The TCFD has commenced a consultation with respect to more concrete and detailed guidance on climate-related metrics, targets and transition plans, as well as with respect to a related technical supplement, aiming to improve existing guidance and to increase comparability across financial disclosures. The TCFD aims to finalize the guidance in the second half of 2021.

We published our Net Zero statement in April 2021, which outlines our ambitions around climate and sustainability covering our company, our clients, our communities and our employees. We also announced the appointment of Suni Harford as UBS Group Executive Board sponsor, a position that she has taken on in addition to her role as President Asset Management, to lead our sustainability-related efforts, building on more than two decades of our endeavors in this field. In June 2021, we issued our inaugural green bonds, with a euro and a Swiss franc offering.

› Refer to ubs.com/sustainability for more information

Other developments

Sale of our remaining investment in Clearstream Fund Centre

On 1 June 2021, we sold our remaining minority investment in Clearstream Fund Centre to Deutsche Börse AG for CHF 390 million. The transaction follows the sale of a majority investment and successful transfer of control of Fondcenter AG to Deutsche Börse AG in September 2020. The sale of our remaining 48.8% investment resulted in a post-tax gain of USD 37 million in Asset Management, with no associated net tax expense. The increase in UBS’s common equity tier 1 (CET1) capital of USD 412 million was significantly greater than the gain in IFRS equity, due to the effect of goodwill associated with the investment, which had been deducted from CET1 capital. Long-term commercial cooperation arrangements remain in place for the provision of services by Clearstream to UBS, including jointly servicing banks and insurance companies.

Group performance

Income statement

<i>USD million</i>	For the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Net interest income	1,628	1,613	1,392	1	17	3,241	2,722
Other net income from financial instruments measured at fair value through profit or loss	1,479	1,309	1,932	13	(23)	2,787	3,738
Credit loss (expense) / release	80	28	(272)	180		108	(540)
Fee and commission income	6,041	6,169	4,729	(2)	28	12,210	10,207
Fee and commission expense	(484)	(478)	(419)	1	16	(962)	(875)
Net fee and commission income	5,557	5,691	4,311	(2)	29	11,248	9,332
Other income	233	64	41	267	471	297	84
Total operating income	8,976	8,705	7,403	3	21	17,681	15,337
Personnel expenses	4,772	4,801	4,283	(1)	11	9,573	8,604
General and administrative expenses	1,103	1,089	1,063	1	4	2,192	2,196
Depreciation and impairment of property, equipment and software	500	508	458	(2)	9	1,009	914
Amortization and impairment of goodwill and intangible assets	9	8	17	4	(48)	17	32
Total operating expenses	6,384	6,407	5,821	0	10	12,790	11,747
Operating profit / (loss) before tax	2,593	2,298	1,582	13	64	4,891	3,591
Tax expense / (benefit)	581	471	347	23	68	1,053	757
Net profit / (loss)	2,012	1,827	1,236	10	63	3,838	2,833
Net profit / (loss) attributable to non-controlling interests	6	3	3	81	70	9	6
Net profit / (loss) attributable to shareholders	2,006	1,824	1,232	10	63	3,830	2,827

Comprehensive income

Total comprehensive income	2,602	(339)	209			2,263	4,405
Total comprehensive income attributable to non-controlling interests	20	(9)	4		355	10	3
Total comprehensive income attributable to shareholders	2,582	(330)	205			2,252	4,402

Results: 2Q21 vs 2Q20

Profit before tax increased by USD 1,011 million, or 64%, to USD 2,593 million, reflecting higher operating income, partly offset by an increase in operating expenses. Operating income increased by USD 1,573 million, or 21%, to USD 8,976 million, mainly reflecting USD 1,246 million higher net fee and commission income. Net credit loss releases were USD 80 million, compared with net credit loss expenses of USD 272 million in the prior-year quarter. In addition, other income increased by USD 192 million. These effects were partly offset by a USD 218 million decrease in net interest income and other net income from financial instruments measured at fair value through profit or loss. Operating expenses increased by USD 563 million, or 10%, to USD 6,384 million, mainly reflecting USD 489 million higher personnel expenses.

Operating income: 2Q21 vs 2Q20

Total operating income increased by USD 1,573 million, or 21%, to USD 8,976 million.

Net interest income and other net income from financial instruments measured at fair value through profit or loss

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss decreased by USD 218 million to USD 3,106 million, mainly driven by the Investment Bank and Group Functions.

The Investment Bank decreased by USD 199 million to USD 1,297 million, mainly reflecting USD 131 million lower income in the Derivatives & Solutions business, compared with strong revenues in the second quarter of 2020, when the Foreign Exchange, Rates and Credit businesses benefited from higher client activity levels driven by the COVID-19 pandemic. This was partly offset by higher revenues in Equity Derivatives. In addition, an USD 87 million loss was incurred from the exit of remaining exposures relating to the default of a client of our prime brokerage business in the first quarter of 2021.

Group Functions changed by USD 88 million, from negative USD 70 million to negative USD 158 million. This was mainly due to the Group Treasury result of negative USD 92 million, compared with negative USD 46 million in the prior-year quarter, mainly due to net negative effects related to accounting asymmetries, including hedge accounting ineffectiveness, partly offset by lower negative income related to centralized Group Treasury risk management. In addition, Non-core and Legacy Portfolio decreased by USD 32 million, mainly due to valuation losses of USD 25 million on auction rate securities.

» Refer to "Note 3 Net interest income" in the "Consolidated financial statements" section of this report for more information about net interest income

Net interest income and other net income from financial instruments measured at fair value through profit or loss

USD million	For the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,270	1,264	1,041	0	22	2,535	2,110
Net interest income from financial instruments measured at fair value through profit or loss	357	349	351	2	2	706	612
Other net income from financial instruments measured at fair value through profit or loss	1,479	1,309	1,932	13	(23)	2,787	3,738
Total	3,106	2,922	3,324	6	(7)	6,028	6,461
Global Wealth Management	1,321	1,300	1,291	2	2	2,622	2,622
of which: net interest income	1,026	997	1,023	3	0	2,023	2,054
of which: transaction-based income from foreign exchange and other intermediary activity ¹	295	303	269	(3)	10	598	569
Personal & Corporate Banking	643	605	608	6	6	1,247	1,217
of which: net interest income	526	513	517	3	2	1,039	1,029
of which: transaction-based income from foreign exchange and other intermediary activity ¹	117	92	91	27	28	208	188
Asset Management	4	(7)	(3)			(3)	(6)
Investment Bank ²	1,297	1,084	1,496	20	(13)	2,381	3,106
Global Banking	157	143	158	9	(1)	300	270
Global Markets	1,140	941	1,338	21	(15)	2,081	2,836
Group Functions	(158)	(60)	(70)	165	127	(218)	(479)

¹ Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line Other net income from financial instruments measured at fair value through profit or loss. The amounts reported on this line are one component of Transaction-based income in the management discussion and analysis in the "Global Wealth Management" and "Personal & Corporate Banking" sections of this report. ² Investment Bank information is provided at the business-line level, rather than by financial statement reporting line, in order to reflect the underlying business activities, which is consistent with the structure of the management discussion and analysis in the "Investment Bank" section of this report.

Net fee and commission income

Net fee and commission income increased by USD 1,246 million to USD 5,557 million.

Fees for portfolio management and related services increased by USD 613 million to USD 2,426 million, largely driven by Global Wealth Management, mainly reflecting the effect of higher average fee-generating assets.

M&A and corporate finance fees increased by USD 213 million to USD 330 million, primarily reflecting higher revenues from M&A transactions in our Global Banking business in the Investment Bank, due to an increase in the size and number of transactions closed in the second quarter of 2021.

Investment fund fees increased by USD 208 million to USD 1,405 million, driven by Asset Management and Global Wealth Management. Higher management fees in Asset Management reflected a higher average invested asset base, partly offset by lower performance-based fees. The increase in Global Wealth Management mainly reflected higher average fee-generating assets.

Underwriting fees increased by USD 130 million to USD 387 million, driven by higher equity underwriting revenues from public offerings in the Investment Bank.

- › Refer to “Note 4 Net fee and commission income” in the “Consolidated financial statements” section of this report for more information

Other income

Other income was USD 233 million, compared with USD 41 million, mainly reflecting gains of USD 101 million from properties held for sale, largely driven by the sale of a property in Basel, and income of USD 45 million related to a legacy bankruptcy claim. In addition, a gain of USD 37 million was recognized on the sale of UBS’s remaining minority investment in Clearstream Fund Centre to Deutsche Börse AG.

- › Refer to the “Recent developments” section of this report for more information about the sale of our remaining investment in Clearstream Fund Centre

Credit loss expense / release

Total net credit loss releases were USD 80 million, compared with net credit loss expenses of USD 272 million in the prior-year quarter, reflecting net releases of USD 88 million related to stage 1 and 2 positions and net expenses of USD 8 million related to credit-impaired (stage 3) positions. The USD 88 million stage 1 and 2 net release included the partial release of a post-model adjustment of USD 91 million (representing one-third of the USD 273 million scenario-driven model output effects from the third quarter of 2020 to the second quarter of 2021), due to the continued positive trend in macroeconomic scenario input data.

- › Refer to “Note 7 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information

Credit loss (expense) / release

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
For the quarter ended 30.6.21						
Stages 1 and 2	13	51	0	24	(1)	88
Stage 3	0	(5)	0	(3)	0	(8)
Total credit loss (expense) / release	14	46	0	21	(1)	80

For the quarter ended 31.3.21

Stages 1 and 2	4	16	0	5	0	26
Stage 3	(2)	8	0	(4)	0	3
Total credit loss (expense) / release	3	23	0	2	0	28

For the quarter ended 30.6.20

Stages 1 and 2	(45)	(100)	0	(56)	0	(202)
Stage 3	(19)	(10)	0	(22)	(20)	(70)
Total credit loss (expense) / release	(64)	(110)	0	(78)	(20)	(272)

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Year-to-date 30.6.21						
Stages 1 and 2	18	67	0	30	(1)	114
Stage 3	(1)	2	0	(7)	0	(6)
Total credit loss (expense) / release	16	69	0	23	(1)	108

Year-to-date 30.6.20

Stages 1 and 2	(57)	(116)	0	(118)	0	(291)
Stage 3	(61)	(71)	0	(82)	(35)	(249)
Total credit loss (expense) / release	(117)	(187)	0	(200)	(35)	(540)

Operating expenses: 2Q21 vs 2Q20

Operating expenses increased by USD 563 million, or 10%, to USD 6,384 million.

Personnel expenses

Personnel expenses increased by USD 489 million to USD 4,772 million, including net restructuring expenses of USD 89 million, compared with USD 21 million in the prior-year quarter. Total restructuring expenses this quarter are net of curtailment gains of USD 59 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities. Expenses for salaries and variable compensation increased by USD 249 million, primarily driven by higher restructuring expenses and foreign currency translation effects. Financial advisor compensation increased by USD 242 million, as a result of higher compensable revenues.

- › Refer to “Note 5 Personnel expenses” in the “Consolidated financial statements” section of this report for more information

General and administrative expenses

General and administrative expenses increased by USD 40 million to USD 1,103 million, driven by higher net expenses for

litigation, regulatory and similar matters, and increased IT expenses, partly offset by lower consulting fees and other general and administrative expenses.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

- › Refer to “Note 6 General and administrative expenses” in the “Consolidated financial statements” section of this report for more information
- › Refer to “Note 14 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report and to the “Regulatory and legal developments” and “Risk factors” sections of our Annual Report 2020 for more information about litigation, regulatory and similar matters

Depreciation, amortization and impairment

Depreciation and impairment of property, equipment and software increased by USD 42 million to USD 500 million, mainly related to internally developed software.

Operating expenses

USD million	For the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Personnel expenses	4,772	4,801	4,283	(1)	11	9,573	8,604
of which: salaries and variable compensation	2,945	2,871	2,696	3	9	5,816	5,258
of which: financial advisor compensation ¹	1,183	1,170	941	1	26	2,353	2,035
of which: other personnel expenses ²	644	759	645	(15)	0	1,403	1,311
General and administrative expenses	1,103	1,089	1,063	1	4	2,192	2,196
of which: net expenses for litigation, regulatory and similar matters	63	9	2	626		72	8
of which: other general and administrative expenses	1,039	1,080	1,061	(4)	(2)	2,120	2,188
Depreciation and impairment of property, equipment and software	500	508	458	(2)	9	1,009	914
Amortization and impairment of goodwill and intangible assets	9	8	17	4	(48)	17	32
Total operating expenses	6,384	6,407	5,821	0	10	12,790	11,747

¹ Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Consists of expenses related to contractors, social security, and post-employment benefit plans, as well as other personnel expenses.

Tax: 2Q21 vs 2Q20

We recognized income tax expenses of USD 581 million for the second quarter of 2021, representing an effective tax rate of 22.4%, compared with USD 347 million for the second quarter of 2020 and an effective tax rate of 21.9%. Current tax expenses were USD 362 million, compared with USD 343 million, and related to taxable profits of UBS Switzerland AG and other entities. Deferred tax expenses were USD 219 million, compared with USD 4 million, and primarily related to the

amortization of deferred tax assets previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc.

We expect a tax rate of around 25% for the second half of 2021, excluding any potential effects from the reassessment of deferred tax assets in connection with our business planning process and any potential US corporate tax rate changes or other jurisdictional statutory tax rate changes that could be enacted during the year.

Total comprehensive income attributable to shareholders

In the second quarter of 2021, total comprehensive income attributable to shareholders was positive USD 2,582 million, reflecting net profit of USD 2,006 million and other comprehensive income (OCI), net of tax, of positive USD 576 million.

Foreign currency translation OCI was positive USD 255 million, mainly resulting from the strengthening of the Swiss franc (2%) against the US dollar.

OCI related to cash flow hedges was positive USD 222 million, mainly reflecting an increase in unrealized gains on US dollar hedging derivatives resulting from decreases in the relevant US dollar long-term interest rates.

OCI related to own credit on financial liabilities designated at fair value was positive USD 118 million, primarily due to a widening of our own credit spreads.

Defined benefit plan OCI was negative USD 17 million in the second quarter of 2021, mainly related to our Swiss pension plan, which recorded negative net pre-tax OCI of USD 58 million. This was primarily driven by a pension plan curtailment of USD 59 million that reduced the defined benefit obligation against profit or loss but led to an offsetting OCI loss as no net pension asset could be recognized on the balance sheet as of 30 June 2021 due to the asset ceiling. Net pre-tax OCI related to our non-Swiss pension plans was positive USD 37 million.

- › Refer to **“Statement of comprehensive income” in the “Consolidated financial statements” section of this report for more information**
- › Refer to **“Note 8 Fair value measurement” in the “Consolidated financial statements” section of this report for more information about own credit on financial liabilities designated at fair value**
- › Refer to **“Note 26 Post-employment benefit plans” in the “Consolidated financial statements” section of our Annual Report 2020 for more information about OCI related to defined benefit plans**

Sensitivity to interest rate movements

As of 30 June 2021, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately USD 1.5 billion in Global Wealth Management and Personal & Corporate Banking. A parallel shift in yield curves by –100 basis points could lead to a combined reduction in annual net interest income of approximately USD 0.2 billion.

These estimates are based on a hypothetical scenario of an immediate change in interest rates, equal across all currencies and relative to implied forward rates as of 30 June 2021 applied to our banking book. These estimates further assume no change to balance sheet size and structure, constant foreign exchange rates and no specific management action.

- › Refer to the **“Risk management and control” section of this report for information about interest rate risk in the banking book**

Key figures and personnel

Below we provide an overview of selected key figures of the Group. For further information about key figures related to capital management, refer to the “Capital management” section of this report.

Cost / income ratio: 2Q21 vs 2Q20

The cost / income ratio was 71.8%, compared with 75.8%, reflecting an increase in income, partly offset by an increase in expenses. The cost / income ratio is measured based on income before credit loss expenses or releases.

Common equity tier 1 capital: 2Q21 vs 1Q21

During the second quarter of 2021, our common equity tier 1 (CET1) capital increased by USD 2.2 billion to USD 42.6 billion, mainly reflecting operating profit before tax of USD 2.6 billion, a USD 0.4 billion lower deduction of goodwill resulting from the sale of our remaining minority investment in Clearstream Fund Centre, positive foreign currency translation effects of USD 0.3 billion and USD 0.2 billion higher eligible deferred tax assets on temporary differences, partly offset by compensation- and own share-related capital components of USD 0.4 billion, current tax expenses of USD 0.4 billion, and accruals for capital returns to shareholders of USD 0.3 billion. Our share repurchases in the second quarter of 2021 did not affect our CET1 capital position, as there was an equivalent reduction in the capital reserve for potential share repurchases.

Return on CET1 capital: 2Q21 vs 2Q20

The annualized return on CET1 capital (RoCET1) was 19.3%, compared with 13.2%, driven by an increase in net profit attributable to shareholders, partly offset by higher average CET1 capital.

Risk-weighted assets: 2Q21 vs 1Q21

Risk-weighted assets (RWA) increased by USD 5.4 billion to USD 293.3 billion, driven by increases from model updates of USD 2.6 billion, currency effects of USD 1.8 billion, methodology and policy changes of USD 1.0 billion, and regulatory add-ons of USD 0.3 billion, partly offset by a reduction from asset size and other movements of USD 0.2 billion.

Common equity tier 1 capital ratio: 2Q21 vs 1Q21

Our CET1 capital ratio increased 0.5 percentage points to 14.5%, reflecting an increase in CET1 capital of USD 2.2 billion, partly offset by a USD 5.4 billion increase in RWA.

Leverage ratio denominator: 2Q21 vs 1Q21

The leverage ratio denominator (LRD) increased by USD 2 billion to USD 1,040 billion. The increase was driven by currency effects of USD 9 billion, partly offset by a decrease in asset size and other movements of USD 7 billion.

Common equity tier 1 leverage ratio: 2Q21 vs 1Q21

Our CET1 leverage ratio increased from 3.89% to 4.09%, due to the aforementioned increase in CET1 capital, partly offset by a USD 2 billion increase in LRD.

Going concern leverage ratio: 2Q21 vs 1Q21

Our going concern leverage ratio increased from 5.4% to 5.7% in the second quarter of 2021, reflecting an increase in going concern capital of USD 2.9 billion, partly offset by a USD 2 billion increase in LRD.

Personnel: 2Q21 vs 1Q21

We employed 71,304 personnel (full-time equivalents) as of 30 June 2021, a net decrease of 475 compared with 31 March 2021. This was mainly driven by attrition and restructuring effects, partly offset by the ongoing insourcing of certain activities from third-party vendors to our Business Solutions Centers.

Return on equity and CET1 capital

<i>USD million, except where indicated</i>	As of or for the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Net profit					
Net profit / (loss) attributable to shareholders	2,006	1,824	1,232	3,830	2,827
Equity					
Equity attributable to shareholders	58,765	58,026	57,003	58,765	57,003
Less: goodwill and intangible assets	6,452	6,427	6,414	6,452	6,414
Tangible equity attributable to shareholders	52,313	51,599	50,588	52,313	50,588
Less: other CET1 deductions	9,730	11,173	12,474	9,730	12,474
CET1 capital	42,583	40,426	38,114	42,583	38,114
Returns					
Return on equity (%)	13.7	12.4	8.6	13.1	9.9
Return on tangible equity (%)	15.4	14.0	9.7	14.7	11.2
Return on CET1 capital (%)	19.3	18.2	13.2	18.8	15.4

Results: 6M21 vs 6M20

Profit before tax increased by USD 1,300 million, or 36%, to USD 4,891 million.

Operating income increased by USD 2,344 million, or 15%, to USD 17,681 million, driven by higher net fee and commission income and other income, as well as net credit loss releases in this period compared with net credit loss expenses in the prior-year period. This was partly offset by a decrease in net interest income and other net income from financial instruments measured at fair value through profit or loss.

Net fee and commission income increased by USD 1,916 million to USD 11,248 million. Fees for portfolio management and related services were USD 838 million higher, mainly reflecting the effect of higher average fee-generating assets in Global Wealth Management. Investment fund fees increased by

USD 350 million, driven by Asset Management and Global Wealth Management, mainly reflecting the effects of a higher average invested asset base and higher average fee-generating assets, respectively. Underwriting fees increased by USD 324 million, driven by higher equity underwriting revenues from public offerings in the Investment Bank. M&A and corporate finance fees increased by USD 233 million, primarily reflecting higher revenues from M&A transactions in our Global Banking business in the Investment Bank, due to an increase in the size and number of transactions closed in the period. Net brokerage fees increased by USD 198 million, reflecting higher levels of client activity in Global Wealth Management and in the Cash Equities business of the Investment Bank.

Net credit loss releases were USD 108 million, compared with net credit loss expenses of USD 540 million in the prior-year period.

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss decreased by USD 433 million to USD 6,028 million. Income was USD 725 million lower in the Investment Bank, mainly reflecting a loss of USD 861 million on a default by a client of our prime brokerage business. Execution Services reflected lower revenues from foreign exchange products, partly offset by higher revenues in the Derivatives & Solutions business. These decreases in income were partly offset by a USD 261 million increase in Group Functions. Non-core and Legacy Portfolio recognized valuation gains of USD 36 million on auction rate securities, compared with valuation losses of USD 143 million in the prior-year period. The Group Treasury result was negative USD 151 million, compared with negative USD 261 million, reflecting lower negative income related to centralized Group Treasury risk management, partly offset by net negative effects related to accounting asymmetries, including hedge accounting ineffectiveness.

Other income was USD 297 million, compared with USD 84 million, mainly driven by USD 100 million of gains on properties held for sale and income of USD 45 million related to a legacy bankruptcy claim. In addition, a gain of USD 37 million was recognized on the sale of UBS's remaining minority investment in Clearstream Fund Centre and a valuation gain of USD 37 million was recognized in relation to UBS's equity ownership of SIX Group.

Operating expenses increased by USD 1,043 million, or 9%, to USD 12,790 million, driven by USD 969 million higher personnel expenses, including net restructuring expenses of USD 89 million compared with USD 106 million in the prior-year period. Expenses for salaries and variable compensation increased by USD 558 million, primarily driven by higher expenses for variable compensation and foreign currency translation effects. Financial advisor compensation increased by USD 318 million as a result of higher compensable revenues.

Depreciation and impairment of property, equipment and software increased by USD 95 million, mainly related to internally developed software.

Outlook

Investor sentiment remained positive in the second quarter of 2021, helped by the continued rebound in economic activity and greater optimism regarding further recovery, which was supported by mass COVID-19 vaccination campaigns around the globe and the gradual lifting of lockdowns and similar measures imposed to control the pandemic. Significant fiscal stimulus, notably in the US, along with continued accommodative monetary policy and strong economic data, contributed to generally more positive views on the timing and extent of a sustainable economic recovery.

However, economic, social, and geopolitical tensions remain, raising questions around the sustainability and shape of the recovery. Continued localized outbreaks of COVID-19 infections and the spread of new variants, along with uneven vaccination rates, add to these existing concerns. The severity and duration of the effects of the pandemic in certain economic sectors also remain uncertain. The potential for rising inflation that could lead to more restrictive monetary policy has become an additional concern for the market.

Our clients value strength and expert guidance, particularly in these uncertain times, and we remain focused on supporting them with advice and solutions. We expect our revenues in the third quarter of 2021 to be influenced by seasonal factors, such as lower client activity levels compared with the second quarter of 2021. Higher asset prices should have a positive effect on recurring fee income in our asset gathering businesses. However, the continued uncertainty about the environment and economic recovery could affect both asset prices and client activity levels.

UBS business divisions and Group Functions

Management report

Global Wealth Management

Global Wealth Management¹

	As of or for the quarter ended			% change from		Year-to-date	
<i>USD million, except where indicated</i>	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Results							
Net interest income	1,026	997	1,023	3	0	2,023	2,054
Recurring net fee income ²	2,774	2,629	2,128	5	30	5,403	4,562
Transaction-based income ³	953	1,183	824	(19)	16	2,136	1,937
Other income	8	37	32	(79)	(76)	44	53
Income	4,760	4,845	4,006	(2)	19	9,606	8,606
Credit loss (expense) / release	14	3	(64)	370		16	(117)
Total operating income	4,774	4,848	3,942	(2)	21	9,622	8,489
Total operating expenses	3,479	3,439	3,062	1	14	6,918	6,391
Business division operating profit / (loss) before tax	1,294	1,409	880	(8)	47	2,704	2,098
Performance measures and other information							
Financial advisor variable compensation ^{4,5}	1,065	1,048	813	2	31	2,112	1,777
Compensation commitments with recruited financial advisors ^{4,6}	118	123	128	(4)	(8)	241	258
Pre-tax profit growth (%)	47.1	15.7	0.7			28.9	20.8
Cost / income ratio (%)	73.1	71.0	76.4			72.0	74.3
Average attributed equity (USD billion) ⁷	18.5	18.3	16.7	1	11	18.4	16.6
Return on attributed equity (%) ⁷	27.9	30.8	21.1			29.3	25.3
Risk-weighted assets (USD billion) ⁷	92.0	88.2	82.8	4	11	92.0	82.8
Leverage ratio denominator (USD billion) ^{7,8}	379.2	380.6	330.7	0	15	379.2	330.7
Goodwill and intangible assets (USD billion)	5.1	5.1	5.1	0	0	5.1	5.1
Net new fee-generating assets (USD billion)	25.0	36.2	12.2			61.2	17.7
Fee-generating assets (USD billion)	1,416	1,328	1,104	7	28	1,416	1,104
Fee-generating asset margin (bps) ⁹	82.3	86.0	86.8			84.1	88.6
Invested assets (USD billion)	3,230	3,108	2,590	4	25	3,230	2,590
Client assets (USD billion) ¹⁰	3,658	3,530	2,881	4	27	3,658	2,881
Loans, gross (USD billion) ¹¹	228.1	219.4	188.6	4	21	228.1	188.6
Customer deposits (USD billion) ¹¹	344.2	336.7	314.8	2	9	344.2	314.8
Recruitment loans to financial advisors ⁴	1,821	1,867	1,930	(2)	(6)	1,821	1,930
Other loans to financial advisors ⁴	594	607	743	(2)	(20)	594	743
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{12,13}	0.3	0.3	0.5			0.3	0.5
Advisors (full-time equivalents)	9,480	9,582	9,786	(1)	(3)	9,480	9,786

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Recurring net fee income consists of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, as well as credit card fees and administrative fees for accounts. ³ Transaction-based income consists of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, as well as fees for payment and foreign exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss. ⁴ Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. ⁵ Financial advisor variable compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, new assets and other variables. ⁶ Compensation commitments with recruited financial advisors represent expenses related to compensation commitments granted to financial advisors at the time of recruitment that are subject to vesting requirements. ⁷ Refer to the "Capital management" section of this report for more information. ⁸ The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ⁹ Calculated as revenues from fee-generating assets (a portion of which is included in recurring fee income and a portion of which is included in transaction-based income, annualized as applicable) divided by average fee-generating assets for the relevant mandate fee billing period. For the US, fees have been billed on daily balances since the fourth quarter of 2020 and average fee-generating assets are calculated as the average of the monthly average balances. Prior to the fourth quarter of 2020, billing was based on prior quarter-end balances, and the average fee-generating assets were thus the prior quarter-end balance. For balances outside of the US, billing is based on prior month-end balances and average fee-generating assets were thus the average of the prior month-end balances. ¹⁰ Client assets are composed of invested assets and other assets held purely for transactional purposes or custody only. ¹¹ Loans and Customer deposits in this table include customer brokerage receivables and payables, respectively, which are presented in a separate reporting line on the balance sheet. ¹² Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures. ¹³ Excludes loans to financial advisors.

Results: 2Q21 vs 2Q20

Profit before tax increased by USD 414 million, or 47%, to USD 1,294 million, reflecting higher operating income, partly offset by higher operating expenses.

Operating income

Total operating income increased by USD 832 million, or 21%, to USD 4,774 million, mainly driven by higher recurring net fee and transaction-based income, as well as net credit loss releases compared with net credit loss expenses in the second quarter of 2020.

Net interest income increased by USD 3 million to USD 1,026 million, resulting from higher loan revenues on higher loan volumes and margins that compensated for lower deposit revenues, which were mainly the result of lower US dollar interest rates.

Recurring net fee income increased by USD 646 million, or 30%, to USD 2,774 million, primarily driven by higher average fee-generating assets, reflecting positive market performance, and higher net new fee-generating assets.

Transaction-based income increased by USD 129 million, or 16%, to USD 953 million, driven by continued high levels of client activity in a constructive market environment.

Net credit loss releases were USD 14 million, compared with net expenses of USD 64 million, with net credit loss releases primarily related to stage 1 and 2 positions.

Operating expenses

Total operating expenses increased by USD 417 million, or 14%, to USD 3,479 million. The increase was mostly driven by higher financial advisor variable compensation, reflecting an increase in compensable revenues, as well as higher restructuring expenses.

Fee-generating assets: 2Q21 vs 1Q21

Fee-generating assets increased by USD 88 billion, or 7%, to USD 1,416 billion, driven by net positive effects from market performance and foreign currency translation of USD 63.2 billion, as well as net new fee-generating asset inflows of USD 25.0 billion, which included net inflows in all regions.

Loans: 2Q21 vs 1Q21

Loans increased by USD 8.7 billion, or 4%, to USD 228.1 billion, driven by net new loans of USD 7.3 billion and USD 1.3 billion from foreign exchange translation. Net new loans were largely driven by an increase in Lombard loans. Loan penetration was stable at 7.1%.

› Refer to the “Risk management and control” section of this report for more information

Results: 6M21 vs 6M20

Profit before tax increased by USD 606 million, or 29%, to USD 2,704 million, reflecting higher operating income, partly offset by higher operating expenses.

Total operating income increased by USD 1,133 million, or 13%, to USD 9,622 million, mainly driven by higher recurring net fee and transaction-based income, as well as net credit loss releases compared with net credit loss expenses in the first half of 2020.

Net interest income decreased by USD 31 million to USD 2,023 million, mostly due to lower deposit revenues, driven by a decrease in margins, mainly as a result of lower US dollar interest rates, and despite higher deposit volumes. This was largely offset by higher loan revenues from higher loan volumes and margins.

Recurring net fee income increased by USD 841 million to USD 5,403 million, primarily driven by higher average fee-generating assets, reflecting positive market performance, and higher net new fee-generating assets.

Transaction-based income increased by USD 199 million to USD 2,136 million, reflecting higher levels of client activity.

Net credit loss releases were USD 16 million, compared with net expenses of USD 117 million, with net credit loss releases primarily related to stage 1 and 2 positions.

Total operating expenses increased by USD 527 million, or 8%, to USD 6,918 million, mostly driven by higher financial advisor variable compensation and higher technology expenses. These effects were partly offset by lower expenses for professional fees, travel and marketing.

Regional breakdown of performance measures

<i>As of or for the quarter ended 30.6.21</i> <i>USD billion, except where indicated</i>	Americas ¹	Switzerland	EMEA ²	Asia Pacific	Global Wealth Management ³
Total operating income (USD million)	2,615	471	974	711	4,774
Total operating expenses (USD million)	2,110	267	666	428	3,479
Operating profit / (loss) before tax (USD million)	505	204	308	283	1,294
Cost / income ratio (%)	80.9	57.5	68.5	60.2	73.1
Loans, gross	83.1 ⁴	41.8	49.2	53.0	228.1
Net new loans	5.3	0.7	1.1	0.2	7.3
Loan penetration (%) ⁵	4.8	14.4	7.8	9.1	7.1
Fee-generating assets	845	123	329	119	1,416
Net new fee-generating assets	13.5	2.8	4.9	3.8	25.0
Invested assets	1,722	290	632	583	3,230
Advisors (full-time equivalents)	6,274	690	1,537	892	9,480

¹ Including the following business units: United States and Canada; and Latin America. ² Including the following business units: Europe; Central and Eastern Europe, Greece and Israel; and Middle East and Africa. ³ Including minor functions, which are not included in the four regions individually presented in this table, with USD 3 million of total operating income, USD 8 million of total operating expenses, USD 5 million of operating loss before tax, USD 0.9 billion of loans, USD 0.1 billion of net new loan inflows, USD 1 billion of fee-generating assets, USD 0.1 billion of net new fee-generating asset outflows, USD 3 billion of invested assets and 88 advisors in the second quarter of 2021. ⁴ Loans include customer brokerage receivables, which are presented in a separate reporting line on the balance sheet. ⁵ Loans, gross as a percentage of invested assets.

Regional comments 2Q21 vs 2Q20, except where indicated

Americas

Profit before tax increased by USD 278 million to USD 505 million. Operating income increased by USD 598 million, or 30%, to USD 2,615 million, mainly driven by higher recurring net fee and transaction-based income. The cost / income ratio decreased from 86.5% to 80.9%. Loans increased 7% compared with the first quarter of 2021, to USD 83 billion, reflecting USD 5.3 billion of net new loans, which were mostly Lombard loans. Fee-generating assets increased 7% sequentially to USD 845 billion, mainly driven by positive market performance of USD 38.1 billion and net new fee-generating assets of USD 13.5 billion.

Switzerland

Profit before tax increased by USD 55 million to USD 204 million. Operating income increased by USD 75 million, or 19%, to USD 471 million, mainly driven by higher recurring net fee and transaction-based income, as well as net credit loss releases compared with net credit loss expenses in the second quarter of 2020. The cost / income ratio decreased from 61.0% to 57.5%. Loans increased 3% sequentially to USD 42 billion, largely reflecting USD 0.7 billion of net new loans and foreign currency effects. Fee-generating assets increased 10% sequentially to USD 123 billion, mainly driven by net effects from positive market performance and foreign currency translation effects of USD 8.0 billion, as well as net new fee-generating assets of USD 2.8 billion.

EMEA

Profit before tax increased by USD 41 million to USD 308 million. Operating income increased by USD 115 million, or 13%, to USD 974 million, mainly driven by recurring net fee and transaction-based income. The cost / income ratio decreased from 68.7% to 68.5%. Loans increased 3% compared with the first quarter of 2021, to USD 49 billion, largely reflecting USD 1.1 billion of net new loans and foreign currency effects. Fee-generating assets increased 6% sequentially to USD 329 billion, mainly driven by net effects from positive market performance and foreign currency effects of USD 13.7 billion, as well as net new fee-generating assets of USD 4.9 billion.

Asia Pacific

Profit before tax increased by USD 50 million to USD 283 million. Operating income increased by USD 53 million, or 8%, to USD 711 million, mainly driven by recurring net fee and transaction-based income. The cost / income ratio decreased from 64.6% to 60.2%. Loans increased 1% sequentially to USD 53 billion, driven by net new loans of USD 0.2 billion. Fee-generating assets increased 6% sequentially to USD 119 billion, mainly driven by USD 3.8 billion of net new fee-generating assets, as well as net effects from positive market performance and foreign currency effects of USD 3.3 billion.

Personal & Corporate Banking

Personal & Corporate Banking – in Swiss francs¹

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Results							
Net interest income	480	470	496	2	(3)	950	989
Recurring net fee income ²	187	182	159	3	18	369	329
Transaction-based income ³	288	239	227	20	27	527	491
Other income	40	38	12	5	227	78	31
Income	995	929	894	7	11	1,924	1,840
Credit loss (expense) / release	42	22	(104)	93		64	(179)
Total operating income	1,037	950	790	9	31	1,987	1,661
Total operating expenses	581	593	561	(2)	4	1,174	1,110
Business division operating profit / (loss) before tax	456	358	229	28	100	814	551

Performance measures and other information

Average attributed equity (CHF billion) ⁴	8.4	8.3	8.4	1	0	8.3	8.4
Return on attributed equity (%) ⁴	21.8	17.3	10.9			19.6	13.1
Pre-tax profit growth (%)	99.5	11.0	(41.3)			47.7	(28.9)
Cost / income ratio (%)	58.4	63.8	62.8			61.0	60.3
Net interest margin (bps)	139	137	148			138	148
Risk-weighted assets (CHF billion) ⁴	66.3	64.7	65.5	2	1	66.3	65.5
Leverage ratio denominator (CHF billion) ^{4,5}	220.8	224.8	213.7	(2)	3	220.8	213.7
Business volume for Personal Banking (CHF billion)	183	182	173	0	6	183	173
Net new business volume for Personal Banking (CHF billion)	0.6	3.4	3.8			3.9	7.0
Net new business volume growth for Personal Banking (%) ⁶	1.2	7.6	9.2			4.4	8.4
Active Digital Banking clients in Personal Banking (%) ⁷	69.8	69.4	65.6			69.6	65.1
Active Digital Banking clients in Corporate & Institutional Clients (%) ⁸	79.1	79.3	77.5			79.2	77.6
Mobile Banking log-in share in Personal Banking (%) ⁹	72.6	70.2	66.6			71.4	65.6
Client assets (CHF billion) ¹⁰	742	727	666	2	11	742	666
Loans, gross (CHF billion)	138.6	138.1	135.8	0	2	138.6	135.8
Customer deposits (CHF billion)	159.7	162.5	155.2	(2)	3	159.7	155.2
Secured loan portfolio as a percentage of total loan portfolio, gross (%)	92.6	92.6	91.7			92.6	91.7
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ¹¹	1.0	1.1	1.1			1.0	1.1

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Recurring net fee income consists of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, as well as administrative fees for accounts. ³ Transaction-based income consists of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, and credit card fees, as well as fees for payment and foreign exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss. ⁴ Refer to the "Capital management" section of this report for more information. ⁵ The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ⁶ Calculated as net new business volume for the period (annualized as applicable) divided by business volume at the beginning of the period. ⁷ "Clients" refers to the number of unique business relationships operated by Personal Banking and "active" means at least one log-in within the past month (log-in time stamp is allocated to all business relationship numbers in a digital banking contract). Excluded are persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland, and clients who have defaulted on loans or credit facilities. In the second quarter of 2021, 86.7% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). ⁸ "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients and "active" means at least one log-in within the past month (log-in time stamp is allocated to all business relationship numbers or per legal entity in a digital banking contract). Excluded are clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities. ⁹ Mobile Banking app log-ins as a percentage of total log-ins via E-Banking and Mobile Banking app in Personal Banking (if a digital banking contract is linked to multiple business relationships, the log-in is attributed to the business relationship with the most banking products in use). ¹⁰ Client assets are composed of invested assets and other assets held purely for transactional purposes or custody only. Net new money is not measured for Personal & Corporate Banking. ¹¹ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

Results: 2Q21 vs 2Q20

Profit before tax increased by CHF 227 million, or 100%, to CHF 456 million, reflecting net credit loss releases compared with net credit loss expenses in the second quarter of 2020, as well as higher income, partly offset by higher operating expenses.

Operating income

Total operating income increased by CHF 247 million, or 31%, to CHF 1,037 million, predominantly reflecting net credit loss releases compared with net credit loss expenses in the second quarter of 2020 and higher transaction-based income.

Net interest income decreased by CHF 16 million to CHF 480 million, mainly driven by lower deposit revenues, reflecting a decrease in margins, mostly as a result of lower US dollar interest rates.

Recurring net fee income increased by CHF 28 million to CHF 187 million, primarily reflecting higher custody, mandate and investment fund fees.

Transaction-based income increased by CHF 61 million to CHF 288 million, mainly driven by higher revenues from credit card and foreign exchange transactions, reflecting a gradual increase in spending on travel and leisure by clients following the easing of COVID-19-related restrictions in certain countries.

Other income increased by CHF 28 million to CHF 40 million, mostly driven by a gain of CHF 26 million from the sale of several small properties across Switzerland.

Net credit loss releases for the second quarter of 2021 were CHF 42 million, compared with net expenses of CHF 104 million, with net credit loss releases primarily related to stage 1 and 2 positions.

Operating expenses

Total operating expenses increased by CHF 20 million, or 4%, to CHF 581 million, largely driven by higher variable compensation and increased investments in technology, partly offset by lower real estate expenses for our branch network following the branch closures over the last twelve months.

Results: 6M21 vs 6M20

Profit before tax increased by CHF 263 million, or 48%, to CHF 814 million, reflecting net credit loss releases compared with net credit loss expenses in the first half of 2020, as well as higher income, partly offset by higher operating expenses.

Total operating income increased by CHF 326 million, or 20%, to CHF 1,987 million, predominantly reflecting net credit loss releases compared with net credit loss expenses in the first half of 2020.

Net interest income decreased by CHF 39 million to CHF 950 million, mainly driven by lower deposit revenues, reflecting a decrease in margins, mostly as a result of lower US dollar interest rates.

Recurring net fee income increased by CHF 40 million to CHF 369 million, primarily reflecting higher custody, mandate and investment fund fees.

Transaction-based income increased by CHF 36 million to CHF 527 million, mainly driven by higher revenues from credit card and foreign exchange transactions, reflecting a gradual increase in spending on travel and leisure by clients following the easing of COVID-19-related restrictions in certain countries in the second quarter of 2021.

Other income increased by CHF 47 million to CHF 78 million, mostly driven by the aforementioned gain of CHF 26 million from the sale of several small properties, as well as a valuation gain of CHF 26 million on our equity ownership of SIX Group in the first quarter of 2021.

Net credit loss releases were CHF 64 million, compared with net expenses of CHF 179 million, with net credit loss releases primarily related to stage 1 and 2 positions.

Total operating expenses increased by CHF 64 million, or 6%, to CHF 1,174 million, largely driven by increased investments in technology, as well as real estate expenses due to accelerated depreciation resulting from the closure of 44 branches in the first quarter of 2021. There was also an increase in variable compensation.

Personal & Corporate Banking – in US dollars¹

USD million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Results							
Net interest income	526	513	517	3	2	1,039	1,029
Recurring net fee income ²	205	198	166	3	23	403	342
Transaction-based income ³	315	261	237	21	33	576	511
Other income	44	41	13	7	241	85	32
Income	1,089	1,013	933	7	17	2,102	1,914
Credit loss (expense) / release	46	23	(110)	95		69	(187)
Total operating income	1,135	1,037	823	9	38	2,171	1,727
Total operating expenses	636	647	586	(2)	9	1,284	1,155
Business division operating profit / (loss) before tax	498	389	238	28	110	888	572

Performance measures and other information

Average attributed equity (USD billion) ⁴	9.1	9.1	8.7	0	5	9.1	8.7
Return on attributed equity (%) ⁴	21.8	17.1	10.9			19.5	13.1
Pre-tax profit growth (%)	109.8	16.5	(39.1)			55.2	(26.4)
Cost / income ratio (%)	58.4	63.9	62.8			61.1	60.3
Net interest margin (bps)	142	137	147			140	148
Risk-weighted assets (USD billion) ⁴	71.7	68.4	69.2	5	4	71.7	69.2
Leverage ratio denominator (USD billion) ^{4,5}	238.7	237.8	225.6	0	6	238.7	225.6
Business volume for Personal Banking (USD billion)	198	193	183	3	9	198	183
Net new business volume for Personal Banking (USD billion)	0.6	3.7	4.0			4.3	7.3
Net new business volume growth for Personal Banking (%) ⁶	1.3	7.4	9.2			4.3	8.4
Active Digital Banking clients in Personal Banking (%) ⁷	69.8	69.4	65.6			69.6	65.1
Active Digital Banking clients in Corporate & Institutional Clients (%) ⁸	79.1	79.3	77.5			79.2	77.6
Mobile Banking log-in share in Personal Banking (%) ⁹	72.6	70.2	66.6			71.4	65.6
Client assets (USD billion) ¹⁰	802	769	704	4	14	802	704
Loans, gross (USD billion)	149.8	146.0	143.4	3	4	149.8	143.4
Customer deposits (USD billion)	172.6	171.9	163.9	0	5	172.6	163.9
Secured loan portfolio as a percentage of total loan portfolio, gross (%)	92.6	92.6	91.7			92.6	91.7
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ¹¹	1.0	1.1	1.1			1.0	1.1

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Recurring net fee income consists of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, as well as administrative fees for accounts. ³ Transaction-based income consists of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, and credit card fees, as well as fees for payment and foreign exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss. ⁴ Refer to the "Capital management" section of this report for more information. ⁵ The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ⁶ Calculated as net new business volume for the period (annualized as applicable) divided by business volume at the beginning of the period. ⁷ "Clients" refers to the number of unique business relationships operated by Personal Banking and "active" means at least one log-in within the past month (log-in time stamp is allocated to all business relationship numbers in a digital banking contract). Excluded are persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland, and clients who have defaulted on loans or credit facilities. In the second quarter of 2021, 86.7% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). ⁸ "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients and "active" means at least one log-in within the past month (log-in time stamp is allocated to all business relationship numbers or per legal entity in a digital banking contract). Excluded are clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities. ⁹ Mobile Banking app log-ins as a percentage of total log-ins via E-Banking and Mobile Banking app in Personal Banking (if a digital banking contract is linked to multiple business relationships, the log-in is attributed to the business relationship with the most banking products in use). ¹⁰ Client assets are composed of invested assets and other assets held purely for transactional purposes or custody only. Net new money is not measured for Personal & Corporate Banking. ¹¹ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

Asset Management

Asset Management¹

<i>USD million, except where indicated</i>	As of or for the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Results							
Net management fees ²	588	545	449	8	31	1,133	926
Performance fees	40	92	75	(56)	(46)	133	112
Net gain from disposal of an associate	37					37	
Credit loss (expense) / release	0	0	0			0	0
Total operating income	666	637	524	4	27	1,303	1,038
Total operating expenses	410	410	367	0	12	820	724
Business division operating profit / (loss) before tax	255	227	157	12	62	482	314
Performance measures and other information							
Average attributed equity (USD billion) ³	2.1	2.2	1.9	(6)	12	2.2	1.8
Return on attributed equity (%) ³	49.0	40.8	33.7			44.7	34.1
Pre-tax profit growth (%)	62.0	44.7	26.7			53.4	38.1
Cost / income ratio (%)	61.7	64.4	70.0			63.0	69.7
Risk-weighted assets (USD billion) ²	7.9	8.0	5.9	(1)	33	7.9	5.9
Leverage ratio denominator (USD billion) ^{3,4}	6.0	5.4	6.7	9	(11)	6.0	6.7
Goodwill and intangible assets (USD billion)	1.2	1.2	1.3	0	(9)	1.2	1.3
Net margin on invested assets (bps) ⁵	9	8	7	8	24	9	7
Gross margin on invested assets (bps)	23	23	24	1	(3)	23	24
Information by business line / asset class							
Net new money (USD billion)							
Equities	(2.4)	6.4	5.1			4.0	20.1
Fixed Income	(1.3)	13.5	14.0			12.2	32.6
<i>of which: money market</i>	<i>(6.7)</i>	<i>4.3</i>	<i>10.4</i>			<i>(2.4)</i>	<i>20.3</i>
Multi-asset & Solutions	3.7	3.7	0.3			7.5	0.3
Hedge Fund Businesses	1.5	2.0	(0.6)			3.5	(2.8)
Real Estate & Private Markets	0.6	0.6	0.4			1.2	1.7
Total net new money	2.1	26.2	19.2			28.3	51.9
<i>of which: net new money excluding money market</i>	<i>8.8</i>	<i>21.9</i>	<i>8.8</i>			<i>30.7</i>	<i>31.6</i>
Invested assets (USD billion)							
Equities	559	526	372	6	50	559	372
Fixed Income	280	279	287	0	(2)	280	287
<i>of which: money market</i>	<i>94</i>	<i>101</i>	<i>123</i>	<i>(7)</i>	<i>(24)</i>	<i>94</i>	<i>123</i>
Multi-asset & Solutions	187	175	141	7	32	187	141
Hedge Fund Businesses	53	50	40	5	33	53	40
Real Estate & Private Markets	95	92	88	4	8	95	88
Total invested assets	1,174	1,121	928	5	26	1,174	928
<i>of which: passive strategies</i>	<i>501</i>	<i>469</i>	<i>363</i>	<i>7</i>	<i>38</i>	<i>501</i>	<i>363</i>
Information by region							
Invested assets (USD billion)							
Americas	277	267	239	4	16	277	239
Asia Pacific	189	185	158	2	20	189	158
Europe, Middle East and Africa (excluding Switzerland)	320	305	223	5	44	320	223
Switzerland	388	364	309	7	25	388	309
Total invested assets	1,174	1,121	928	5	26	1,174	928
Information by channel							
Invested assets (USD billion)							
Third-party institutional	686	656	549	5	25	686	549
Third-party wholesale	141	133	100	6	41	141	100
UBS's wealth management businesses	346	332	279	4	24	346	279
Total invested assets	1,174	1,121	928	5	26	1,174	928

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), distribution fees, incremental fund-related expenses, gains or losses from seed money and co-investments, funding costs, the negative pass-through impact of third-party performance fees, and other items that are not Asset Management's performance fees. ³ Refer to the "Capital management" section of this report for more information. ⁴ The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ⁵ Calculated as operating profit before tax (annualized as applicable) divided by average invested assets.

Results: 2Q21 vs 2Q20

Profit before tax increased by USD 98 million, or 62%, to USD 255 million, reflecting continued growth in invested assets and positive operating leverage. This included a post-tax gain of USD 37 million related to the sale of our remaining minority investment in Clearstream Fund Centre (previously Fondcenter AG) to Deutsche Börse AG.

- › Refer to the “Recent developments” section of this report for more information about the sale of our remaining investment in Clearstream Fund Centre

Operating income

Total operating income increased by USD 142 million, or 27%, to USD 666 million. This included the aforementioned gain of USD 37 million.

Net management fees increased by USD 139 million, or 31%, to USD 588 million, on a higher average invested asset base, reflecting a combination of a constructive market backdrop, continued strong net new money generation, and positive currency translation effects.

Performance fees decreased by USD 35 million to USD 40 million, mainly in our Hedge Fund Businesses, partly offset by higher performance fees in our Equities business.

Operating expenses

Total operating expenses increased by USD 43 million, or 12%, to USD 410 million, predominantly driven by personnel expenses, reflecting higher compensable revenues.

Invested assets: 2Q21 vs 1Q21

Invested assets increased by USD 53 billion to USD 1,174 billion, reflecting positive market performance of USD 43 billion, foreign currency translation effects of USD 7 billion, and net new money inflows of USD 2 billion.

Excluding money market flows, net new money inflows were USD 9 billion.

Results: 6M21 vs 6M20

Profit before tax increased by USD 168 million, or 53%, to USD 482 million, reflecting continued growth in invested assets and positive operating leverage. This included the aforementioned gain of USD 37 million related to the sale of our remaining minority investment in Clearstream Fund Centre (previously Fondcenter AG) to Deutsche Börse AG.

Total operating income increased by USD 265 million, or 25%, to USD 1,303 million. This included the aforementioned gain of USD 37 million.

Net management fees increased by USD 207 million, or 22%, to USD 1,133 million, on a higher average invested asset base, reflecting a combination of a constructive market backdrop, continued strong net new money generation, and positive currency translation effects.

Performance fees increased by USD 21 million to USD 133 million, mainly in our Hedge Fund Businesses, partly offset by lower performance fees in our Equities business.

Total operating expenses increased by USD 96 million, or 13%, to USD 820 million, primarily driven by personnel expenses, reflecting higher variable compensation.

Investment Bank

Investment Bank^{1,2}

USD million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Results							
Advisory	300	223	93	35	223	523	292
Capital Markets	581	565	432	3	35	1,147	766
Global Banking	881	788	525	12	68	1,670	1,058
Execution Services ³	443	555	422	(20)	5	998	1,012
Derivatives & Solutions	773	1,246	948	(38)	(18)	2,020	1,932
Financing	352	(319)	452		(22)	33	916
Global Markets	1,567	1,483	1,821	6	(14)	3,051	3,859
of which: Equities	1,194	920	974	30	23	2,114	2,122
of which: Foreign Exchange, Rates and Credit	373	563	847	(34)	(56)	937	1,737
Income	2,449	2,271	2,346	8	4	4,720	4,917
Credit loss (expense) / release	21	2	(78)	992		23	(200)
Total operating income	2,470	2,273	2,268	9	9	4,743	4,718
Total operating expenses	1,802	1,862	1,656	(3)	9	3,663	3,396
Business division operating profit / (loss) before tax	668	412	612	62	9	1,080	1,321
Performance measures and other information							
Pre-tax profit growth (%)	9.1	(41.9)	43.5			(18.2)	108.3
Average attributed equity (USD billion) ⁴	13.0	13.0	12.6	0	3	13.0	12.5
Return on attributed equity (%) ⁴	20.6	12.7	19.4			16.7	21.1
Cost / income ratio (%)	73.6	82.0	70.6			77.6	69.1
Risk-weighted assets (USD billion) ⁴	92.3	95.0	97.8	(3)	(6)	92.3	97.8
Return on risk-weighted assets, gross (%)	10.5	9.6	9.4			10.0	10.2
Leverage ratio denominator (USD billion) ^{4,5}	324.9	329.7	303.4	(1)	7	324.9	303.4
Return on leverage ratio denominator, gross (%) ⁵	3.0	2.8	3.1			2.9	3.3
Goodwill and intangible assets (USD billion)	0.2	0.1	0.0	11		0.2	0.0
Average VaR (1-day, 95% confidence, 5 years of historical data)	11	11	13	5	(16)	11	13

¹ Comparative figures in this table have been restated to reflect the new structure of the Investment Bank, split into Global Banking and Global Markets. Global Banking has two product verticals: Capital Markets and Advisory. Global Markets combines Equities and Foreign Exchange, Rates and Credit (FRC), with three product verticals: Execution Services, Derivatives & Solutions, and Financing. ² Comparatives may additionally differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ³ Execution & Platform, which was disclosed in previous periods, has been renamed Execution Services. ⁴ Refer to the "Capital management" section of this report for more information. ⁵ The leverage ratio denominators calculated as of the respective dates in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

Results: 2Q21 vs 2Q20

Profit before tax increased by USD 56 million, or 9%, to USD 668 million, driven by higher operating income, partly offset by higher operating expenses.

Operating income

Total operating income increased by USD 202 million, or 9%, to USD 2,470 million, reflecting higher revenues in Global Banking and net credit loss releases, offset by lower revenues in Global Markets.

Global Banking

Global Banking revenues increased by USD 356 million, or 68%, to USD 881 million, driven by Advisory and Capital Market revenues, which outperformed the global fee pool in all regions, most notably in Mergers & Acquisitions.

Advisory revenues increased by USD 207 million, or 223%, to USD 300 million, due to higher revenues from M&A transactions, compared with a 71% increase in the global fee pool.

Capital Markets revenues increased by USD 149 million, or 35%, to USD 581 million, primarily reflecting a USD 131 million, or 87%, increase in Equity Capital Markets revenues, compared with an increase in the global fee pool of 8%, driven by higher levels of Equity Capital Markets issuances, with elevated levels of IPO and follow-on activity.

Global Markets

Global Markets revenues decreased by USD 254 million, or 14%, to USD 1,567 million, driven by lower revenues in Foreign Exchange, Rates and Credit and a loss incurred in our Financing business resulting from the default of a client in the first quarter of 2021. This was partly offset by higher revenues in equity derivatives and cash equities products.

Execution Services revenues increased by USD 21 million, or 5%, to USD 443 million. Higher cash equities revenues were partly offset by lower revenues from foreign exchange products that are traded over electronic platforms, as spreads tightened.

Derivatives & Solutions revenues decreased by USD 175 million, or 18%, to USD 773 million, compared with strong revenues in the second quarter of 2020. This was partly offset by higher revenues in Equity Derivatives.

Financing revenues decreased by USD 100 million, or 22%, to USD 352 million, driven by an USD 87 million loss resulting from the exit of remaining exposures relating to the default of a client of our prime brokerage business in the first quarter of 2021.

Equities

Global Markets Equities revenues increased by USD 220 million, or 23%, to USD 1,194 million, mostly driven by increases in equity derivatives and cash equities products, partly offset by a decrease in Financing revenues.

Foreign Exchange, Rates and Credit

Global Markets Foreign Exchange, Rates and Credit revenues decreased by USD 474 million, or 56%, to USD 373 million, compared with strong revenues in the second quarter of 2020. Spread compression and lower foreign exchange volatility adversely impacted Foreign Exchange revenues in the second quarter of 2021.

Credit loss expense / release

Net credit loss releases were USD 21 million, compared with net expenses of USD 78 million, with net credit loss releases primarily related to stage 1 and 2 positions.

Operating expenses

Total operating expenses increased by USD 146 million, or 9%, to USD 1,802 million. The increase was driven by foreign currency translation effects, higher expenses for provisions for litigation, regulatory and similar matters, and restructuring expenses.

Risk-weighted assets and leverage ratio denominator: 2Q21 vs 1Q21

Risk-weighted assets

Total risk-weighted assets (RWA) decreased by USD 3 billion, or 3%, to USD 92 billion.

- › Refer to the "Capital management" section of this report for more information

Leverage ratio denominator

The leverage ratio denominator decreased by USD 5 billion, or 1%, to USD 325 billion, reflecting a USD 9 billion decrease in derivative and securities financing transaction exposures, partly offset by a USD 5 billion increase in on-balance sheet exposures.

- › Refer to the "Capital management" section of this report for more information

Results: 6M21 vs 6M20

Profit before tax decreased by USD 241 million, or 18%, to USD 1,080 million, primarily driven by a loss related to the default of a client, reported within Financing in Global Markets, and higher operating expenses. This was partly offset by increased operating income in Global Banking and Derivatives & Solutions within Global Markets.

› Refer to the “Group performance” section of our first quarter 2021 report for more information about the loss in the prime brokerage business

Total operating income increased by USD 25 million, or 1%, to USD 4,743 million, reflecting higher revenues in Global Banking and net credit loss releases, offset by lower revenues in Global Markets.

Global Banking revenues increased by USD 612 million, or 58%, to USD 1,670 million, reflecting higher revenues in Capital Markets and Advisory, which outperformed the global fee pool, most notably in Mergers & Acquisitions and Equity Capital Markets.

Advisory revenues increased by USD 231 million, or 79%, to USD 523 million, largely due to higher revenues from M&A transactions, compared with a 46% increase in the global fee pool.

Capital Markets revenues increased by USD 381 million, or 50%, to USD 1,147 million, mainly reflecting a USD 314 million, or 123%, increase in Equity Capital Markets revenues, compared with an increase in the global fee pool of 111%, driven by elevated levels of IPO activity.

Global Markets revenues decreased by USD 808 million, or 21%, to USD 3,051 million, driven by lower revenues in our Financing business, partly offset by higher revenues in equity derivatives and cash equities products.

Execution Services revenues decreased by USD 14 million, or 1%, to USD 998 million, mainly driven by higher client activity levels in cash equities, more than offset by lower revenues from foreign exchange products that are traded over electronic platforms.

Derivatives & Solutions revenues increased by USD 88 million, or 5%, to USD 2,020 million, reflecting a constructive market environment for equity derivatives products. This increase was partly offset by a decrease in revenues from foreign exchange, rates and credit products, reflecting strong revenues in the first half of 2020.

Financing revenues decreased by USD 883 million, or 96%, to USD 33 million, predominantly due to an USD 861 million loss on the default of a client of our prime brokerage business.

› Refer to the “Group performance” section of our first quarter 2021 report for more information about the loss in the prime brokerage business

Global Markets Equities revenues were stable at USD 2,114 million. Equity derivatives and cash equities products revenues increased, while Financing revenues included the aforementioned loss in our prime brokerage business.

Global Markets Foreign Exchange, Rates and Credit revenues decreased by USD 800 million, or 46%, to USD 937 million, compared with strong revenues in the first half of 2020.

Net credit loss releases were USD 23 million, compared with net expenses of USD 200 million, with net credit loss releases primarily related to stage 1 and 2 positions.

Total operating expenses increased by USD 267 million, or 8%, to USD 3,663 million, largely driven by foreign currency translation effects, higher expenses for provisions for litigation, regulatory and similar matters, and higher personnel expenses.

Group Functions

Group Functions¹

USD million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.6.21	31.3.21	30.6.20	1Q21	2Q20	30.6.21	30.6.20
Results							
Total operating income	(68)	(90)	(155)	(24)	(56)	(158)	(635)
Total operating expenses	56	49	151	14	(63)	105	80
Operating profit / (loss) before tax	(124)	(139)	(305)	(11)	(59)	(263)	(715)
of which: Group Treasury	(125)	(104)	(192)	20	(35)	(229)	(323)
of which: Non-core and Legacy Portfolio	(24)	5	(69)		(66)	(19)	(289)
of which: Group Services	25	(39)	(44)			(14)	(103)
Additional information							
Risk-weighted assets (USD billion) ²	29.4	28.3	30.8	4	(4)	29.4	30.8
Leverage ratio denominator (USD billion) ^{2,3}	91.2	84.7	108.0	8	(16)	91.2	108.0

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Refer to the "Capital management" section of this report for more information. ³ The leverage ratio denominator calculated as of the respective date in 2020 does not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

Results: 2Q21 vs 2Q20

Group Functions recorded a loss before tax of USD 124 million, compared with a loss of USD 305 million.

Group Treasury

The Group Treasury result was negative USD 125 million, compared with negative USD 192 million.

This included income related to centralized Group Treasury risk management of negative USD 33 million, compared with negative USD 120 million in the second quarter of 2020, which included additional liquidity costs related to COVID-19 market stress.

Income from accounting asymmetries, including hedge accounting ineffectiveness, was net negative USD 84 million, compared with net positive income of USD 48 million.

Operating expenses decreased by USD 112 million to USD 7 million, mainly due to the reversal in the second quarter of 2020 of a previously booked reduction in variable compensation.

Non-core and Legacy Portfolio

The Non-core and Legacy Portfolio result was negative USD 24 million, compared with negative USD 69 million, and included income of USD 45 million related to a legacy bankruptcy claim. This was partly offset by valuation losses of USD 25 million on our USD 1.6 billion portfolio of auction rate securities (ARS). Our remaining exposures to ARS were all rated investment grade as of 30 June 2021.

The second quarter of 2020 included net credit loss expenses of USD 20 million.

Group Services

The Group Services result was positive USD 25 million, compared with negative USD 44 million, mainly due to a gain on a property held for sale.

Results: 6M21 vs 6M20

Group Functions recorded a loss before tax of USD 263 million, compared with a loss of USD 715 million.

The Group Treasury result was negative USD 229 million, compared with negative USD 323 million. This included income related to centralized Group Treasury risk management of negative USD 35 million, compared with negative USD 196 million in the first half of 2020, which included additional liquidity costs related to COVID-19 market stress. Income from accounting asymmetries, including hedge accounting ineffectiveness, was net negative USD 174 million, compared with net negative income of USD 102 million. Operating expenses decreased by USD 4 million to USD 20 million.

The Non-core and Legacy Portfolio result was negative USD 19 million, compared with negative USD 289 million. This result was mainly due to valuation gains of USD 36 million on our USD 1.6 billion portfolio of ARS, compared with valuation losses of USD 143 million in the same period last year. In addition, the first half of 2021 included income of USD 45 million related to a legacy bankruptcy claim. The first half of 2020 included a credit loss expense of USD 35 million on an energy-related exposure.

The Group Services result was negative USD 14 million, compared with negative USD 103 million, mainly due to a gain on a property held for sale and lower funding costs related to deferred tax assets.

Selected financial information of our business divisions and Group Functions

Selected financial information of our business divisions and Group Functions¹

	For the quarter ended 30.6.21					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Operating income	4,774	1,135	666	2,470	(68)	8,976
Operating expenses	3,479	636	410	1,802	56	6,384
<i>of which: net restructuring expenses²</i>	43	5	6	33	2	90
Operating profit / (loss) before tax	1,294	498	255	668	(124)	2,593

	For the quarter ended 31.3.21					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Operating income	4,848	1,037	637	2,273	(90)	8,705
Operating expenses	3,439	647	410	1,862	49	6,407
Operating profit / (loss) before tax	1,409	389	227	412	(139)	2,298

	For the quarter ended 30.6.20					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Operating income	3,942	823	524	2,268	(155)	7,403
Operating expenses	3,062	586	367	1,656	151	5,821
<i>of which: net restructuring expenses</i>	11	4	1	5	0	21
Operating profit / (loss) before tax	880	238	157	612	(305)	1,582

¹ The "of which" components of operating income and operating expenses disclosed in this table are items that are not recurring or necessarily representative of the underlying business performance for the reporting period specified. ² Includes curtailment gains of USD 59 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

Risk, capital, liquidity and funding, and balance sheet

Management report

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Risk management and control

This section provides information about key developments during the reporting period and should be read in conjunction with the "Risk management and control" section of our Annual Report 2020. While vaccination campaigns are progressing and many economies are recovering, localized outbreaks, the spread of new variants of COVID-19, and uneven vaccination rates are causing uncertainty around a sustainable recovery.

The related effects on credit, market, country and operational risk in the second quarter of 2021 are reflected in the following sections.

- › Refer to the "Recent developments" section of this report for more information about our response to COVID-19

Credit risk

Credit loss expense / release

Total net credit loss releases were USD 80 million, reflecting net releases of USD 88 million related to stage 1 and 2 positions and net expenses of USD 8 million related to credit-impaired (stage 3) positions. The USD 88 million stage 1 and 2 net release included the partial release of a post-model adjustment of USD 91 million (representing one-third of the USD 273 million scenario-driven model output effects from the third quarter of 2020 to the second quarter of 2021), due to the continued positive trend in macroeconomic scenario input data.

- › Refer to "Note 7 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about credit loss expense / release
- › Refer to "Note 1 Summary of significant accounting policies," "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of our Annual Report 2020 for more information about the scenario updates

Credit loss (expense) / release

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
For the quarter ended 30.6.21						
Stages 1 and 2	13	51	0	24	(1)	88
Stage 3	0	(5)	0	(3)	0	(8)
Total credit loss (expense) / release	14	46	0	21	(1)	80
For the quarter ended 31.3.21						
Stages 1 and 2	4	16	0	5	0	26
Stage 3	(2)	8	0	(4)	0	3
Total credit loss (expense) / release	3	23	0	2	0	28

Overall banking products exposures

Overall banking products exposure increased by USD 13 billion, to USD 650 billion as of 30 June 2021.

The credit-impaired gross exposure decreased marginally by USD 135 million to USD 3,318 million, mainly in Global Wealth Management.

In Personal & Corporate Banking, loans and advances to customers increased by USD 3.8 billion, mainly driven by the effects of the US dollar depreciating against the Swiss franc on a mostly Swiss franc-denominated portfolio. In Global Wealth Management, the USD 8.7 billion increase in loans and advances to customers was mainly driven by higher volumes of Lombard loans and mortgages on residential real estate in the US and Switzerland. In the Investment Bank, loans and advances to customers increased by USD 1.0 billion.

In aggregate, exposure related to traded products decreased by USD 2.5 billion during the second quarter of 2021, mainly due to lower levels of market volatility impacting existing portfolios in the Investment Bank.

Committed credit facilities

We did not observe an increase in drawing of committed credit facilities by clients in the second quarter of 2021. We manage our credit risk on the aggregate of drawn and committed undrawn credit facilities and model full drawing of committed facilities in our stress testing framework.

Loan underwriting

In the Investment Bank, new loan underwriting activity and distributions continued to be robust during the second quarter of 2021. As of 30 June 2021, mandated loan underwriting commitments totaled USD 3.6 billion on a notional basis (compared with USD 4.5 billion as of 31 March 2021). As of 30 June 2021, USD 0.9 billion of commitments had not yet been distributed as originally planned.

Loan underwriting exposures are held for trading, with fair values reflecting the market conditions at the end of the quarter. Credit hedges are in place to help protect against fair value movements in the portfolio.

Swiss mortgage portfolio

Of our USD 163 billion total Swiss real estate portfolio, USD 148 billion related to residential real estate, USD 6 billion to commercial retail and office real estate, and USD 8 billion to industrial and other real estate.

The residential portfolio consists of USD 123 billion for single-family houses and apartments (average loan-to-value (LTV) ratio of 53%) and USD 25 billion in residential income-producing real estate (average LTV of 52%). We are also carefully monitoring the level of risk in our Swiss commercial retail and office real estate portfolio (average LTV of 46%) and its resilience to the economic impact of COVID-19.

› Refer to the “Risk management and control” section of our Annual Report 2020 for more information about our Swiss mortgage portfolio

Exposure to the Swiss economy and Swiss corporates

Within Personal & Corporate Banking, certain industry sectors continue to exhibit higher risk due to COVID-19 and the associated containment measures. Industries with a negative outlook include tourism and media, as well as, to a lesser degree, culture, sports and education. Our exposure to the tourism sector (including hotels, restaurants and transport) totaled USD 2.0 billion as of 30 June 2021, with hotels accounting for USD 1.0 billion of this exposure. Our other exposures included USD 1.0 billion to the culture, sports and education sector, and USD 0.1 billion to the media sector. Apart from a few large counterparties, our exposures within these sectors are highly diversified across Switzerland.

Banking and traded products exposure in our business divisions and Group Functions

30.6.21

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Banking products¹						
Gross exposure	315,902	219,372	3,329	60,923	50,531	650,057
<i>of which: loans and advances to customers (on-balance sheet)</i>	223,082	149,806	1	13,809	4,378	391,076
<i>of which: guarantees and loan commitments (off-balance sheet)</i>	10,382	26,984	0	15,053	2,789	55,208
Traded products^{2,3}						
Gross exposure	11,516	732	0	41,762		54,009
<i>of which: over-the-counter derivatives</i>	8,435	706	0	12,506		21,647
<i>of which: securities financing transactions</i>	0	0	0	22,198		22,198
<i>of which: exchange-traded derivatives</i>	3,081	25	0	7,058		10,164
Other credit lines, gross⁴	11,269	24,350	0	3,147	30	38,796
Total credit-impaired exposure, gross (stage 3)	1,002	1,875	0	441	0	3,318
Total allowances and provisions for expected credit losses (stages 1 to 3)	288	734	1	266	4	1,294
<i>of which: stage 1</i>	92	117	0	64	4	277
<i>of which: stage 2</i>	46	149	0	38	0	233
<i>of which: stage 3 (allowances and provisions for credit-impaired exposures)</i>	150	469	1	164	0	784

31.3.21

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Banking products¹						
Gross exposure	312,061	216,848	3,033	58,459	46,637	637,037
<i>of which: loans and advances to customers (on-balance sheet)</i>	214,417	146,027	1	12,799	4,547	377,791
<i>of which: guarantees and loan commitments (off-balance sheet)</i>	9,787	26,969	0	15,747	3,128	55,630
Traded products^{2,3}						
Gross exposure	11,746	812	0	43,944		56,502
<i>of which: over-the-counter derivatives</i>	8,956	795	0	14,413		24,164
<i>of which: securities financing transactions</i>	0	0	0	21,273		21,273
<i>of which: exchange-traded derivatives</i>	2,790	17	0	8,258		11,065
Other credit lines, gross⁴	11,322	23,925	0	4,148	29	39,424
Total credit-impaired exposure, gross (stage 3)	1,105	1,899	0	443	7	3,453
Total allowances and provisions for expected credit losses (stages 1 to 3)	304	769	1	295	9	1,378
<i>of which: stage 1</i>	99	125	0	74	3	301
<i>of which: stage 2</i>	51	186	0	53	0	290
<i>of which: stage 3 (allowances and provisions for credit-impaired exposures)</i>	153	458	1	169	6	787

¹ IFRS 9 gross exposure including other financial assets at amortized cost, but excluding cash, receivables from securities financing transactions, cash collateral receivables on derivative instruments, financial assets at FVOCI, irrevocable committed prolongation of existing loans and unconditionally revocable committed credit lines, and forward starting reverse repurchase and securities borrowing agreements. ² Internal management view of credit risk, which differs in certain respects from IFRS. ³ As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank and Group Functions is provided. ⁴ Unconditionally revocable committed credit lines.

Global Wealth Management and Personal & Corporate Banking loans and advances to customers, gross

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking
Secured by residential property	61,895	108,167
Secured by commercial / industrial property ¹	3,483	19,042
Secured by cash	22,358	2,625
Secured by securities	117,802	1,899
Secured by guarantees and other collateral	15,266	7,017
Unsecured loans and advances to customers	2,277	11,056
Total loans and advances to customers, gross	223,082	149,806
Allowances	(173)	(601)
Total loans and advances to customers, net of allowances	222,908	149,205

¹ Includes exposures with mixed collateral as security, where the primary purpose of the loan is not to finance a specific property.

Market risk

We continued to maintain generally low levels of management value-at-risk (VaR). Average management VaR (1-day, 95% confidence level) was unchanged, at USD 12 million, compared with the first quarter of 2021.

There were two new Group VaR negative backtesting exceptions at the beginning of the second quarter of 2021, bringing the total number of negative backtesting exceptions within the most recent 250-business-day window to 3. The Swiss Financial Market Supervisory Authority (FINMA) VaR multiplier derived from backtesting exceptions for market risk risk-weighted assets remained unchanged compared with the prior quarter, at 3.0.

Management value-at-risk (1-day, 95% confidence, 5 years of historical data) of our business divisions and Group Functions by general market risk type¹

USD million	Min.	Max.	Period end	Average	Average by risk type				
					Equity	Interest rates	Credit spreads	Foreign exchange	Commodities
Global Wealth Management	1	2	1	1	0	1	2	0	0
Personal & Corporate Banking	0	0	0	0	0	0	0	0	0
Asset Management	0	0	0	0	0	0	0	0	0
Investment Bank	3	32	10	11	9	8	6	3	3
Group Functions	5	8	6	6	0	4	4	1	0
Diversification effect ^{2,3}			(6)	(6)	0	(5)	(5)	(1)	0
Total as of 30.6.21	4	32	10	12	9	9	7	3	3
Total as of 31.3.21	4	36	36	12	8	9	8	3	3

¹ Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may occur on different days, and, likewise, the VaR for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. ² The difference between the sum of the standalone VaR for the business divisions and Group Functions and the VaR for the Group as a whole. ³ As the minima and maxima for different business divisions and Group Functions occur on different days, it is not meaningful to calculate a portfolio diversification effect.

As of 30 June 2021, the interest rate sensitivity of our banking book to a +1-basis-point parallel shift in yield curves was negative USD 31.3 million, compared with negative USD 31.4 million as of 31 March 2021. The reported interest rate sensitivity excludes AT1 capital instruments, as per FINMA Pillar 3 disclosure requirements, with a sensitivity of USD 5.3 million per basis point, and our equity, goodwill and real estate, with a modeled sensitivity of USD 22.2 million per basis point, of which USD 5.5 million and USD 15.9 million are attributable to the Swiss franc and the US dollar portfolios, respectively.

The most adverse of the six FINMA interest rate scenarios was the “Parallel up” scenario, which resulted in a change in the economic value of equity of negative USD 6.3 billion, representing a pro forma reduction of 10.7% of tier 1 capital, which is well below the regulatory outlier test of 15% of tier 1

capital. The immediate effect of the “Parallel up” scenario on tier 1 capital as of 30 June 2021 would have been a reduction of 1.8%, or USD 1.0 billion, arising from the part of our banking book that is measured at fair value through profit or loss and from the financial assets measured at fair value through other comprehensive income. This scenario would, however, have a positive effect on net interest income.

- ▶ Refer to “Interest rate risk in the banking book” in the “Market risk” section of our Annual Report 2020 for more information about the management of interest rate risk in the banking book
- ▶ Refer to “Sensitivity to interest rate movements” in the “Group performance” section of this report for more information about the effects of increases in interest rates on the equity, capital and net interest income of Global Wealth Management and Personal & Corporate Banking

Interest rate risk – banking book

USD million	+1 bp	Parallel up ¹	Parallel down ¹	Steeper ²	Flattener ³	Short-term up ⁴	Short-term down ⁵
CHF	(5.2)	(737.1)	828.6	(338.8)	195.6	(99.1)	103.6
EUR	(1.3)	(245.7)	282.7	(56.8)	16.8	(58.2)	61.8
GBP	0.1	28.7	(26.8)	(23.3)	28.3	38.3	(30.2)
USD	(24.6)	(5,256.2)	4,486.4	(1,076.9)	(170.4)	(2,059.8)	2,314.5
Other	(0.4)	(97.6)	(43.7)	(2.4)	(40.4)	(69.4)	(26.3)
Total effect on economic value of equity as per Pillar 3 requirement as of 30.6.21	(31.3)	(6,307.9)	5,527.2	(1,498.3)	29.9	(2,248.3)	2,423.5
Additional tier 1 (AT1) capital instruments	5.3	1,011.2	(1,104.3)	20.0	201.6	600.3	(626.0)
Total including AT1 capital instruments as of 30.6.21	(26.0)	(5,296.8)	4,423.0	(1,478.3)	231.4	(1,648.0)	1,797.4
Total effect on economic value of equity as per Pillar 3 requirement as of 31.3.21	(31.4)	(6,179.0)	5,607.0	(1,616.6)	204.5	(2,129.3)	2,304.7
Total including AT1 capital instruments as of 31.3.21	(26.2)	(5,183.2)	4,518.4	(1,594.4)	399.3	(1,542.0)	1,692.1

¹ Rates across all tenors move by ±150 bps for Swiss franc, ±200 bps for euro and US dollar, and ±250 bps for pound sterling. ² Short-term rates decrease and long-term rates increase. ³ Short-term rates increase and long-term rates decrease. ⁴ Short-term rates increase more than long-term rates. ⁵ Short-term rates decrease more than long-term rates.

Country risk

The COVID-19 pandemic, and its impact on growth, employment, debt dynamics and supply chains, remains an important driver of country risk, and we expect this to be the case for at least the near future.

While vaccination campaigns are progressing and many economies are recovering, localized outbreaks, the spread of new variants of COVID-19, and uneven vaccination rates are causing uncertainty around a sustainable recovery.

Concerns have grown about a resurgence in global inflation, but key central banks expect recent price spikes (such as in the US and the Eurozone) to be transitory. We expect measures taken by governments and central banks that are intended to support their economies to give rise to increased sovereign risk.

We remain watchful of developments in Europe and political changes in a number of countries. Our direct exposure to peripheral European countries is limited, although we have significant country risk exposure to the major European economies, including the UK, Germany and France.

We continue to monitor potential trade policy disputes, as well as economic and political developments, notably in Hong Kong.

A number of emerging markets are facing economic, political and market pressures, particularly in light of challenges related to the COVID-19 pandemic. Our exposure to emerging market countries is well diversified.

› Refer to the “Risk management and control” section of our Annual Report 2020 for more information

Exposures to Eurozone countries rated lower than AAA / Aaa by at least one major rating agency

USD million	30.6.21							31.3.21	
	Banking products, gross ¹		Traded products		Trading inventory	Total		Total	
	Before hedges	Net of hedges	Before hedges	Net of hedges	Net long per issuer	Net of hedges	Net of hedges	Net of hedges	
France	1,473	1,470	1,725	1,599	4,526	7,724	7,595	8,507	8,381
Austria	198	197	298	298	746	1,242	1,241	1,097	1,096
Italy	834	798	295	295	49	1,178	1,142	1,513	1,475
Monaco ²	1,040	1,040	21	21	12	1,073	1,073	899	898
Ireland	516	487	46	46	152	714	685	712	684
Spain	415	322	112	112	204	731	638	758	664
Belgium	145	145	160	160	28	333	333	401	401
Finland	6	6	67	67	151	224	224	305	305
Portugal	43	43	9	9	10	62	62	51	51
Cyprus	28	13	0	0	20	48	33	46	21
Other ³	18	13	20	20	20	58	53	39	36
Total	4,716	4,533	2,753	2,626	5,919	13,388	13,079	14,328	14,013

¹ Before deduction of IFRS 9 ECL allowances and provisions. ² Internally rated below AAA / Aaa equivalent. Monaco is not rated by any major rating agency. ³ Represents aggregate exposures to Andorra, Estonia, Greece, Latvia, Lithuania, Malta, Montenegro, San Marino, Slovakia and Slovenia.

Operational risk

Operational resilience, conduct and financial crime remain the key non-financial risk themes for UBS and the financial services industry. Operational resilience also continues to be a focus area for regulators globally, with a particular emphasis on measures taken to respond to the ongoing COVID-19 pandemic.

Our global program to enhance our current operational resilience capabilities is in progress and includes addressing continuously developing regulatory requirements in this regard.

The existing resilience built into our operations and the effectiveness of our business continuity management and operational risk procedures (including those which apply to third-party service providers) have been critical in handling the ongoing COVID-19 pandemic and have enabled us to continue to serve our clients without material impact. We have maintained stable operations while complying with governmental requirements regarding containment that have been imposed in many of our principal locations, and we remain focused on the safety and well-being of our staff, with a particular focus on countries severely impacted by COVID-19 outbreaks.

› Refer to the “Recent developments” section of this report for more information

Increases in the sophistication of cyberattacks and related frauds are being seen worldwide. To date, our security controls, regular communications to help employees to stay alert to cyber threats while working remotely, and enhanced monitoring of cyber threats have been effective, with cybersecurity incidents that occurred during the second quarter of 2021 not having had any significant residual risk impact.

UBS maintains its focus on innovation and digitalization to create value for our clients. As part of the resulting transformation, we focus on timely changes to frameworks, including consideration of new or revised controls, working practices and oversight, with the aim of mitigating any new risks introduced.

Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to the firm. As such, management of conduct risks is an integral part of our risk framework. We continue to focus on effectively embedding the conduct risk framework across our activities, enhancing management information, and maintaining momentum on fostering a strong culture.

Remote working arrangements can also lead to increased conduct risk, inherent risk of fraudulent activities, potential increases in the number of suspicious transactions, and increased information security risks (in particular regarding client identifying data and unpublished price-sensitive information). Our increased monitoring and supervision remain in place for remote working, including programs to educate clients and employees on fraud risk, where our protocols for interaction to mitigate this risk have been updated. We are staying abreast of emerging trends in order to deploy further mitigating activity as necessary.

In addition to the effects of COVID-19, financial crime (e.g., money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption) continues to present a major risk, as technological innovation and geopolitical developments increase the complexity of doing business and heightened regulatory attention continues.

An effective financial crime prevention program remains essential for UBS. Money laundering and financial fraud techniques are becoming increasingly sophisticated, while

geopolitical volatility makes the sanctions landscape more complex, and new risks emerge, such as virtual currencies and related activities or investments.

The Office of the Comptroller of the Currency issued a Cease and Desist Order against the firm in May 2018 related to our US branch know-your-customer (KYC) and anti-money-laundering (AML) programs. In response, we initiated an extensive program for the purpose of ensuring sustainable remediation of US-relevant Bank Secrecy Act / AML issues across all US legal entities. We introduced significant improvements to the framework in 2019 and 2020, and are continuing to implement these improvements, which we believe will yield the planned enhancements to our AML controls.

We continue to focus on strategic enhancements for AML / KYC and sanctions programs on a global scale to cope with evolving risk profiles and regulatory expectations, including the exploration of new technologies and more sophisticated rules-based monitoring, using self-learning systems to identify potentially suspicious transactions and behavior.

Capital management

The disclosures in this section are provided for UBS Group AG on a consolidated basis and focus on key developments during the reporting period and information in accordance with the Basel III framework, as applicable to Swiss systemically relevant banks (SRBs). They should be read in conjunction with “Capital management” in the “Capital, liquidity and funding, and balance sheet” section of our Annual Report 2020, which provides more information about our capital management objectives, planning and activities, as well as the Swiss SRB total loss-absorbing capacity framework.

Additional regulatory disclosures for UBS Group AG on a consolidated basis will be provided in our 30 June 2021 Pillar 3 report. The Pillar 3 report will also include information relating to our significant regulated subsidiaries and sub-groups (UBS AG standalone, UBS Switzerland AG standalone, UBS Europe SE

consolidated and UBS Americas Holding LLC consolidated) as of 30 June 2021 and will be available as of 20 August 2021 under “Pillar 3 disclosures” at ubs.com/investors.

Capital and other regulatory information for UBS AG consolidated in accordance with the Basel III framework, as applicable to Swiss SRBs, will be provided in the UBS AG second quarter 2021 report, which will be available as of 23 July 2021 under “Quarterly reporting” at ubs.com/investors.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and subsidiaries thereof. UBS Group AG and UBS AG have contributed a significant portion of their respective capital to, and provide substantial liquidity to, such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements.

Swiss SRB requirements and information

We are subject to the going and gone concern requirements of the Swiss Capital Adequacy Ordinance (the CAO) that include the too-big-to-fail provisions applicable to Swiss SRBs. Information about the Swiss SRB capital framework, and about Swiss SRB going and gone concern requirements, is provided under "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020.

The aforementioned requirements are also applicable to UBS AG consolidated. UBS Switzerland AG and UBS AG are subject to going and gone concern requirements on a standalone basis, as detailed in our 30 June 2021 Pillar 3 report, which will be available as of 20 August 2021 under "Pillar 3 disclosures" at ubs.com/investors.

The table below provides the risk-weighted assets (RWA)- and leverage ratio denominator (LRD)-based requirements and information as of 30 June 2021.

Swiss SRB going and gone concern requirements and information

As of 30.6.21	RWA		LRD	
USD million, except where indicated	in %		in %	
Required going concern capital				
Total going concern capital	13.96¹	40,943	4.88¹	50,697
Common equity tier 1 capital	9.66	28,332	3.38²	35,098
of which: minimum capital	4.50	13,197	1.50	15,599
of which: buffer capital	5.14	15,074	1.88	19,499
of which: countercyclical buffer	0.02	61		
Maximum additional tier 1 capital	4.30	12,611	1.50	15,599
of which: additional tier 1 capital	3.50	10,265	1.50	15,599
of which: additional tier 1 buffer capital	0.80	2,346		
Eligible going concern capital				
Total going concern capital	20.18	59,188	5.69	59,188
Common equity tier 1 capital	14.52	42,583	4.09	42,583
Total loss-absorbing additional tier 1 capital	5.66	16,605	1.60	16,605
of which: high-trigger loss-absorbing additional tier 1 capital ³	4.81	14,096	1.36	14,096
of which: low-trigger loss-absorbing additional tier 1 capital	0.86	2,509	0.24	2,509
Required gone concern capital				
Total gone concern loss-absorbing capacity⁴	10.60	31,101	3.76	39,092
of which: base requirement ⁵	12.86	37,715	4.50	46,797
of which: additional requirement for market share and LRD	1.08	3,167	0.38	3,900
of which: applicable reduction on requirements	(3.34)	(9,782)	(1.12)	(11,605)
of which: rebate granted (equivalent to 47.5% of maximum rebate) ⁶	(2.54)	(7,439)	(0.89)	(9,262)
of which: reduction for usage of low-trigger tier 2 capital instruments	(0.80)	(2,343)	(0.23)	(2,343)
Eligible gone concern capital				
Total gone concern loss-absorbing capacity	15.38	45,110	4.34	45,110
Total tier 2 capital	1.78	5,232	0.50	5,232
of which: low-trigger loss-absorbing tier 2 capital	1.60	4,686	0.45	4,686
of which: non-Basel III-compliant tier 2 capital	0.19	547	0.05	547
TLAC-eligible senior unsecured debt	13.60	39,878	3.83	39,878
Total loss-absorbing capacity				
Required total loss-absorbing capacity	24.57	72,044	8.63	89,789
Eligible total loss-absorbing capacity	35.56	104,298	10.03	104,298
Risk-weighted assets / leverage ratio denominator				
Risk-weighted assets		293,277		
Leverage ratio denominator				1,039,939

¹ Includes applicable add-ons of 1.08% for RWA and 0.375% for LRD. ² Our minimum CET1 leverage ratio requirement of 3.375% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement and a 0.125% market share add-on requirement based on our Swiss credit business. ³ Includes outstanding low-trigger loss-absorbing additional tier 1 (AT1) capital instruments, which are available under the Swiss SRB framework to meet the going concern requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements. ⁴ A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. ⁵ The gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher quality capital instruments is floored at 8.6% and 3% for the RWA- and LRD-based requirements, respectively. This means that the combined reduction may not exceed 5.34 percentage points for the RWA-based requirement of 13.94% and 1.875 percentage points for the LRD-based requirement of 4.875%. ⁶ Based on the actions we completed up to December 2020 to improve resolvability, FINMA granted an increase of rebate on the gone concern requirement from 47.5% to 55.0% of the maximum rebate, effective from 1 July 2021.

Total loss-absorbing capacity

The table below provides Swiss SRB going and gone concern information based on the Swiss SRB framework and requirements that are discussed under "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020.

Swiss SRB going and gone concern information

<i>USD million, except where indicated</i>	30.6.21	31.3.21	31.12.20
Eligible going concern capital			
Total going concern capital	59,188	56,288	56,178
Total tier 1 capital	59,188	56,288	56,178
Common equity tier 1 capital	42,583	40,426	39,890
Total loss-absorbing additional tier 1 capital	16,605	15,862	16,288
of which: high-trigger loss-absorbing additional tier 1 capital	14,096	13,361	13,711
of which: low-trigger loss-absorbing additional tier 1 capital	2,509	2,501	2,577
Eligible gone concern capital			
Total gone concern loss-absorbing capacity	45,110	44,381	45,545
Total tier 2 capital	5,232	5,253	7,744
of which: low-trigger loss-absorbing tier 2 capital	4,686	4,709	7,201
of which: non-Basel III-compliant tier 2 capital	547	544	543
TLAC-eligible senior unsecured debt	39,878	39,129	37,801
Total loss-absorbing capacity			
Total loss-absorbing capacity	104,298	100,669	101,722
Risk-weighted assets / leverage ratio denominator			
Risk-weighted assets	293,277	287,828	289,101
Leverage ratio denominator	1,039,939	1,038,225	1,037,150 ¹
Capital and loss-absorbing capacity ratios (%)			
Going concern capital ratio	20.2	19.6	19.4
of which: common equity tier 1 capital ratio	14.5	14.0	13.8
Gone concern loss-absorbing capacity ratio	15.4	15.4	15.8
Total loss-absorbing capacity ratio	35.6	35.0	35.2
Leverage ratios (%)¹			
Going concern leverage ratio	5.7	5.4	5.4
of which: common equity tier 1 leverage ratio	4.09	3.89	3.85
Gone concern leverage ratio	4.3	4.3	4.4
Total loss-absorbing capacity leverage ratio	10.0	9.7	9.8

¹ The leverage ratio denominator (LRD) and leverage ratios for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section and to "Application of the temporary COVID-19-related FINMA exemption of central bank sight deposits" in the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020, available under "Annual reporting" at ubs.com/investors, for more information.

Total loss-absorbing capacity and movement

Our total loss-absorbing capacity (TLAC) increased by USD 3.6 billion to USD 104.3 billion in the second quarter of 2021.

Going concern capital and movement

During the second quarter of 2021, our going concern capital increased by USD 2.9 billion to USD 59.2 billion. Our common equity tier 1 (CET1) capital increased by USD 2.2 billion to USD 42.6 billion, mainly reflecting operating profit before tax of USD 2.6 billion, a USD 0.4 billion lower deduction of goodwill resulting from the sale of our remaining minority investment in Clearstream Fund Centre, positive foreign currency translation effects of USD 0.3 billion and USD 0.2 billion higher eligible deferred tax assets on temporary differences, partly offset by compensation- and own share-related capital components of USD 0.4 billion, current tax expenses of USD 0.4 billion and accruals for capital returns to shareholders of USD 0.3 billion. Our share repurchases in the second quarter of 2021 did not affect our CET1 capital position, as there was an equivalent reduction in the capital reserve for potential share repurchases.

Our additional tier 1 (AT1) capital increased by USD 0.7 billion to USD 16.6 billion, mainly reflecting the issuance of an AT1 instrument with a nominal value of USD 750 million. On 6 July 2021, we announced that we will redeem an AT1 capital instrument on 10 August 2021 (ISIN CH0331455318 with a nominal amount of USD 1.1 billion, issued on 10 August 2016). This instrument remained eligible as AT1 capital as of 30 June 2021.

Gone concern loss-absorbing capacity and movement

Our total gone concern loss-absorbing capacity increased by USD 0.7 billion to USD 45.1 billion, mainly reflecting the issuance of USD 265 million of TLAC-eligible senior unsecured debt, as well as effects from interest rate risk hedges and foreign currency translation.

- › Refer to “Bondholder information” at ubs.com/investors for more information about the eligibility of capital and senior unsecured debt instruments and about key features and terms and conditions of capital instruments

Loss-absorbing capacity and leverage ratios

Our CET1 capital ratio increased 0.5 percentage points to 14.5%, reflecting an increase in CET1 capital of USD 2.2 billion, partly offset by a USD 5.4 billion increase in RWA.

Our CET1 leverage ratio increased from 3.89% to 4.09%, due to the aforementioned increase in CET1 capital, partly offset by a USD 2 billion increase in LRD.

Our gone concern loss-absorbing capacity ratio was stable at 15.4%, as the aforementioned increase in gone concern loss-absorbing capacity was offset by the aforementioned increase of RWA.

Our gone concern leverage ratio was stable at 4.3%, as the aforementioned increase in gone concern loss-absorbing capacity was offset by the aforementioned increase of LRD.

Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital

USD million	30.6.21	31.3.21	31.12.20
Total IFRS equity	59,050	58,333	59,765
Equity attributable to non-controlling interests	(284)	(307)	(319)
Defined benefit plans, net of tax	(144)	(104)	(41)
Deferred tax assets recognized for tax loss carry-forwards	(5,183)	(5,582)	(5,617)
Deferred tax assets on temporary differences, excess over threshold			(5)
Goodwill, net of tax ¹	(5,883)	(6,243)	(6,319)
Intangible assets, net of tax	(200)	(265)	(296)
Compensation-related components (not recognized in net profit)	(1,680)	(1,420)	(1,349)
Expected losses on advanced internal ratings-based portfolio less provisions	(463)	(342)	(330)
Unrealized (gains) / losses from cash flow hedges, net of tax	(1,365)	(1,138)	(2,321)
Own credit related to gains / losses on financial liabilities measured at fair value that existed at the balance sheet date	279	401	382
Own credit related to gains / losses on derivative financial instruments that existed at the balance sheet date	(50)	(48)	(45)
Unrealized gains related to debt instruments at fair value through OCI, net of tax	(89)	(96)	(152)
Prudential valuation adjustments	(146)	(152)	(150)
Accruals for dividends to shareholders for 2020		(1,314)	(1,314)
Capital reserve for potential share repurchases	(587)	(949)	(2,000)
Other ²	(670)	(349)	0
Total common equity tier 1 capital	42,583	40,426	39,890

¹ Includes goodwill related to significant investments in financial institutions of USD 21 million as of 30 June 2021 (31 March 2021: USD 388 million; 31 December 2020: USD 413 million) presented on the balance sheet line Investments in associates. ² Includes accruals for dividends to shareholders for the current year and other items.

Swiss SRB total loss-absorbing capacity movement

USD million

	Swiss SRB
Going concern capital	
Common equity tier 1 capital as of 31.3.21	40,426
Operating profit before tax	2,593
Current tax (expense) / benefit	(362)
Foreign currency translation effects	259
Share repurchase program ¹	(361)
Capital reserve for potential share repurchases	361
Compensation- and own share-related capital components	(373)
Other ²	40
Common equity tier 1 capital as of 30.6.21	42,583
Loss-absorbing additional tier 1 capital as of 31.3.21	15,862
Issuance of a high-trigger loss-absorbing additional tier 1 capital instrument	750
Interest rate risk hedge, foreign currency translation and other effects	(7)
Loss-absorbing additional tier 1 capital as of 30.6.21	16,605
Total going concern capital as of 31.3.21	56,288
Total going concern capital as of 30.6.21	59,188
Gone concern loss-absorbing capacity	
Tier 2 capital as of 31.3.21	5,253
Interest rate risk hedge, foreign currency translation and other effects	(20)
Tier 2 capital as of 30.6.21	5,232
TLAC-eligible senior unsecured debt as of 31.3.21	39,129
Issuance of TLAC-eligible senior unsecured debt instruments	265
Interest rate risk hedge, foreign currency translation and other effects	484
TLAC-eligible senior unsecured debt as of 30.6.21	39,878
Total gone concern loss-absorbing capacity as of 31.3.21	44,381
Total gone concern loss-absorbing capacity as of 30.6.21	45,110
Total loss-absorbing capacity	
Total loss-absorbing capacity as of 31.3.21	100,669
Total loss-absorbing capacity as of 30.6.21	104,298

¹ Includes share purchases of USD 300 million after the publication of our first quarter 2021 report (from 28 April 2021 to 30 June 2021). ² Includes movements related to accruals for dividends for the current year and other items.

Additional information

Sensitivity to currency movements

Risk-weighted assets

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our RWA by USD 13 billion and our CET1 capital by USD 1.3 billion as of 30 June 2021 (31 March 2021: USD 12 billion and USD 1.3 billion, respectively) and decreased our CET1 capital ratio 16 basis points (31 March 2021: 15 basis points). Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have decreased our RWA by USD 11 billion and our CET1 capital by USD 1.2 billion (31 March 2021: USD 11 billion and USD 1.2 billion, respectively) and increased our CET1 capital ratio 16 basis points (31 March 2021: 15 basis points).

Leverage ratio denominator

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our LRD by USD 63 billion as of 30 June 2021 (31 March 2021: USD 63 billion) and decreased our Swiss SRB going concern leverage ratio 17 basis points (31 March 2021: 16 basis points). Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have decreased our LRD by USD 57 billion (31 March 2021: USD 57 billion) and increased our Swiss SRB going concern leverage ratio 17 basis points (31 March 2021: 16 basis points).

The aforementioned sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

- › Refer to “Active management of sensitivity to currency movements” under “Capital management” in the “Capital, liquidity and funding, and balance sheet” section of our Annual Report 2020 for more information

Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in “Note 14 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report. We have used for this purpose the advanced measurement approach (AMA) methodology that we apply when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this standalone basis, we estimate the maximum loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at USD 4.0 billion as of 30 June 2021. This estimate is not related to and does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of our actual exposure in any of these matters.

- › Refer to “Operational risk” in the “Risk management and control” section of our Annual Report 2020 for more information
- › Refer to “Note 14 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report for more information

Risk-weighted assets

During the second quarter of 2021, RWA increased by USD 5.4 billion to USD 293.3 billion, driven by increases from model updates of USD 2.6 billion, currency effects of USD 1.8 billion, methodology and policy changes of USD 1.0 billion, and regulatory add-ons of USD 0.3 billion, partly offset by a reduction from asset size and other movements of USD 0.2 billion.

Movement in risk-weighted assets by key driver

<i>USD billion</i>	RWA as of	Currency effects	Methodology and policy changes	Model updates / changes	Regulatory add-ons	Asset size and other ¹	RWA as of
Credit and counterparty credit risk ²	31.3.21						30.6.21
	178.9	1.7	1.0	2.5	0.3	2.0	186.4
Non-counterparty-related risk ³	22.8	0.1				0.4	23.3
Market risk	10.4			0.1	0.0	(2.6)	7.8
Operational risk	75.8						75.8
Total	287.8	1.8	1.0	2.6	0.3	(0.2)	293.3

¹ Includes the Pillar 3 categories "Asset size," "Credit quality of counterparties," "Acquisitions and disposals" and "Other." For more information, refer to our 31 December 2020 Pillar 3 report, which is available under "Pillar 3 disclosures" at ubs.com/investors. ² Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. ³ Non-counterparty-related risk includes deferred tax assets recognized for temporary differences, property, equipment, software and other items.

Credit and counterparty credit risk

Credit and counterparty credit risk RWA increased by USD 7.5 billion to USD 186.4 billion as of 30 June 2021. The increase included USD 1.7 billion of currency effects.

Asset size and other movements resulted in a USD 2.0 billion increase in RWA.

- Global Wealth Management RWA increased by USD 2.3 billion, mainly driven by increases in Lombard and other loans.
- Personal & Corporate Banking RWA increased by USD 0.6 billion, mainly driven by increases in loans and loan commitments to corporate clients and loans secured by income-producing real estate.
- Investment Bank RWA decreased by USD 1.0 billion, mainly driven by a decrease in derivatives.
- Group Functions RWA increased by USD 0.2 billion.
- Asset Management RWA decreased by USD 0.1 billion.

Changes to credit ratings and loss given default (LGD), excluding model updates, did not result in an increase in RWA during the second quarter of 2021.

Model updates resulted in an RWA increase of USD 2.5 billion, primarily due to USD 0.9 billion from updates to the LGD model for mortgages in Switzerland, the USD 0.7 billion phase-in impact of an RWA increase related to a new model for structured margin loans and sophisticated lending, and the USD 0.5 billion phase-in impact of new probability of default (PD) and LGD models for the mortgage portfolio in the US.

RWA increased by USD 1.0 billion due to methodology and policy changes, primarily due to the application of the standardized approach to covered bonds.

The second quarter of 2021 also included an RWA increase of USD 0.3 billion from regulatory add-ons, mainly for credit card exposures in Switzerland.

We currently expect that further methodology changes and model updates will increase credit and counterparty credit risk RWA by around USD 3 billion in the third quarter of 2021 and an additional amount of around USD 3 billion in the fourth quarter of 2021. The extent and timing of RWA changes may vary as methodology changes and model updates are completed and receive regulatory approval. In addition, changes in the composition of the relevant portfolios and other market factors will affect RWA.

- › Refer to the "Risk management and control" section of this report and our 30 June 2021 Pillar 3 report, which will be available as of 20 August 2021 under "Pillar 3 disclosures" at ubs.com/investors, for more information
- › Refer to "Credit risk models" in the "Risk management and control" section of our Annual Report 2020 for more information

Market risk

Market risk RWA decreased by USD 2.5 billion to USD 7.8 billion in the second quarter of 2021, driven primarily by lower average value-at-risk (VaR) levels in the Investment Bank's Global Markets business. Ongoing discussions regarding our regulatory VaR model with FINMA, which started prior to the COVID-19 pandemic, may lead to VaR model updates that would likely result in an increase in market risk RWA in the second half of 2021.

- › Refer to the "Risk management and control" section of this report and our 30 June 2021 Pillar 3 report, which will be available as of 20 August 2021 under "Pillar 3 disclosures" at ubs.com/investors, for more information
- › Refer to "Market risk" in the "Risk management and control" section of our Annual Report 2020 for more information

Operational risk

Operational risk RWA were USD 75.8 billion as of 30 June 2021, unchanged from 31 March 2021.

- › Refer to "Operational risk" in the "Risk management and control" section of our Annual Report 2020 for information about the advanced measurement approach model

Risk-weighted assets by business division and Group Functions

<i>USD billion</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total RWA
			30.6.21			
Credit and counterparty credit risk ¹	51.9	62.4	4.0	60.0	8.1	186.4
Non-counterparty-related risk ²	6.2	2.1	0.6	3.4	10.9	23.3
Market risk	1.1	0.0	0.0	5.7	1.0	7.8
Operational risk	32.8	7.2	3.3	23.2	9.3	75.8
Total	92.0	71.7	7.9	92.3	29.4	293.3
			31.3.21			
Credit and counterparty credit risk ¹	47.9	59.2	4.0	60.7	7.0	178.9
Non-counterparty-related risk ²	6.2	2.0	0.6	3.4	10.6	22.8
Market risk	1.3	0.0	0.0	7.7	1.3	10.4
Operational risk	32.8	7.2	3.3	23.2	9.3	75.8
Total	88.2	68.4	8.0	95.0	28.3	287.8
			30.6.21 vs 31.3.21			
Credit and counterparty credit risk ¹	4.0	3.2	(0.1)	(0.7)	1.0	7.5
Non-counterparty-related risk ²	0.1	0.0	0.0	0.0	0.3	0.5
Market risk	(0.3)	0.0	0.0	(2.0)	(0.3)	(2.5)
Operational risk	0.0	0.0	0.0	0.0	0.0	0.0
Total	3.8	3.2	0.0	(2.6)	1.1	5.4

¹ Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. ² Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (30 June 2021: USD 10.4 billion; 31 March 2021: USD 9.9 billion), property, equipment, software and other items (30 June 2021: USD 12.9 billion; 31 March 2021: USD 12.9 billion).

Leverage ratio denominator

During the second quarter of 2021, LRD increased by USD 2 billion to USD 1,040 billion. The increase was driven by currency effects of USD 9 billion, partly offset by a decrease in asset size and other movements of USD 7 billion.

Movement in leverage ratio denominator by key driver

<i>USD billion</i>	LRD as of 31.3.21	Currency effects	Asset size and other	LRD as of 30.6.21
On-balance sheet exposures (excluding derivative exposures and SFTs) ¹	790.2	7.7	3.6	801.5
Derivative exposures	106.2	0.4	(8.8)	97.7
Securities financing transactions	123.2	0.4	(2.1)	121.5
Off-balance sheet items	31.2	0.3	(0.3)	31.1
Deduction items	(12.6)	0.0	0.7	(12.0)
Total	1,038.2	8.7	(7.0)	1,039.9

¹ Excludes derivative financial instruments, cash collateral receivables on derivative instruments, cash collateral on securities borrowed, reverse repurchase agreements, margin loans and prime brokerage receivables related to securities financing transactions, which are presented separately under Derivative exposures and Securities financing transactions in this table.

The LRD movements described below exclude currency effects.

On-balance sheet exposures increased by USD 4 billion, mainly driven by higher lending assets largely in Global Wealth Management, partly offset by lower high-quality liquid asset (HQLA) securities.

Derivative exposures decreased by USD 9 billion, mainly driven by foreign exchange contracts, as a result of roll-offs, and lower collateral placed with counterparties and exchanges, as well as an increase in the exemption of exposures to qualifying exchanges.

Securities financing transactions (SFTs) decreased by USD 2 billion, mainly reflecting lower brokerage receivables, trade roll-offs and a reduction in collateral sourcing requirements, partly offset by excess cash re-investment.

› Refer to the “Balance sheet and off-balance sheet” section of this report for more information about balance sheet movements

Leverage ratio denominator by business division and Group Functions

<i>USD billion</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
						30.6.21
Total IFRS assets	375.1	222.0	29.5	343.9	116.1	1,086.5
Difference in scope of consolidation ¹	(0.1)	0.0	(22.3)	0.0	0.1	(22.3)
Less: derivative exposures and SFTs ²	(29.3)	(15.1)	(0.7)	(162.7)	(54.9)	(262.7)
On-balance sheet exposures	345.6	206.9	6.5	181.3	61.3	801.5
Derivative exposures	6.7	2.5	0.0	82.4	6.1	97.7
Securities financing transactions	25.4	13.4	0.7	53.5	28.5	121.5
Off-balance sheet items	6.8	16.0	0.0	8.0	0.3	31.1
Items deducted from Swiss SRB tier 1 capital	(5.3)	(0.2)	(1.3)	(0.2)	(5.0)	(12.0)
Total	379.2	238.7	6.0	324.9	91.2	1,039.9

						31.3.21
Total IFRS assets	377.0	221.4	28.6	370.8	109.9	1,107.7
Difference in scope of consolidation ¹	(0.2)	0.0	(21.5)	0.0	0.1	(21.5)
Less: derivative exposures and SFTs ²	(29.7)	(15.1)	(0.6)	(194.5)	(56.1)	(295.9)
On-balance sheet exposures	347.2	206.3	6.5	176.3	53.9	790.2
Derivative exposures	6.7	3.2	0.0	89.7	6.6	106.2
Securities financing transactions	25.6	12.6	0.6	55.6	28.9	123.2
Off-balance sheet items	6.4	15.8	0.0	8.3	0.7	31.2
Items deducted from Swiss SRB tier 1 capital	(5.3)	(0.1)	(1.6)	(0.2)	(5.4)	(12.6)
Total	380.6	237.8	5.4	329.7	84.7	1,038.2

						30.6.21 vs 31.3.21
Total IFRS assets	(1.9)	0.6	0.9	(27.0)	6.2	(21.2)
Difference in scope of consolidation ¹	0.0	0.0	(0.8)	0.0	0.0	(0.7)
Less: derivative exposures and SFTs ²	0.3	0.0	(0.2)	31.8	1.2	33.2
On-balance sheet exposures	(1.6)	0.6	0.0	4.9	7.4	11.3
Derivative exposures	0.0	(0.7)	0.0	(7.3)	(0.6)	(8.5)
Securities financing transactions	(0.2)	0.8	0.2	(2.1)	(0.4)	(1.7)
Off-balance sheet items	0.4	0.2	0.0	(0.3)	(0.4)	(0.1)
Items deducted from Swiss SRB tier 1 capital	(0.1)	0.0	0.4	0.0	0.4	0.7
Total	(1.4)	0.9	0.5	(4.7)	6.4	1.7

¹ Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. ² 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.

Equity attribution and return on attributed equity

Under our equity attribution framework, tangible equity is attributed based on a weighting of 50% each for average risk-weighted assets (RWA) and average leverage ratio denominator (LRD), which both include resource allocations from Group Functions to the business divisions (the BDs). Average RWA and LRD are converted to common equity tier 1 (CET1) capital equivalents using capital ratios of 12.5% and 3.75%, respectively. If the attributed tangible equity calculated under the weighted-driver approach is less than the CET1 capital equivalent of risk-based capital (RBC) for any BD, the CET1 capital equivalent of RBC is used as a floor for that BD.

In addition to tangible equity, we allocate equity to the BDs to support goodwill and intangible assets.

Furthermore, we allocate to the BDs attributed equity related to certain CET1 deduction items, such as compensation-related components and expected losses on the advanced internal ratings-based portfolio, less general provisions.

We attribute all remaining Basel III capital deduction items to Group Functions. These items include deferred tax assets (DTAs) recognized for tax loss carry-forwards, DTAs on temporary differences in excess of the threshold, accruals for shareholder returns, and unrealized gains from cash flow hedges.

- › Refer to the “**Capital, liquidity and funding, and balance sheet**” section of our **Annual Report 2020** for more information about the equity attribution framework
- › Refer to the “**Balance sheet and off-balance sheet**” section of this report for more information about movements in equity attributable to shareholders

Average attributed equity

USD billion	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Global Wealth Management	18.5	18.3	16.7	18.4	16.6
Personal & Corporate Banking	9.1	9.1	8.7	9.1	8.7
Asset Management	2.1	2.2	1.9	2.2	1.8
Investment Bank	13.0	13.0	12.6	13.0	12.5
Group Functions	15.7	16.1	17.6	15.9	17.2
<i>of which: deferred tax assets¹</i>	6.1	6.3	6.8	6.2	6.9
<i>of which: related to retained RWA and LRD^{2,3}</i>	3.1	3.3	3.9	3.2	3.3
<i>of which: accruals for shareholder returns and others⁴</i>	6.4	6.5	6.9	6.5	6.9
Average equity attributed to business divisions and Group Functions	58.4	58.7	57.5	58.6	56.8

¹ Includes average attributed equity related to the Basel III capital deduction items for deferred tax assets (deferred tax assets recognized for tax loss carry-forwards and deferred tax assets on temporary differences, excess over threshold), as well as retained RWA and LRD related to deferred tax assets. ² Excludes average attributed equity related to retained RWA and LRD related to deferred tax assets. ³ The temporary exemption that applied from 25 March 2020 until 1 January 2021 and that was granted by FINMA in connection with COVID-19 was not applied when calculating average attributed equity for the respective periods in 2020. Refer to the “Regulatory and legal developments” section of our Annual Report 2020 for more information. ⁴ Attributed equity related to others primarily includes remaining Basel III capital deduction items, such as unrealized gains from cash flow hedges.

Return on attributed equity¹

USD billion	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Global Wealth Management	27.9	30.8	21.1	29.3	25.3
Personal & Corporate Banking	21.8	17.1	10.9	19.5	13.1
Asset Management	49.0	40.8	33.7	44.7	34.1
Investment Bank	20.6	12.7	19.4	16.7	21.1

¹ Return on attributed equity for Group Functions is not shown, as it is not meaningful.

Liquidity and funding management

Strategy, objectives and governance

This section provides liquidity and funding management information and should be read in conjunction with “Liquidity and funding management” in the “Capital, liquidity and funding, and balance sheet” section of our Annual Report 2020, which provides more information about the Group’s strategy, objectives and governance in connection with liquidity and funding management.

Liquidity coverage ratio

<i>USD billion, except where indicated</i>	Average 2Q21 ¹	Average 1Q21 ¹
High-quality liquid assets	232	221
Net cash outflows	149	146
Liquidity coverage ratio (%)²	156	151

¹ Calculated based on an average of 64 data points in the second quarter of 2021 and 63 data points in the first quarter of 2021. ² Calculated after the application of haircuts and inflow and outflow rates, as well as, where applicable, caps on Level 2 assets and cash inflows.

Liquidity coverage ratio

The UBS Group quarterly average liquidity coverage ratio (LCR) increased 5 percentage points to 156%, remaining above the prudential requirement communicated by the Swiss Financial Market Supervisory Authority (FINMA). The average LCR increase was driven by an USD 11 billion increase in average high-quality liquid assets (HQLA) to USD 232 billion, driven by higher average cash balances, due to a decrease in assets subject to local transfer restrictions, lower funding consumption by the Investment Bank and net deposit growth. Average total net cash outflows increased by USD 3 billion to USD 149 billion, mainly due to decreases in inflows from secured financing transactions.

- › Refer to our 30 June 2021 Pillar 3 report, which will be available from 20 August 2021 under “Pillar 3 disclosures” at ubs.com/investors, for more information about the liquidity coverage ratio

Net stable funding ratio

As of 30 June 2021, our estimated pro forma net stable funding ratio (NSFR) was 115%, an increase of 1 percentage point compared with 31 March 2021. This reflected an USD 8 billion increase in available stable funding, predominantly driven by debt issued and customer deposits. Required stable funding increased by USD 3 billion, mainly driven by Lombard loans and residential mortgages, partly offset by a decrease in net derivative assets.

The Swiss NSFR regulation was finalized in the fourth quarter of 2020 with the release of the revised FINMA Circular 2015/2 “Liquidity risks – banks.” Our pro forma NSFR disclosure is based on the final regulation, which became effective on 1 July 2021.

- › Refer to “Liquidity and funding management” in the “Capital, liquidity and funding, and balance sheet” section of our Annual Report 2020 for more information about the LCR and the NSFR

Pro forma net stable funding ratio

<i>USD billion, except where indicated</i>	30.6.21	31.3.21
Available stable funding	556	548
Required stable funding	482	479
Pro forma net stable funding ratio (%)	115	114

Balance sheet and off-balance sheet

Strategy, objectives and governance

This section provides balance sheet and off-balance sheet information and should be read in conjunction with "Balance sheet and off-balance sheet" in the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020, which provides more information about the Group's balance sheet and off-balance sheet positions.

Balances disclosed in this report represent quarter-end positions, unless indicated otherwise. Intra-quarter balances fluctuate in the ordinary course of business and may differ from quarter-end positions.

Balance sheet assets (30 June 2021 vs 31 March 2021)

Total assets decreased by USD 21 billion to USD 1,087 billion as of 30 June 2021, despite an increase from currency effects of approximately USD 9 billion.

Derivatives and cash collateral receivables on derivative instruments decreased by USD 32 billion, mainly in our Derivatives & Solutions business in the Investment Bank, predominantly reflecting net roll-offs of foreign exchange

contracts during the quarter. Other financial assets measured at amortized cost and fair value decreased by USD 5 billion, mainly driven by disposals and maturities in the high-quality liquid asset (HQLA) portfolio. Brokerage receivables decreased by USD 1 billion, with growth in lending more than offset by a corresponding increase in netting effects.

These decreases were partly offset by an USD 11 billion increase in Lending assets, largely reflecting a USD 9 billion increase in Global Wealth Management, mainly driven by higher Lombard and mortgage lending in the Americas, and a USD 4 billion increase in Personal & Corporate Banking, mainly due to currency effects and higher mortgage lending. Trading portfolio assets increased by USD 2 billion, mainly due to higher inventory levels held in the Investment Bank to hedge client positions. Cash and balances at central banks increased by USD 2 billion, mainly driven by currency effects, with net funding consumption across the business divisions remaining broadly unchanged. Securities financing transactions at amortized cost increased by USD 1 billion, driven by re-investment of excess cash by Group Treasury, partly offset by lower collateral requirements.

» Refer to the "Consolidated financial statements" section of this report for more information

Assets

<i>USD billion</i>	As of		% change from
	30.6.21	31.3.21	31.3.21
Cash and balances at central banks	160.7	158.9	1
Lending ¹	406.6	395.2	3
Securities financing transactions at amortized cost	83.5	82.4	1
Trading portfolio ²	122.5	120.6	2
Derivatives and cash collateral receivables on derivative instruments	151.4	183.3	(17)
Brokerage receivables	23.0	24.2	(5)
Other financial assets measured at amortized cost and fair value ³	78.3	82.9	(6)
Non-financial assets and financial assets for unit-linked investment contracts	60.5	60.2	1
Total assets	1,086.5	1,107.7	(2)

¹ Consists of loans and advances to customers and banks. ² Consists of financial assets at fair value held for trading. ³ Consists of financial assets at fair value not held for trading, financial assets measured at fair value through other comprehensive income and other financial assets measured at amortized cost, but excludes financial assets for unit-linked investment contracts.

Balance sheet liabilities (30 June 2021 vs 31 March 2021)

Total liabilities decreased by USD 22 billion to USD 1,027 billion as of 30 June 2021, despite an increase from currency effects of approximately USD 7 billion.

Derivatives and cash collateral payables on derivative instruments decreased by USD 29 billion, largely in line with the aforementioned movement on the asset side. Brokerage payables decreased by USD 6 billion, mainly in the Financing business of the Investment Bank, with growth in lending increasing netting effects. Trading portfolio liabilities decreased by USD 4 billion, driven by the Investment Bank, mainly reflecting a reduction in short positions after the end of the European dividend season. Short-term borrowings decreased by USD 3 billion, mainly driven by net maturities of certificates of deposit and commercial papers in Group Treasury, partly offset by higher amounts due to banks in the Investment Bank.

These decreases were partly offset by an USD 8 billion increase in debt issued designated at fair value and long-term debt issued measured at amortized cost. This reflected net new issuances, as well as market-driven movements on debt measured at fair value in our Derivatives & Solutions business in the Investment Bank. Customer deposits increased by USD 8 billion, largely reflecting currency effects, as well as higher levels of cash held by clients, in Global Wealth Management Americas and APAC, partly offset by client-driven decreases in Personal & Corporate Banking. Other financial liabilities at amortized cost and fair value increased by USD 2 billion, mainly in Group Treasury due to lower netting on securities financing transactions measured at fair value following maturities on the asset side. Non-financial liabilities and financial liabilities related to unit-linked investment contracts increased by USD 2 billion, mainly reflecting an increase in compensation-related liabilities.

The “Liabilities by product and currency” table in this section provides more information about our funding sources.

- › Refer to “Bondholder information” at ubs.com/investors for more information about capital and senior debt instruments
- › Refer to the “Consolidated financial statements” section of this report for more information

Equity (30 June 2021 vs 31 March 2021)

Equity attributable to shareholders increased by USD 739 million to USD 58,765 million as of 30 June 2021, from USD 58,026 million as of 31 March 2021.

The increase of USD 739 million was mainly driven by total comprehensive income attributable to shareholders of positive USD 2,582 million, reflecting net profit of USD 2,006 million and positive other comprehensive income (OCI) of USD 576 million. OCI mainly included positive OCI related to foreign currency translation of USD 255 million, positive cash flow hedge OCI of USD 222 million and positive OCI related to own credit of USD 118 million. In addition, amortization of deferred share-based compensation awards increased equity by USD 180 million.

These increases were partly offset by distributions to shareholders of USD 1,301 million, reflecting a dividend payment of USD 0.37 per share. In addition, net treasury share activity decreased equity by USD 687 million. This was largely due to repurchases of USD 361 million of shares under our 2021–2024 share repurchase program and the purchase of USD 325 million of shares from the market to hedge future share delivery obligations related to employee share-based compensation awards.

In the second quarter of 2021, we canceled 156,632,400 shares purchased under our 2018–2021 share repurchase program, as approved by shareholders at the 2021 Annual General Meeting. The cancellation of shares resulted in reclassifications within equity but had no net effect on our total equity attributable to shareholders.

- › Refer to the “Consolidated financial statements” and “Group performance” sections of this report for more information
- › Refer to the “Share information and earnings per share” section of this report for more information about the share repurchase programs

Liabilities and equity

	As of		% change from
USD billion	30.6.21	31.3.21	31.3.21
Short-term borrowings ¹	57.3	60.0	(4)
Securities financing transactions at amortized cost	6.0	6.7	(10)
Customer deposits	513.3	505.4	2
Debt issued designated at fair value and long-term debt issued measured at amortized cost ²	172.3	163.8	5
Trading portfolio ³	33.3	37.1	(10)
Derivatives and cash collateral payables on derivative instruments	153.9	182.6	(16)
Brokerage payables	39.1	45.6	(14)
Other financial liabilities measured at amortized cost and fair value ⁴	18.6	16.8	11
Non-financial liabilities and financial liabilities related to unit-linked investment contracts	33.6	31.5	7
Total liabilities	1,027.5	1,049.4	(2)
Share capital	0.3	0.3	(5)
Share premium	15.5	16.2	(4)
Treasury shares	(3.3)	(4.6)	(28)
Retained earnings	40.1	40.5	(1)
Other comprehensive income ⁵	6.1	5.6	9
Total equity attributable to shareholders	58.8	58.0	1
Equity attributable to non-controlling interests	0.3	0.3	(7)
Total equity	59.0	58.3	1
Total liabilities and equity	1,086.5	1,107.7	(2)

¹ Consists of short-term debt issued measured at amortized cost and amounts due to banks. ² The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. ³ Consists of financial liabilities at fair value held for trading. ⁴ Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes financial liabilities related to unit-linked investment contracts. ⁵ Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in retained earnings.

Liabilities by product and currency

	USD billion				As a percentage of total liabilities							
	All currencies		All currencies		USD		CHF		EUR		Other	
	30.6.21	31.3.21	30.6.21	31.3.21	30.6.21	31.3.21	30.6.21	31.3.21	30.6.21	31.3.21	30.6.21	31.3.21
Short-term borrowings	57.3	60.0	5.6	5.7	3.0	2.8	0.6	0.5	0.8	1.0	1.3	1.4
of which: due to banks	14.6	12.6	1.4	1.2	0.4	0.4	0.5	0.5	0.1	0.1	0.4	0.3
of which: short-term debt issued ¹	42.7	47.4	4.2	4.5	2.6	2.5	0.0	0.0	0.7	0.9	0.9	1.1
Securities financing transactions at amortized cost	6.0	6.7	0.6	0.6	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.1
Customer deposits	513.3	505.4	50.0	48.2	21.2	19.9	18.8	19.0	5.3	5.1	4.6	4.2
of which: demand deposits	244.2	232.1	23.8	22.1	8.5	7.4	7.0	7.0	4.5	4.2	3.8	3.5
of which: retail savings / deposits	220.7	219.2	21.5	20.9	9.4	8.9	11.6	11.4	0.5	0.5	0.0	0.0
of which: time deposits	32.9	36.1	3.2	3.4	2.2	2.5	0.2	0.2	0.0	0.1	0.8	0.7
of which: fiduciary deposits	15.5	18.0	1.5	1.7	1.1	1.0	0.1	0.4	0.2	0.3	0.1	0.1
Debt issued designated at fair value and long-term debt issued measured at amortized cost ²	172.3	163.8	16.8	15.6	9.5	8.4	1.7	1.6	3.9	3.9	1.7	1.6
Trading portfolio	33.3	37.1	3.2	3.5	1.4	1.5	0.1	0.1	0.8	0.8	0.9	1.2
Derivatives and cash collateral payables on derivative instruments	153.9	182.6	15.0	17.4	12.2	14.2	0.2	0.3	1.6	1.8	1.0	1.1
Brokerage payables	39.1	45.6	3.8	4.3	2.8	3.3	0.0	0.0	0.2	0.3	0.7	0.7
Other financial liabilities measured at amortized cost and fair value ³	18.6	16.8	1.8	1.6	1.0	0.8	0.2	0.2	0.3	0.3	0.3	0.3
Non-financial liabilities and financial liabilities related to unit-linked investment contracts	33.6	31.5	3.3	3.0	0.5	0.5	0.2	0.1	0.2	0.1	2.4	2.2
Total liabilities	1,027.5	1,049.4	100.0	100.0	52.2	52.0	21.9	21.9	13.1	13.2	12.9	12.9

¹ Short-term debt issued consists of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. ² The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. ³ Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes financial liabilities related to unit-linked investment contracts.

Off-balance sheet (30 June 2021 vs 31 March 2021)

Guarantees, loan commitments, committed unconditionally revocable credit lines and forward starting repurchase agreements were broadly unchanged as of 30 June 2021 compared with 31 March 2021. Forward starting reverse repurchase agreements increased by USD 2 billion, primarily in Group Treasury, reflecting fluctuations in business division activity in short-dated securities financing transactions.

Off-balance sheet

	As of		% change from
USD billion	30.6.21	31.3.21	31.3.21
Guarantees ^{1,2}	15.6	15.5	1
Loan commitments ^{1,3}	37.8	38.1	(1)
Committed unconditionally revocable credit lines	38.8	39.4	(2)
Forward starting reverse repurchase agreements ³	8.2	6.0	38
Forward starting repurchase agreements ³	1.8	2.1	(14)

¹ Guarantees and loan commitments are shown net of sub-participations. ² Includes guarantees measured at fair value through profit or loss. ³ Derivative loan commitments, as well as forward starting repurchase and reverse repurchase agreements, measured at fair value through profit or loss are not included. Refer to "Note 9 Derivative instruments" in the "Consolidated financial statements" section of this report for more information.

Share information and earnings per share

UBS Group AG shares are listed on the SIX Swiss Exchange (SIX). They are also listed on the New York Stock Exchange (the NYSE) as global registered shares. Each share has a nominal value of CHF 0.10 per share. Shares issued decreased by 157 million in the second quarter of 2021, as the 156,632,400 shares acquired under the 2018–2021 share repurchase program were canceled by means of a capital reduction, as approved by shareholders at the 2021 Annual General Meeting.

We held 226 million shares as of 30 June 2021, of which 143 million shares are primarily held to hedge our share delivery obligations related to employee share-based compensation and participation plans. The remaining 83 million shares were acquired under our 2021–2024 share repurchase program for cancellation purposes.

Treasury shares held decreased by 110 million shares in the second quarter of 2021. This largely reflected the aforementioned cancellation of 157 million shares, partly offset by repurchases of 26.8 million shares under our 2021–2024 share repurchase program and the purchase of 20 million shares from the market to hedge future share delivery obligations related to employee share-based compensation awards.

Shares acquired under our 2021–2024 program totaled 83 million as of 30 June 2021 for a total acquisition cost of CHF 1,192 million (USD 1,300 million). Under this program, we intend to repurchase USD 0.6 billion of shares during the third quarter of 2021.

» Refer to the “Return on equity and CET1 capital” table in the “Group performance” section of this report for more information about equity attributable to shareholders and tangible equity attributable to shareholders

	As of or for the quarter ended			As of or year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Basic and diluted earnings (USD million)					
Net profit / (loss) attributable to shareholders for basic EPS	2,006	1,824	1,232	3,830	2,827
Less: (profit) / loss on own equity derivative contracts	(1)	(1)	0	(2)	0
Net profit / (loss) attributable to shareholders for diluted EPS	2,005	1,823	1,232	3,828	2,827
Weighted average shares outstanding					
Weighted average shares outstanding for basic EPS ¹	3,502,478,236	3,538,422,488	3,584,522,015	3,520,450,363	3,588,187,534
Effect of dilutive potential shares resulting from notional employee shares, in-the-money options and warrants outstanding ²	138,873,741	150,824,304	106,543,728	144,776,805	110,717,626
Weighted average shares outstanding for diluted EPS	3,641,351,977	3,689,246,792	3,691,065,743	3,665,227,168	3,698,905,160
Earnings per share					
Basic earnings per share (USD)	0.57	0.52	0.34	1.09	0.79
Basic earnings per share (CHF) ³	0.52	0.47	0.33	0.99	0.76
Diluted earnings per share (USD)	0.55	0.49	0.33	1.04	0.76
Diluted earnings per share (CHF) ³	0.50	0.45	0.32	0.95	0.74
Shares outstanding and potentially dilutive instruments					
Shares issued	3,702,422,995	3,859,055,395	3,859,055,395	3,702,422,995	3,859,055,395
Treasury shares ⁴	225,877,281	335,907,722	271,876,346	225,877,281	271,876,346
<i>of which: related to share repurchase program 2018–2021</i>		156,632,400	148,975,800		148,975,800
<i>of which: related to share repurchase program 2021–2024</i>	83,090,525	56,269,500		83,090,525	
Shares outstanding	3,476,545,714	3,523,147,673	3,587,179,049	3,476,545,714	3,587,179,049
Potentially dilutive instruments ⁵	10,459,279	11,605,954	27,456,453	12,229,370	26,911,953
Other key figures					
Total book value per share (USD)	16.90	16.47	15.89	16.90	15.89
Tangible book value per share (USD)	15.05	14.65	14.10	15.05	14.10
Share price (USD) ⁶	15.31	15.48	11.51	15.31	11.51
Market capitalization (USD million)	53,218	54,536	41,303	53,218	41,303

¹ The weighted average shares outstanding for basic EPS are calculated by taking the number of shares at the beginning of the period, adjusted by the number of shares acquired or issued during the period, multiplied by a time-weighted factor for the period outstanding. As a result, balances are affected by the timing of acquisitions and issuances during the period. ² The weighted average number of shares for notional employee awards with performance conditions reflects all potentially dilutive shares that are expected to vest under the terms of the awards. ³ Basic and diluted earnings per share in Swiss francs are calculated based on a translation of net profit / (loss) under our US dollar presentation currency. ⁴ Based on a settlement date view. ⁵ Reflects potential shares that could dilute basic earnings per share in the future, but were not dilutive for the periods presented. It mainly includes equity derivative contracts. ⁶ Represents the share price as listed on the SIX Swiss Exchange, translated to US dollars using the closing exchange rate as of the respective date.

Ticker symbols UBS Group AG

Trading exchange	SIX / NYSE	Bloomberg	Reuters
SIX Swiss Exchange	UBSG	UBSG SW	UBSG.S
New York Stock Exchange	UBS	UBS UN	UBS.N

Security identification codes

ISIN	CH0244767585
Valoren	24 476 758
CUSIP	CINS H42097 10 7

Consolidated financial statements

Unaudited

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UBS Group AG interim consolidated financial statements (unaudited)

Income statement

USD million	Note	For the quarter ended			Year-to-date	
		30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,106	2,097	2,133	4,203	4,588
Interest expense from financial instruments measured at amortized cost	3	(836)	(833)	(1,092)	(1,669)	(2,478)
Net interest income from financial instruments measured at fair value through profit or loss	3	357	349	351	706	612
Net interest income	3	1,628	1,613	1,392	3,241	2,722
Other net income from financial instruments measured at fair value through profit or loss		1,479	1,309	1,932	2,787	3,738
Credit loss (expense) / release	7	80	28	(272)	108	(540)
Fee and commission income	4	6,041	6,169	4,729	12,210	10,207
Fee and commission expense	4	(484)	(478)	(419)	(962)	(875)
Net fee and commission income	4	5,557	5,691	4,311	11,248	9,332
Other income		233	64	41	297	84
Total operating income		8,976	8,705	7,403	17,681	15,337
Personnel expenses	5	4,772	4,801	4,283	9,573	8,604
General and administrative expenses	6	1,103	1,089	1,063	2,192	2,196
Depreciation and impairment of property, equipment and software		500	508	458	1,009	914
Amortization and impairment of goodwill and intangible assets		9	8	17	17	32
Total operating expenses		6,384	6,407	5,821	12,790	11,747
Operating profit / (loss) before tax		2,593	2,298	1,582	4,891	3,591
Tax expense / (benefit)		581	471	347	1,053	757
Net profit / (loss)		2,012	1,827	1,236	3,838	2,833
Net profit / (loss) attributable to non-controlling interests		6	3	3	9	6
Net profit / (loss) attributable to shareholders		2,006	1,824	1,232	3,830	2,827

Earnings per share (USD)

Basic	0.57	0.52	0.34	1.09	0.79
Diluted	0.55	0.49	0.33	1.04	0.76

Statement of comprehensive income

<i>USD million</i>	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Comprehensive income attributable to shareholders¹					
Net profit / (loss)	2,006	1,824	1,232	3,830	2,827
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation					
Foreign currency translation movements related to net assets of foreign operations, before tax	463	(1,463)	458	(999)	178
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	(202)	708	(197)	506	(54)
Foreign currency translation differences on foreign operations reclassified to the income statement	(10)	1	0	(9)	0
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	8	0	2	8	(7)
Income tax relating to foreign currency translations, including the impact of net investment hedges	(4)	10	(2)	6	(2)
Subtotal foreign currency translation, net of tax	255	(744)	261	(489)	116
Financial assets measured at fair value through other comprehensive income					
Net unrealized gains / (losses), before tax	21	(131)	19	(110)	226
Realized gains reclassified to the income statement from equity	(3)	(8)	(15)	(11)	(24)
Realized losses reclassified to the income statement from equity	0	2	0	2	0
Income tax relating to net unrealized gains / (losses)	(4)	35	(3)	31	(54)
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	14	(102)	1	(88)	149
Cash flow hedges of interest rate risk					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	542	(1,172)	291	(630)	2,244
Net (gains) / losses reclassified to the income statement from equity	(268)	(254)	(171)	(522)	(274)
Income tax relating to cash flow hedges	(51)	266	(25)	215	(370)
Subtotal cash flow hedges, net of tax	222	(1,160)	95	(937)	1,600
Cost of hedging					
Change in fair value of cost of hedging, before tax	(24)	(13)	(18)	(37)	(12)
Amortization of initial cost of hedging to the income statement	7	7	5	14	7
Income tax relating to cost of hedging	0	0	0	0	0
Subtotal cost of hedging, net of tax	(16)	(6)	(13)	(23)	(4)
Total other comprehensive income that may be reclassified to the income statement, net of tax	475	(2,012)	345	(1,537)	1,860
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	(21)	(136)	(420)	(157)	(410)
Income tax relating to defined benefit plans	4	23	(80)	27	63
Subtotal defined benefit plans, net of tax	(17)	(113)	(500)	(130)	(347)
Own credit on financial liabilities designated at fair value					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	118	(29)	(1,095)	89	62
Income tax relating to own credit on financial liabilities designated at fair value	0	0	223	0	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	118	(29)	(872)	89	62
Total other comprehensive income that will not be reclassified to the income statement, net of tax	102	(142)	(1,372)	(40)	(286)
Total other comprehensive income	576	(2,154)	(1,027)	(1,577)	1,575
Total comprehensive income attributable to shareholders	2,582	(330)	205	2,252	4,402

Statement of comprehensive income (continued)

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	6	3	3	9	6
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	14	(12)	1	2	(4)
Income tax relating to foreign currency translation movements	0	0	0	0	0
Subtotal foreign currency translation, net of tax	14	(12)	1	2	(4)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	14	(12)	1	2	(4)
Total comprehensive income attributable to non-controlling interests	20	(9)	4	10	3
Total comprehensive income					
Net profit / (loss)	2,012	1,827	1,236	3,838	2,833
Other comprehensive income	591	(2,166)	(1,026)	(1,576)	1,571
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>475</i>	<i>(2,012)</i>	<i>345</i>	<i>(1,537)</i>	<i>1,860</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>116</i>	<i>(155)</i>	<i>(1,371)</i>	<i>(39)</i>	<i>(289)</i>
Total comprehensive income	2,602	(339)	209	2,263	4,404

¹ Refer to the "Group performance" section of this report for more information.

Balance sheet

<i>USD million</i>	Note	30.6.21	31.3.21	31.12.20
Assets				
Cash and balances at central banks		160,672	158,914	158,231
Loans and advances to banks		16,500	18,448	15,444
Receivables from securities financing transactions		83,494	82,384	74,210
Cash collateral receivables on derivative instruments	9	29,785	35,046	32,737
Loans and advances to customers	7	390,126	376,798	379,528
Other financial assets measured at amortized cost	10	27,143	26,770	27,194
Total financial assets measured at amortized cost		707,720	698,361	687,345
Financial assets at fair value held for trading	8	122,482	120,576	125,397
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		44,333	48,385	47,098
Derivative financial instruments	8, 9	121,622	148,282	159,617
Brokerage receivables	8	23,010	24,201	24,659
Financial assets at fair value not held for trading	8	65,393	69,187	80,364
Total financial assets measured at fair value through profit or loss		332,507	362,246	390,037
Financial assets measured at fair value through other comprehensive income	8	7,775	8,100	8,258
Investments in associates		1,198	1,542	1,557
Property, equipment and software		12,895	12,716	13,109
Goodwill and intangible assets		6,452	6,427	6,480
Deferred tax assets		8,988	9,195	9,212
Other non-financial assets	10	8,982	9,125	9,768
Total assets		1,086,519	1,107,712	1,125,765

Balance sheet (continued)

<i>USD million</i>	Note	30.6.21	31.3.21	31.12.20
Liabilities				
Amounts due to banks		14,615	12,564	11,050
Payables from securities financing transactions		5,972	6,651	6,321
Cash collateral payables on derivative instruments	9	32,193	36,571	37,312
Customer deposits		513,290	505,448	524,605
Debt issued measured at amortized cost	12	139,911	144,682	139,232
Other financial liabilities measured at amortized cost	10	10,189	9,257	9,729
Total financial liabilities measured at amortized cost		716,169	715,174	728,250
Financial liabilities at fair value held for trading	8	33,348	37,062	33,595
Derivative financial instruments	8, 9	121,686	146,036	161,102
Brokerage payables designated at fair value	8	39,129	45,600	38,742
Debt issued designated at fair value	8, 11	75,065	66,535	61,243
Other financial liabilities designated at fair value	8, 10	30,642	28,855	30,387
Total financial liabilities measured at fair value through profit or loss		299,869	324,088	325,069
Provisions	14	2,855	2,726	2,828
Other non-financial liabilities	10	8,576	7,391	9,854
Total liabilities		1,027,469	1,049,379	1,066,000
Equity				
Share capital		322	338	338
Share premium		15,531	16,217	16,753
Treasury shares		(3,322)	(4,623)	(4,068)
Retained earnings		40,143	40,482	38,776
Other comprehensive income recognized directly in equity, net of tax		6,091	5,612	7,647
Equity attributable to shareholders		58,765	58,026	59,445
Equity attributable to non-controlling interests		284	307	319
Total equity		59,050	58,333	59,765
Total liabilities and equity		1,086,519	1,107,712	1,125,765

Statement of changes in equity

<i>USD million</i>	Share capital	Share premium	Treasury shares	Retained earnings
Balance as of 1 January 2020	338	18,064	(3,326)	34,122
Acquisition of treasury shares			(1,008) ²	
Delivery of treasury shares under share-based compensation plans		(602)	655	
Other disposal of treasury shares		(8)	87 ²	
Share-based compensation expensed in the income statement		313		
Tax (expense) / benefit		13		
Dividends		(654) ³		(654) ³
Translation effects recognized directly in retained earnings				(11)
Share of changes in retained earnings of associates and joint ventures				(40)
New consolidations / (deconsolidations) and other increases / (decreases)		0		
Total comprehensive income for the period				2,542
<i>of which: net profit / (loss)</i>				2,827
<i>of which: OCI that may be reclassified to the income statement, net of tax</i>				
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>				(347)
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>				62
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>				
Balance as of 30 June 2020	338	17,125	(3,592)	35,959
Balance as of 1 January 2021	338	16,753	(4,068)	38,776
Acquisition of treasury shares			(2,057) ²	
Delivery of treasury shares under share-based compensation plans		(654)	727	
Other disposal of treasury shares		4	32 ²	
Cancellation of treasury shares related to the 2018–2021 share repurchase program ⁴	(16)	(236)	2,044	(1,792)
Share-based compensation expensed in the income statement		346		
Tax (expense) / benefit		8		
Dividends		(651) ³		(651) ³
Translation effects recognized directly in retained earnings				19
Share of changes in retained earnings of associates and joint ventures				2
New consolidations / (deconsolidations) and other increases / (decreases)		(39)		
Total comprehensive income for the period				3,789
<i>of which: net profit / (loss)</i>				3,830
<i>of which: OCI that may be reclassified to the income statement, net of tax</i>				
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>				(130)
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>				89
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>				
Balance as of 30 June 2021	322	15,531	(3,322)	40,143

¹ Excludes other comprehensive income related to defined benefit plans and own credit that is recorded directly in Retained earnings. ² Includes treasury shares acquired and disposed of by the Investment Bank in its capacity as a market maker with regard to UBS shares and related derivatives, and to hedge certain issued structured debt instruments. These acquisitions and disposals are reported based on the sum of the net monthly movements. ³ Reflects the payment of an ordinary cash dividend of USD 0.37 per dividend-bearing share in April 2021 (first half of 2020: USD 0.365 per dividend-bearing share paid in May 2020; a second tranche of the 2020 dividend of USD 0.365 per dividend-bearing share was paid in November 2020). From 2020 onward, Swiss tax law effective 1 January 2020 requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange pay no more than 50% of dividends from capital contribution reserves, with the remainder required to be paid from retained earnings. ⁴ Reflects the cancellation of 156,632,400 shares purchased under our 2018–2021 share repurchase program as approved by shareholders at the 2021 Annual General Meeting. For shares repurchased from 2020 onward, Swiss tax law effective 1 January 2020 requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to reduce capital contribution reserves by at least 50% of the total capital reduction amount exceeding the nominal value upon cancellation of the shares.

Other comprehensive income recognized directly in equity, net of tax ¹	<i>of which: foreign currency translation</i>	<i>of which: financial assets measured at fair value through OCI</i>	<i>of which: cash flow hedges</i>	<i>of which: cost of hedging</i>	Total equity attributable to shareholders	Non-controlling interests	Total equity
5,303	<i>4,028</i>	<i>14</i>	<i>1,260</i>		54,501	174	54,675
					(1,008)		(1,008)
					52		52
					79		79
					313		313
					13		13
					(1,308)	(4)	(1,312)
11		<i>0</i>	<i>11</i>		0		0
					(40)		(40)
					0	0	0
1,860	<i>116</i>	<i>149</i>	<i>1,600</i>	<i>(4)</i>	4,402	3	4,404
					2,827	6	2,833
<i>1,860</i>	<i>116</i>	<i>149</i>	<i>1,600</i>	<i>(4)</i>	<i>1,860</i>		<i>1,860</i>
					<i>(347)</i>		<i>(347)</i>
					62		62
					0	(4)	(4)
7,173	<i>4,144</i>	<i>163</i>	<i>2,871</i>	<i>(4)</i>	57,003	173	57,175
7,647	<i>5,188</i>	<i>151</i>	<i>2,321</i>	<i>(13)</i>	59,445	319	59,765
					(2,057)		(2,057)
					73		73
					36		36
					0		0
					346		346
					8		8
					(1,301)	(4)	(1,305)
(19)		<i>0</i>	<i>(19)</i>	<i>0</i>	0		0
					2		2
					(39)	(42)	(81)
(1,537)	<i>(489)</i>	<i>(88)</i>	<i>(937)</i>	<i>(23)</i>	2,252	10	2,263
					3,830	9	3,838
<i>(1,537)</i>	<i>(489)</i>	<i>(88)</i>	<i>(937)</i>	<i>(23)</i>	<i>(1,537)</i>		<i>(1,537)</i>
					<i>(130)</i>		<i>(130)</i>
					89		89
					0	2	2
6,091	<i>4,699</i>	<i>63</i>	<i>1,365</i>	<i>(36)</i>	58,765	284	59,050

Statement of cash flows

	Year-to-date	
<i>USD million</i>	30.6.21	30.6.20
Cash flow from / (used in) operating activities		
Net profit / (loss)	3,838	2,833
Non-cash items included in net profit and other adjustments:		
Depreciation and impairment of property, equipment and software	1,009	914
Amortization and impairment of goodwill and intangible assets	17	32
Credit loss expense / (release)	(108)	540
Share of net profits of associates / joint ventures and impairment of associates	(74)	(29)
Deferred tax expense / (benefit)	285	192
Net loss / (gain) from investing activities	(239)	241
Net loss / (gain) from financing activities	2,070	(7,048)
Other net adjustments	4,747	(579)
Net change in operating assets and liabilities:		
Loans and advances to banks / amounts due to banks	3,872	5,585
Securities financing transactions	(10,249)	3,167
Cash collateral on derivative instruments	(2,179)	(2,046)
Loans and advances to customers	(19,882)	(14,222)
Customer deposits	(298)	20,429
Financial assets and liabilities at fair value held for trading and derivative financial instruments	(1,225)	38,734
Brokerage receivables and payables	2,047	1,140
Financial assets at fair value not held for trading, other financial assets and liabilities	14,533	(7,168)
Provisions, other non-financial assets and liabilities	87	(1,531)
Income taxes paid, net of refunds	(386)	(403)
Net cash flow from / (used in) operating activities	(2,136)	40,781
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	(1)	(1)
Disposal of subsidiaries, associates and intangible assets ¹	437	14
Purchase of property, equipment and software	(896)	(831)
Disposal of property, equipment and software	264	6
Purchase of financial assets measured at fair value through other comprehensive income	(1,950)	(4,132)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	2,324	1,944
Net (purchase) / redemption of debt securities measured at amortized cost	116	(4,817)
Net cash flow from / (used in) investing activities	295	(7,817)

Statement of cash flows (continued)

	Year-to-date	
<i>USD million</i>	30.6.21	30.6.20
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	(3,877)	14,912
Net movements in treasury shares and own equity derivative activity	(1,967)	(882)
Distributions paid on UBS shares	(1,301)	(1,308)
Repayment of lease liabilities	(284)	(273)
Issuance of debt designated at fair value and long-term debt measured at amortized cost	63,501	46,059
Repayment of debt designated at fair value and long-term debt measured at amortized cost	(45,274)	(46,137)
Net changes in non-controlling interests	(4)	(4)
Net cash flow from / (used in) financing activities	10,795	12,368
Total cash flow		
Cash and cash equivalents at the beginning of the period	173,531	119,873
Net cash flow from / (used in) operating, investing and financing activities	8,954	45,332
Effects of exchange rate differences on cash and cash equivalents	(5,390)	1,563
Cash and cash equivalents at the end of the period²	177,095	166,768
<i>of which: cash and balances at central banks³</i>	<i>160,541</i>	<i>149,430</i>
<i>of which: loans and advances to banks</i>	<i>15,125</i>	<i>14,428</i>
<i>of which: money market paper</i>	<i>1,428</i>	<i>2,911</i>
Additional information		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	5,469	6,365
Interest paid in cash	2,659	4,200
Dividends on equity investments, investment funds and associates received in cash	1,263	1,104

¹ Includes cash proceeds from the sale of UBS's minority investment in Clearstream Fund Centre for the period ended 30 June 2021, and dividends received from associates in both periods. Refer to the "Recent developments" section of this report for more information. ² USD 3,432 million and USD 5,393 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 30 June 2021 and 30 June 2020, respectively. Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2020 for more information. ³ Includes only balances with an original maturity of three months or less.

Notes to the UBS Group AG interim consolidated financial statements (unaudited)

Note 1 Basis of accounting and other financial reporting effects

Basis of preparation

The consolidated financial statements (the financial statements) of UBS Group AG and its subsidiaries (together, "UBS" or the "Group") are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD). These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*.

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS Group AG consolidated annual financial statements for the period ended 31 December 2020, except for the changes described in this Note. These interim financial statements are unaudited and should be read in conjunction with UBS Group AG's audited consolidated financial statements included in the Annual Report 2020, and the "Management report" sections of this report. In the opinion of management, all necessary adjustments were made for a fair presentation of the Group's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information about areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 (*Interest Rate Benchmark Reform – Phase 2*)

On 1 January 2021, UBS adopted *Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced.

The amendments provide a practical expedient which permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates (ARRs) to be accounted for prospectively by updating the instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

UBS adopted the amendments, which provide a practical expedient with no material effect on the Group's financial statements.

Note 1 Basis of accounting and other financial reporting effects (continued)

Furthermore, the amendments provide various hedge accounting reliefs, with the following expected to benefit UBS.

– *Risk components*

The amendments permit UBS to designate an alternative benchmark rate as a non-contractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided UBS can reasonably expect that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. As of 30 June 2021, the alternative benchmark rates that UBS has designated as the hedged risk in fair value hedges of interest rate risk related to debt instruments and cash flow hedges of forecast transactions were the Secured Overnight Financing Rate (SOFR), the Swiss Average Rate Overnight (SARON) and the Sterling Overnight Index Average (SONIA). The designated notionals were USD 11 billion, USD 1.1 billion and USD 0.7 billion, respectively.

– *Hedge designation*

Following amendments to the hedge documentation to reflect the change in designation relating to IBOR reform, UBS will continue its hedge relationships provided the other hedge accounting criteria and requirements of the phase 2 amendment are met. As of 30 June 2021, no such changes have been made.

– *Amounts accumulated in the cash flow hedge reserve*

Upon changing the hedge designation as set out above, the accumulated amounts in the cash flow hedge reserve are

assumed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based is changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also assumed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur. As of 30 June 2021, no such changes have been made.

– *Retrospective effectiveness assessment as applied to hedges designated under IAS 39*

Upon the end of the phase 1 relief for effectiveness assessment UBS may elect to reset to zero the cumulative fair value changes of the hedged item and hedging instrument for the purpose of assessing the retrospective effectiveness of a hedging relationship. As of 30 June 2021, no such election has been made.

› **Refer to “Note 25 Hedge accounting” in the “Consolidated financial statements” section of the Annual Report 2020 for details about phase 1 accounting reliefs**

The amendments also introduced additional disclosure requirements regarding the Group’s management of the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition.

› **Refer to Note 13 for more information**

Note 2 Segment reporting

UBS's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions they reflect the management structure of the Group.

- › Refer to "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2020 for more information about the Group's reporting segments

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS
For the six months ended 30 June 2021						
Net interest income	2,023	1,039	(7)	244	(58)	3,241
Non-interest income	7,583	1,063	1,310	4,476	(99)	14,333
Income	9,606	2,102	1,303	4,720	(158)	17,574
Credit loss (expense) / release	16	69	0	23	(1)	108
Total operating income	9,622	2,171	1,303	4,743	(158)	17,681
Total operating expenses	6,918	1,284	820	3,663	105	12,790
Operating profit / (loss) before tax	2,704	888	482	1,080	(263)	4,891
Tax expense / (benefit)						1,053
Net profit / (loss)						3,838

As of 30 June 2021

Total assets	375,076	221,958	29,468	343,886	116,130	1,086,519
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<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS
For the six months ended 30 June 2020						
Net interest income	2,054	1,029	(9)	3	(354)	2,722
Non-interest income	6,553	886	1,048	4,914	(246)	13,155
Income	8,606	1,914	1,038	4,917	(600)	15,877
Credit loss (expense) / release	(117)	(187)	0	(200)	(35)	(540)
Total operating income	8,489	1,727	1,038	4,718	(635)	15,337
Total operating expenses	6,391	1,155	724	3,396	80	11,747
Operating profit / (loss) before tax	2,098	572	314	1,321	(715)	3,591
Tax expense / (benefit)						757
Net profit / (loss)						2,833

As of 31 December 2020

Total assets	367,714	231,657	28,589	369,683	128,122	1,125,765
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Note 3 Net interest income

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income					
Interest income from loans and deposits ¹	1,612	1,584	1,632	3,197	3,500
Interest income from securities financing transactions ²	126	135	202	261	569
Interest income from other financial instruments measured at amortized cost	68	73	87	141	176
Interest income from debt instruments measured at fair value through other comprehensive income	16	35	35	51	52
Interest income from derivative instruments designated as cash flow hedges	284	268	178	553	290
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	2,106	2,097	2,133	4,203	4,588
Interest expense on loans and deposits ³	136	137	244	273	707
Interest expense on securities financing transactions ⁴	293	258	224	551	443
Interest expense on debt issued	381	411	596	792	1,272
Interest expense on lease liabilities	26	27	27	53	56
Total interest expense from financial instruments measured at amortized cost	836	833	1,092	1,669	2,478
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,270	1,264	1,041	2,535	2,110
Net interest income from financial instruments measured at fair value through profit or loss					
Net interest income from financial instruments at fair value held for trading	193	200	242	393	442
Net interest income from brokerage balances	216	197	182	412	318
Net interest income from securities financing transactions at fair value not held for trading ⁵	12	12	18	24	51
Interest income from other financial instruments at fair value not held for trading	75	96	153	170	355
Interest expense on other financial instruments designated at fair value	(138)	(155)	(244)	(294)	(555)
Total net interest income from financial instruments measured at fair value through profit or loss	357	349	351	706	612
Total net interest income	1,628	1,613	1,392	3,241	2,722

¹ Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. ² Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. ³ Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, and customer deposits, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. ⁴ Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions. ⁵ Includes interest expense on securities financing transactions designated at fair value.

Note 4 Net fee and commission income

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Fee and commission income					
Underwriting fees	387	392	257	780	456
<i>of which: equity underwriting fees</i>	262	275	123	537	230
<i>of which: debt underwriting fees</i>	126	117	133	243	227
M&A and corporate finance fees	330	238	117	568	335
Brokerage fees	1,037	1,358	959	2,395	2,204
Investment fund fees	1,405	1,436	1,197	2,842	2,492
Portfolio management and related services	2,426	2,284	1,813	4,710	3,872
Other	455	461	387	916	848
Total fee and commission income¹	6,041	6,169	4,729	12,210	10,207
<i>of which: recurring</i>	3,823	3,620	2,980	7,443	6,320
<i>of which: transaction-based</i>	2,176	2,454	1,674	4,631	3,773
<i>of which: performance-based</i>	42	94	75	136	114
Fee and commission expense					
Brokerage fees paid	74	68	63	142	149
Distribution fees paid	153	132	144	285	300
Other	258	277	212	535	426
Total fee and commission expense	484	478	419	962	875
Net fee and commission income	5,557	5,691	4,311	11,248	9,332
<i>of which: net brokerage fees</i>	963	1,290	896	2,253	2,055

¹ Reflects third-party fee and commission income for the second quarter of 2021 of USD 3,585 million for Global Wealth Management (first quarter of 2021: USD 3,673 million; second quarter of 2020: USD 2,809 million), USD 399 million for Personal & Corporate Banking (first quarter of 2021: USD 389 million; second quarter of 2020: USD 313 million), USD 805 million for Asset Management (first quarter of 2021: USD 815 million; second quarter of 2020: USD 700 million), USD 1,243 million for the Investment Bank (first quarter of 2021: USD 1,278 million; second quarter of 2020: USD 872 million) and USD 9 million for Group Functions (first quarter of 2021: USD 15 million; second quarter of 2020: USD 36 million).

Note 5 Personnel expenses

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Salaries and variable compensation	2,945	2,871	2,696	5,816	5,258
Financial advisor compensation ¹	1,183	1,170	941	2,353	2,035
Contractors	98	98	91	196	176
Social security	241	268	228	508	439
Post-employment benefit plans	173 ²	265	202	439	438
Other personnel expenses	132	128	123	260	258
Total personnel expenses	4,772	4,801	4,283	9,573	8,604

¹ Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Includes curtailment gains of USD 59 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

Note 6 General and administrative expenses

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Outsourcing costs	206	201	207	407	422
IT expenses	256	266	220	522	452
Consulting, legal and audit fees	130	99	156	229	310
Real estate and logistics costs	151	152	163	302	323
Market data services	105	102	101	206	199
Marketing & communication	52	42	36	94	76
Travel and entertainment	13	9	11	21	60
Litigation, regulatory & similar matters ¹	63	9	2	72	8
Other ²	126	210	167	337	346
<i>of which: UK and German bank levies</i>	<i>(11)</i>	<i>41</i>	<i>3</i>	<i>30</i>	<i>17</i>
Total general and administrative expenses	1,103	1,089	1,063	2,192	2,196

¹ Reflects the net increase in / (release of) provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 14 for more information. ² Includes charitable donations.

Note 7 Expected credit loss measurement**a) Credit loss expense / release**

Total net credit loss releases were USD 80 million in the second quarter of 2021, reflecting an USD 88 million net release of credit losses related to stage 1 and 2 positions and USD 8 million of net credit loss expenses related to credit-impaired (stage 3) positions.

The USD 88 million stage 1 and 2 net release included the partial release of a post-model adjustment of USD 91 million (representing one-third of the USD 273 million scenario-driven

model output effects from the third quarter of 2020 to the second quarter of 2021), due to the continued positive trend in macroeconomic scenario input data.

Stage 3 net credit loss expenses were USD 8 million, including USD 3 million net expenses in the Investment Bank and USD 5 million net expenses in Personal & Corporate Banking, across various corporate lending positions.

Credit loss (expense) / release

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
For the quarter ended 30.6.21						
Stages 1 and 2	13	51	0	24	(1)	88
Stage 3	0	(5)	0	(3)	0	(8)
Total credit loss (expense) / release	14	46	0	21	(1)	80

Note 7 Expected credit loss measurement (continued)

b) Changes to ECL models, scenarios, scenario weights and key inputs

Scenarios

The expected credit loss (ECL) scenarios, along with the related macroeconomic factors, were updated and reviewed in light of the economic and political conditions prevailing for the second quarter of 2021 through a series of governance meetings, with input and feedback from UBS risk and finance experts across the business divisions and regions. Effective from the second quarter of 2021, management has included an upside scenario and a mild downside scenario in the ECL calculation similar to the approach applied before the COVID-19 pandemic, as uncertainty regarding future economic developments and the related effects on models further decline and post-model adjustment levels decrease.

The upside scenario assumes that positive developments regarding COVID-19 enable economic activity to rebound more quickly than expected, supported by significant improvements in business and consumer activity. Structural changes from the lockdown period and accelerated technology uptake increase productivity and help to keep growth buoyant beyond the initial rebound in activity. Underlying macroeconomic conditions improve, and asset values increase substantially.

The mild downside scenario assumes a shift in sentiment caused by higher-than-expected inflation and the Federal Reserve's intention to begin tapering its quantitative easing program. Long-term interest rates rise sharply and equities decline as market volatility ensues. Economic activity slows across the globe, causing a mild recession.

The baseline and severe downside scenarios included slightly more optimistic assumptions compared with those applied in the first quarter of 2021, reflecting improvements in economic activity, greater optimism regarding the availability and effective distribution of COVID-19 vaccines, and continued government

support. The baseline scenario assumptions on a calendar-year basis are included in the table below.

Scenario weights and post-model adjustments

Management applied the following scenario weightings effective from the second quarter of 2021: upside at 5%, baseline at 55%, mild downside at 10% and severe downside at 30%. This compared with a baseline scenario weighting of 60% and a severe downside scenario weighting of 40% applied in the first quarter of 2021. The incorporation of the two new scenarios and the applied weightings did not have a material effect on allowances and provisions.

In addition, more than one year after the exceptional circumstances of the COVID-19 pandemic began, management has released one-third (USD 91 million) of the USD 273 million post-model adjustment for scenario-driven model output effects into profit or loss in the second quarter of 2021, following a portfolio level review, which supported partial overlay releases, particularly in real estate and large corporate segments. This decision was made following a continued positive trend in macroeconomic scenario input data (from the third quarter of 2020 to the second quarter of 2021), as well as positive vaccination developments and gradual lifting of lockdowns in many economies. Two-thirds of the post-model adjustment for scenario-driven model output effects (USD 183 million) was retained, given the heightened level of uncertainty that remains with regard to the ultimate effects of the crisis. This recognizes that new challenges are frequently arising in the context of the pandemic, for example, the spread of new variants of COVID-19, inflationary pressure from supply chain disruption and surging demand, and the risk of potential tail effects as government and central bank support winds down.

Key parameters	Baseline		
	2020	2021	2022
Real GDP growth (annual percentage change)			
United States	(3.6)	6.9	5.9
Eurozone	(7.4)	4.3	5.3
Switzerland	(4.5)	3.3	3.0
Unemployment rate (% , annual average)			
United States	8.1	5.4	4.4
Eurozone	8.5	8.6	8.1
Switzerland	3.2	3.3	3.1
Real estate (annual percentage change, Q4)			
United States	3.4	6.5	2.9
Eurozone	(0.3)	2.9	1.0
Switzerland	4.0	5.0	1.0

Economic scenarios and weights applied

ECL scenario	Assigned weights in %		
	2020	2021	2022
	30.6.21	31.3.21	31.3.20
Upside	5.0	0.0	0.0
Baseline	55.0	60.0	70.0
Mild downside	10.0	0.0	0.0
Severe downside	30.0	40.0	30.0

Note 7 Expected credit loss measurement (continued)**c) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions**

The tables below and on the following pages provide information about financial instruments and certain non-financial instruments that are subject to ECL requirements. For amortized-cost instruments, the carrying amount represents the maximum exposure to credit risk, taking into account the allowance for credit losses. Financial assets measured at fair value through other comprehensive income (FVOCI) are also subject to ECL; however, unlike amortized-cost instruments, the allowance for credit losses for FVOCI instruments does not

reduce the carrying amount of these financial assets. Instead, the carrying amount of financial assets measured at FVOCI represents the maximum exposure to credit risk.

In addition to on-balance sheet financial assets, certain off-balance sheet and other credit lines are also subject to ECL. The maximum exposure to credit risk for off-balance sheet financial instruments is calculated based on the maximum contractual amounts.

USD million	30.6.21							
	Carrying amount ¹ / Total exposure				ECL allowances / provisions			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	160,672	160,672	0	0	0	0	0	0
Loans and advances to banks	16,500	16,457	42	0	(8)	(6)	(1)	(1)
Receivables from securities financing transactions	83,494	83,494	0	0	(3)	(3)	0	0
Cash collateral receivables on derivative instruments	29,785	29,785	0	0	0	0	0	0
Loans and advances to customers	390,126	369,810	18,403	1,913	(950)	(124)	(156)	(670)
<i>of which: Private clients with mortgages</i>	147,827	137,851	9,140	836	(139)	(26)	(76)	(37)
<i>of which: Real estate financing</i>	42,627	37,950	4,663	14	(49)	(17)	(32)	0
<i>of which: Large corporate clients</i>	14,294	12,671	1,229	395	(246)	(20)	(19)	(207)
<i>of which: SME clients</i>	14,116	11,753	1,814	549	(291)	(20)	(19)	(253)
<i>of which: Lombard</i>	146,167	146,135	0	32	(35)	(6)	0	(29)
<i>of which: Credit cards</i>	1,611	1,255	327	28	(34)	(9)	(9)	(16)
<i>of which: Commodity trade finance</i>	3,399	3,345	38	16	(103)	(5)	0	(98)
Other financial assets measured at amortized cost	27,143	26,398	436	309	(124)	(30)	(9)	(86)
<i>of which: Loans to financial advisors</i>	2,415	1,924	197	295	(103)	(23)	(6)	(74)
Total financial assets measured at amortized cost	707,720	686,616	18,882	2,222	(1,085)	(163)	(166)	(757)
Financial assets measured at fair value through other comprehensive income	7,775	7,775	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	715,496	694,392	18,882	2,222	(1,085)	(163)	(166)	(757)
Off-balance sheet (in scope of ECL)								
Guarantees	17,457	15,719	1,580	158	(52)	(15)	(9)	(27)
<i>of which: Large corporate clients</i>	3,142	1,995	1,035	112	(13)	(3)	(3)	(7)
<i>of which: SME clients</i>	1,269	1,002	222	46	(13)	(1)	(1)	(12)
<i>of which: Financial intermediaries and hedge funds</i>	7,465	7,257	208	0	(16)	(10)	(5)	0
<i>of which: Lombard</i>	2,166	2,166	0	0	(1)	0	0	(1)
<i>of which: Commodity trade finance</i>	2,372	2,342	30	0	(2)	(1)	0	(1)
Irrevocable loan commitments	37,751	34,505	3,064	181	(118)	(69)	(49)	0
<i>of which: Large corporate clients</i>	22,464	19,621	2,718	125	(103)	(61)	(42)	0
Forward starting reverse repurchase and securities borrowing agreements	8,253	8,253	0	0	0	0	0	0
Committed unconditionally revocable credit lines	38,796	35,201	3,526	68	(36)	(28)	(8)	0
<i>of which: Real estate financing</i>	6,542	6,135	407	0	(5)	(4)	(1)	0
<i>of which: Large corporate clients</i>	4,383	2,924	1,434	25	(7)	(4)	(3)	0
<i>of which: SME clients</i>	5,173	4,498	643	32	(14)	(12)	(2)	0
<i>of which: Lombard</i>	8,632	8,632	0	0	0	0	0	0
<i>of which: Credit cards</i>	9,298	8,825	464	9	(6)	(5)	(2)	0
<i>of which: Commodity trade finance</i>	251	251	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	5,281	5,260	20	1	(3)	(2)	(1)	0
Total off-balance sheet financial instruments and other credit lines	107,537	98,938	8,191	408	(209)	(114)	(67)	(27)
Total allowances and provisions					(1,294)	(277)	(233)	(784)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 7 Expected credit loss measurement (continued)

USD million	31.3.21							
	Carrying amount ¹ / Total exposure				ECL allowances / provisions			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	158,914	158,914	0	0	0	0	0	0
Loans and advances to banks	18,448	18,387	61	0	(12)	(8)	(3)	(1)
Receivables from securities financing transactions	82,384	82,385	0	0	(3)	(3)	0	0
Cash collateral receivables on derivative instruments	35,046	35,046	0	0	0	0	0	0
Loans and advances to customers	376,798	355,787	18,995	2,016	(993)	(138)	(184)	(671)
<i>of which: Private clients with mortgages</i>	142,611	132,636	9,118	857	(158)	(37)	(86)	(35)
<i>of which: Real estate financing</i>	41,092	36,099	4,979	15	(56)	(15)	(41)	0
<i>of which: Large corporate clients</i>	13,305	11,155	1,673	477	(271)	(28)	(28)	(216)
<i>of which: SME clients</i>	14,034	11,620	1,886	527	(283)	(19)	(19)	(246)
<i>of which: Lombard</i>	141,139	141,112	0	27	(34)	(5)	0	(30)
<i>of which: Credit cards</i>	1,392	1,063	301	28	(33)	(9)	(8)	(16)
<i>of which: Commodity trade finance</i>	3,695	3,663	16	15	(101)	(5)	0	(96)
Other financial assets measured at amortized cost	26,770	26,036	314	420	(125)	(32)	(7)	(86)
<i>of which: Loans to financial advisors</i>	2,473	1,961	107	405	(104)	(26)	(4)	(75)
Total financial assets measured at amortized cost	698,361	676,554	19,371	2,436	(1,133)	(180)	(195)	(758)
Financial assets measured at fair value through other comprehensive income	8,100	8,100	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	706,460	684,654	19,371	2,436	(1,133)	(180)	(195)	(758)
Off-balance sheet (in scope of ECL)								
Guarantees	17,493	15,377	1,952	164	(59)	(15)	(15)	(29)
<i>of which: Large corporate clients</i>	3,425	2,025	1,281	119	(17)	(3)	(5)	(9)
<i>of which: SME clients</i>	1,243	936	262	45	(12)	0	(1)	(11)
<i>of which: Financial intermediaries and hedge funds</i>	7,579	7,304	275	0	(18)	(9)	(9)	0
<i>of which: Lombard</i>	2,136	2,136	0	0	(2)	0	0	(1)
<i>of which: Commodity trade finance</i>	2,057	2,031	26	0	(4)	(1)	0	(3)
Irrevocable loan commitments	38,137	34,312	3,730	95	(138)	(75)	(63)	0
<i>of which: Large corporate clients</i>	22,943	19,600	3,278	65	(121)	(68)	(54)	0
Forward starting reverse repurchase and securities borrowing agreements	5,988	5,988	0	0	0	0	0	0
Committed unconditionally revocable credit lines	39,424	35,311	4,023	89	(45)	(27)	(18)	0
<i>of which: Real estate financing</i>	7,227	6,786	432	9	(11)	(5)	(6)	0
<i>of which: Large corporate clients</i>	4,429	2,713	1,690	25	(9)	(3)	(6)	0
<i>of which: SME clients</i>	5,036	4,120	878	39	(14)	(11)	(3)	0
<i>of which: Lombard</i>	8,566	8,566	0	0	(1)	(1)	0	0
<i>of which: Credit cards</i>	9,175	8,695	469	11	(6)	(5)	(1)	0
<i>of which: Commodity trade finance</i>	322	322	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	5,824	5,785	34	5	(3)	(3)	0	0
Total off-balance sheet financial instruments and other credit lines	106,865	96,773	9,738	354	(245)	(121)	(95)	(29)
Total allowances and provisions					(1,378)	(301)	(290)	(787)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 7 Expected credit loss measurement (continued)

USD million	31.12.20							
	Carrying amount ¹ / Total exposure				ECL allowances / provisions			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	158,231	158,231	0	0	0	0	0	0
Loans and advances to banks	15,444	15,260	184	0	(16)	(9)	(5)	(1)
Receivables from securities financing transactions	74,210	74,210	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	32,737	32,737	0	0	0	0	0	0
Loans and advances to customers	379,528	356,948	20,341	2,240	(1,060)	(142)	(215)	(703)
<i>of which: Private clients with mortgages</i>	148,175	138,769	8,448	959	(166)	(35)	(93)	(39)
<i>of which: Real estate financing</i>	43,429	37,568	5,838	23	(63)	(15)	(44)	(4)
<i>of which: Large corporate clients</i>	15,161	12,658	2,029	474	(279)	(27)	(40)	(212)
<i>of which: SME clients</i>	14,872	11,990	2,254	628	(310)	(19)	(23)	(268)
<i>of which: Lombard</i>	133,850	133,795	0	55	(36)	(5)	0	(31)
<i>of which: Credit cards</i>	1,558	1,198	330	30	(38)	(11)	(11)	(16)
<i>of which: Commodity trade finance</i>	3,269	3,214	43	12	(106)	(5)	0	(101)
Other financial assets measured at amortized cost	27,194	26,377	348	469	(133)	(34)	(9)	(90)
<i>of which: Loans to financial advisors</i>	2,569	1,982	137	450	(108)	(27)	(5)	(76)
Total financial assets measured at amortized cost	687,345	663,763	20,873	2,709	(1,211)	(187)	(229)	(795)
Financial assets measured at fair value through other comprehensive income	8,258	8,258	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	695,603	672,021	20,873	2,709	(1,211)	(187)	(229)	(795)
Off-balance sheet (in scope of ECL)								
Guarantees	17,081	14,687	2,225	170	(63)	(14)	(15)	(34)
<i>of which: Large corporate clients</i>	3,710	2,048	1,549	113	(20)	(4)	(5)	(12)
<i>of which: SME clients</i>	1,310	936	326	48	(13)	(1)	(1)	(11)
<i>of which: Financial intermediaries and hedge funds</i>	7,637	7,413	224	0	(17)	(7)	(9)	0
<i>of which: Lombard</i>	641	633	0	8	(2)	0	0	(2)
<i>of which: Commodity trade finance</i>	1,441	1,416	25	0	(2)	(1)	0	0
Irrevocable loan commitments	41,372	36,894	4,374	104	(142)	(74)	(68)	0
<i>of which: Large corporate clients</i>	24,209	20,195	3,950	64	(121)	(63)	(58)	0
Forward starting reverse repurchase and securities borrowing agreements	3,247	3,247	0	0	0	0	0	0
Committed unconditionally revocable credit lines	40,134	35,233	4,792	108	(50)	(29)	(21)	0
<i>of which: Real estate financing</i>	6,328	5,811	517	0	(12)	(5)	(7)	0
<i>of which: Large corporate clients</i>	4,909	2,783	2,099	27	(9)	(2)	(7)	0
<i>of which: SME clients</i>	5,827	4,596	1,169	63	(16)	(12)	(4)	0
<i>of which: Lombard</i>	9,671	9,671	0	0	0	(1)	0	0
<i>of which: Credit cards</i>	8,661	8,220	430	11	(8)	(6)	(2)	0
<i>of which: Commodity trade finance</i>	242	242	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	3,282	3,277	5	0	(2)	(2)	0	0
Total off-balance sheet financial instruments and other credit lines	105,116	93,337	11,396	382	(257)	(119)	(104)	(34)
Total allowances and provisions					(1,468)	(306)	(333)	(829)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 7 Expected credit loss measurement (continued)

The table below provides information about the ECL gross exposure and the ECL coverage ratio for our core loan portfolios (i.e., *Loans and advances to customers* and *Loans to financial advisors*) and relevant off-balance sheet exposures. *Cash and balances at central banks, Loans and advances to banks, Receivables from securities financing transactions, Cash collateral receivables on derivative instruments* and *Financial assets*

measured at fair value through other comprehensive income are not included in the table below, due to their lower sensitivity to ECL.

ECL coverage ratios are calculated by taking ECL allowances and provisions divided by the gross carrying amount of the exposures.

Coverage ratios for core loan portfolio

On-balance sheet	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
	Private clients with mortgages	147,966	137,877	9,216	874	9	2	82
Real estate financing	42,677	37,967	4,696	14	12	4	69	101
Large corporate clients	14,540	12,691	1,247	602	169	16	151	3,446
SME clients	14,407	11,772	1,833	802	202	17	102	3,152
Lombard	146,202	146,141	0	61	2	0	0	4,698
Credit cards	1,644	1,264	336	44	205	72	261	3,608
Commodity trade finance	3,503	3,350	38	114	295	15	2	8,605
Other loans and advances to customers	20,137	18,871	1,193	73	26	11	13	4,051
Loans to financial advisors	2,518	1,946	202	369	408	116	290	2,016
Total¹	393,594	371,880	18,762	2,952	27	4	86	2,521

Off-balance sheet	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
	Private clients with mortgages	8,063	7,809	251	3	4	4	7
Real estate financing	8,048	7,596	452	0	9	7	49	0
Large corporate clients	29,990	24,540	5,187	262	41	27	91	278
SME clients	8,273	7,099	1,040	134	43	20	91	878
Lombard	14,736	14,735	0	0	1	0	0	0
Credit cards	9,298	8,825	464	9	7	5	33	0
Commodity trade finance	2,623	2,593	30	0	8	5	50	0
Financial intermediaries and hedge funds	10,576	10,110	466	0	17	12	120	0
Other off-balance sheet commitments	7,678	7,377	301	0	17	8	21	0
Total²	99,284	90,685	8,191	408	21	13	82	671

¹ Includes Loans and advances to customers of USD 391,076 million and Loans to financial advisors of USD 2,518 million, which are presented on the balance sheet line Other assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements.

Coverage ratios for core loan portfolio

On-balance sheet	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
	Private clients with mortgages	142,770	132,673	9,204	893	11	3	93
Real estate financing	41,148	36,113	5,020	15	14	4	81	78
Large corporate clients	13,577	11,184	1,701	692	200	25	162	3,114
SME clients	14,317	11,639	1,905	773	198	16	98	3,179
Lombard	141,173	141,117	0	56	2	0	0	5,260
Credit cards	1,425	1,073	309	44	233	88	266	3,555
Commodity trade finance	3,796	3,668	16	111	267	14	2	8,620
Other loans and advances to customers	19,585	18,458	1,024	103	28	11	26	3,211
Loans to financial advisors	2,578	1,987	111	480	405	131	337	1,558
Total¹	380,369	357,911	19,290	3,167	29	5	97	2,355

Off-balance sheet	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
	Private clients with mortgages	7,455	7,226	217	13	6	5	16
Real estate financing	8,513	8,049	455	9	17	7	192	53
Large corporate clients	30,796	24,339	6,249	209	48	31	102	422
SME clients	8,101	6,626	1,367	108	41	20	70	973
Lombard	14,603	14,603	0	0	2	1	0	0
Credit cards	9,175	8,695	469	11	7	6	30	0
Commodity trade finance	2,379	2,352	26	0	18	5	28	0
Financial intermediaries and hedge funds	11,090	10,468	622	0	19	10	169	0
Other off-balance sheet commitments	8,764	8,428	332	4	14	7	23	0
Total²	100,877	90,785	9,738	354	24	13	98	831

¹ Includes Loans and advances to customers of USD 377,791 million and Loans to financial advisors of USD 2,578 million, which are presented on the balance sheet line Other assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 7 Expected credit loss measurement (continued)

Coverage ratios for core loan portfolio	31.12.20							
	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
On-balance sheet								
Private clients with mortgages	148,341	138,803	8,540	998	11	2	108	390
Real estate financing	43,492	37,583	5,883	27	15	4	75	1,414
Large corporate clients	15,440	12,684	2,069	686	181	21	192	3,089
SME clients	15,183	12,010	2,277	896	204	16	101	2,991
Lombard	133,886	133,800	0	86	3	0	0	3,592
Credit cards	1,596	1,209	342	46	240	91	333	3,488
Commodity trade finance	3,375	3,219	43	113	315	16	2	8,939
Other loans and advances to customers	19,274	17,781	1,402	91	31	14	25	3,563
Loans to financial advisors	2,677	2,009	142	526	404	135	351	1,446
Total¹	383,266	359,099	20,697	3,470	30	5	106	2,247
Off-balance sheet								
Private clients with mortgages	6,285	6,083	198	3	7	6	16	197
Real estate financing	7,056	6,576	481	0	21	9	185	0
Large corporate clients	32,828	25,026	7,598	205	46	27	92	565
SME clients	9,121	7,239	1,734	148	40	19	63	779
Lombard	14,178	14,170	0	8	2	1	0	1,941
Credit cards	8,661	8,220	430	11	9	8	44	0
Commodity trade finance	1,683	1,658	25	0	10	8	15	0
Financial intermediaries and hedge funds	7,690	7,242	448	0	26	13	248	166
Other off-balance sheet commitments	14,366	13,876	482	8	13	7	11	0
Total²	101,869	90,090	11,396	382	25	13	91	894

¹ Includes Loans and advances to customers of USD 380,589 million and Loans to financial advisors of USD 2,677 million, which are presented on the balance sheet line Other assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 8 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020, which provides more information about valuation principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements, and methods applied to calculate fair values for financial instruments not measured at fair value.

- › Refer to the "Balance sheet and off-balance sheet" section of this report for more information about quarter-on-quarter balance sheet movements

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest-level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Note 8 Fair value measurement (continued)

a) Fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

Determination of fair values from quoted market prices or valuation techniques¹

USD million	30.6.21				31.3.21				31.12.20			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis												
Financial assets at fair value held for trading	103,684	16,675	2,123	122,482	101,898	16,499	2,179	120,576	107,507	15,553	2,337	125,397
<i>of which:</i>												
Equity instruments	86,722	1,336	128	88,186	85,242	736	137	86,115	90,307	1,101	171	91,579
Government bills / bonds	8,123	1,776	10	9,910	8,384	1,890	10	10,284	9,028	2,207	10	11,245
Investment fund units	8,048	1,707	18	9,773	7,400	1,602	31	9,033	7,374	1,794	23	9,192
Corporate and municipal bonds	784	8,417	821	10,022	865	9,795	783	11,443	789	8,356	817	9,961
Loans	0	3,115	1,000	4,114	0	2,234	1,052	3,285	0	1,860	1,134	2,995
Asset-backed securities	7	323	147	478	6	242	166	415	8	236	181	425
Derivative financial instruments	795	119,348	1,479	121,622	1,141	145,508	1,633	148,282	795	157,068	1,754	159,617
<i>of which:</i>												
Foreign exchange contracts	296	49,154	6	49,456	459	70,221	12	70,692	319	68,424	5	68,749
Interest rate contracts	0	38,104	342	38,446	0	39,529	391	39,920	0	50,353	537	50,890
Equity / index contracts	1	28,383	801	29,185	0	31,369	820	32,189	0	33,990	853	34,842
Credit derivative contracts	0	1,739	303	2,043	0	1,914	395	2,309	0	2,008	350	2,358
Commodity contracts	0	1,832	24	1,856	0	2,187	14	2,201	0	2,211	6	2,217
Brokerage receivables	0	23,010	0	23,010	0	24,201	0	24,201	0	24,659	0	24,659
Financial assets at fair value not held for trading	29,125	31,809	4,459	65,393	31,596	33,385	4,206	69,187	40,986	35,435	3,942	80,364
<i>of which:</i>												
Financial assets for unit-linked investment contracts	21,974	9	8	21,991	21,162	0	3	21,166	20,628	101	2	20,731
Corporate and municipal bonds	88	16,009	333	16,430	98	15,114	334	15,547	290	16,957	372	17,619
Government bills / bonds	6,640	3,331	0	9,971	9,985	3,970	0	13,956	19,704	3,593	0	23,297
Loans	0	5,626	1,087	6,712	0	6,900	1,093	7,993	0	7,699	862	8,561
Securities financing transactions	0	6,203	201	6,404	0	6,811	119	6,930	0	6,629	122	6,751
Auction rate securities	0	0	1,563	1,563	0	0	1,587	1,587	0	0	1,527	1,527
Investment fund units	317	613	120	1,051	263	589	99	951	278	447	105	831
Equity instruments	105	18	594	717	86	0	530	616	86	0	544	631
Other	0	0	554	554	0	0	441	441	0	10	408	418
Financial assets measured at fair value through other comprehensive income on a recurring basis												
Financial assets measured at fair value through other comprehensive income	2,165	5,611	0	7,775	2,154	5,946	0	8,100	1,144	7,114	0	8,258
<i>of which:</i>												
Asset-backed securities	0	5,200	0	5,200	0	5,480	0	5,480	0	6,624	0	6,624
Government bills / bonds	2,121	44	0	2,165	2,115	43	0	2,159	1,103	47	0	1,150
Corporate and municipal bonds	44	367	0	411	38	423	0	461	40	444	0	485
Non-financial assets measured at fair value on a recurring basis												
Precious metals and other physical commodities	5,470	0	0	5,470	5,709	0	0	5,709	6,264	0	0	6,264
Non-financial assets measured at fair value on a non-recurring basis												
Other non-financial assets ²	0	1	67	68	0	1	247	248	0	1	245	246
Total assets measured at fair value	141,238	196,453	8,129	345,820	142,498	225,540	8,266	376,304	156,696	239,831	8,278	404,805

Note 8 Fair value measurement (continued)**Determination of fair values from quoted market prices or valuation techniques (continued)¹**

USD million	30.6.21				31.3.21				31.12.20			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value on a recurring basis												
Financial liabilities at fair value held for trading	27,038	6,216	94	33,348	30,887	6,114	61	37,062	26,888	6,652	55	33,595
<i>of which:</i>												
Equity instruments	20,826	387	75	21,288	26,190	151	50	26,392	22,519	425	40	22,985
Corporate and municipal bonds	37	4,592	13	4,642	32	4,718	7	4,757	31	4,048	9	4,089
Government bills / bonds	5,727	620	0	6,347	4,168	807	0	4,975	3,642	1,036	0	4,678
Investment fund units	442	581	6	1,028	492	397	3	891	696	1,127	5	1,828
Derivative financial instruments	754	117,983	2,950	121,686	1,404	141,518	3,114	146,036	746	156,884	3,471	161,102
<i>of which:</i>												
Foreign exchange contracts	280	47,048	59	47,387	541	67,043	54	67,638	316	70,149	61	70,527
Interest rate contracts	0	32,177	526	32,703	0	33,501	546	34,046	0	43,389	527	43,916
Equity / index contracts	9	34,431	1,902	36,342	0	36,614	2,070	38,684	0	38,870	2,306	41,176
Credit derivative contracts	0	2,000	392	2,392	0	2,139	369	2,508	0	2,403	528	2,931
Commodity contracts	0	2,034	51	2,085	0	1,907	59	1,966	0	2,003	24	2,027
Financial liabilities designated at fair value on a recurring basis												
Brokerage payables designated at fair value	0	39,129	0	39,129	0	45,600	0	45,600	0	38,742	0	38,742
Debt issued designated at fair value	0	60,321	14,744	75,065	0	53,900	12,635	66,535	0	50,273	10,970	61,243
Other financial liabilities designated at fair value	0	30,032	610	30,642	0	28,310	545	28,855	0	29,671	716	30,387
<i>of which:</i>												
Financial liabilities related to unit-linked investment contracts	0	22,217	0	22,217	0	21,357	0	21,357	0	20,975	0	20,975
Securities financing transactions	0	6,181	3	6,184	0	5,651	0	5,651	0	7,317	0	7,317
Over-the-counter debt instruments	0	1,550	592	2,142	0	1,261	526	1,787	0	1,363	697	2,060
Total liabilities measured at fair value	27,791	253,679	18,398	299,869	32,291	275,442	16,355	324,088	27,635	282,222	15,212	325,069

¹ Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. ² Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

b) Valuation adjustments and other items

The table below summarizes the valuation adjustment reserves recognized on the balance sheet. Details about each category are provided further below.

Valuation adjustment reserves on the balance sheet

	As of		
Life-to-date gain / (loss), USD million	30.6.21	31.3.21	31.12.20
Deferred day-1 profit or loss reserves	405	387	269
Own credit adjustments on financial liabilities designated at fair value	(278)	(400)	(381)
CVAs, FVAs, DVAs and other valuation adjustments	(956)	(977)	(959)

Deferred day-1 profit or loss reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

Deferred day-1 profit or loss reserves

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Reserve balance at the beginning of the period	387	269	194	269	146
Profit / (loss) deferred on new transactions	97	181	121	278	239
(Profit) / loss recognized in the income statement	(79)	(63)	(72)	(142)	(141)
Foreign currency translation	0	(1)	0	(1)	(1)
Reserve balance at the end of the period	405	387	243	405	243

Note 8 Fair value measurement (continued)

Own credit

The valuation of financial liabilities designated at fair value requires consideration of the own credit component of fair value. Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants. However, own credit risk is not reflected in the valuation of UBS's liabilities that are fully collateralized or for other obligations for which it is established market practice to not include an own credit component.

A description of UBS's methodology to estimate own credit and the related accounting principles is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020.

In the second quarter of 2021, other comprehensive income related to own credit on financial liabilities designated at fair value was positive USD 118 million, primarily due to a widening of UBS's credit spreads.

Own credit adjustments on financial liabilities designated at fair value

USD million	Included in Other comprehensive income				
	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Recognized during the period:					
Realized gain / (loss)	(5)	(6)	8	(11)	9
Unrealized gain / (loss)	123	(23)	(1,103)	100	53
Total gain / (loss), before tax	118	(29)	(1,095)	89	62
		As of			
USD million	30.6.21	31.3.21	30.6.20		
Recognized on the balance sheet as of the end of the period:					
Unrealized life-to-date gain / (loss)	(278)	(400)	(31)		

Credit, funding, debit and other valuation adjustments

A description of UBS's methodology for estimating credit valuation adjustments (CVAs), funding valuation adjustments (FVAs), debit valuation adjustments (DVAs) and other valuation adjustments is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020.

In the second quarter of 2021, other valuation adjustments for liquidity decreased, primarily due to lower observed levels of risk across portfolios during the quarter.

Valuation adjustments on financial instruments

Life-to-date gain / (loss), USD million	As of		
	30.6.21	31.3.21	31.12.20
Credit valuation adjustments¹	(51)	(53)	(66)
Funding valuation adjustments	(58)	(58)	(73)
Debit valuation adjustments	1	1	0
Other valuation adjustments	(848)	(867)	(820)
<i>of which: liquidity</i>	<i>(327)</i>	<i>(356)</i>	<i>(340)</i>
<i>of which: model uncertainty</i>	<i>(521)</i>	<i>(511)</i>	<i>(479)</i>

¹ Amounts do not include reserves against defaulted counterparties.

c) Transfers between Level 1 and Level 2

During the first six months of 2021, assets and liabilities transferred from Level 2 to Level 1, or from Level 1 to Level 2, that were held for the entire reporting period, were not material.

Note 8 Fair value measurement (continued)**d) Level 3 instruments: valuation techniques and inputs**

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 30 June 2021 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of the Group's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by the Group. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each

balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

	Fair value				Valuation technique(s)	Significant unobservable input(s) ¹	Range of inputs						
	Assets		Liabilities				30.6.21		31.12.20		weighted average ²		unit ¹
USD billion	30.6.21	31.12.20	30.6.21	31.12.20		low	high	low	high	low	high		
Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading													
<i>Corporate and municipal bonds</i>	1.2	1.2	0.0	0.0	Relative value to market comparable	Bond price equivalent	15	143	100	1	143	100	points
					Discounted expected cash flows	Discount margin	358	358		268	268		basis points
<i>Traded loans, loans measured at fair value, loan commitments and guarantees</i>	2.6	2.4	0.0	0.0	Relative value to market comparable	Loan price equivalent	1	101	99	0	101	99	points
					Discounted expected cash flows	Credit spread	180	800		190	800		basis points
					Market comparable and securitization model	Credit spread	28	1,55	228	40	1,85	333	basis points
<i>Auction rate securities</i>	1.6	1.5			Discounted expected cash flows	Credit spread	115	222	162	100	188	140	basis points
<i>Investment fund units³</i>	0.1	0.1	0.0	0.0	Relative value to market comparable	Net asset value							
<i>Equity instruments³</i>	0.7	0.7	0.1	0.0	Relative value to market comparable	Price							
Debt issued designated at fair value⁴			14.7	11.0									
Other financial liabilities designated at fair value			0.6	0.7	Discounted expected cash flows	Funding spread	35	175		42	175		basis points
Derivative financial instruments													
<i>Interest rate contracts</i>	0.3	0.5	0.5	0.5	Option model	Volatility of interest rates	49	73		29	69		basis points
<i>Credit derivative contracts</i>	0.3	0.3	0.4	0.5	Discounted expected cash flows	Credit spreads	2	496		1	489		basis points
						Bond price equivalent	3	102		0	100		points
<i>Equity / index contracts</i>	0.8	0.9	1.9	2.3	Option model	Equity dividend yields	0	11		0	13		%
						Volatility of equity stocks, equity and other indices	4	99		4	100		%
						Equity-to-FX correlation	(30)	70		(34)	65		%
						Equity-to-equity correlation	(25)	99		(16)	100		%

¹ The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). ² Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts, as this would not be meaningful. ³ The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. ⁴ Debt issued designated at fair value is composed primarily of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

Note 8 Fair value measurement (continued)

e) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof. The table presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported together with the equivalent derivative or securities financing instrument.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

Sensitivity of fair value measurements to changes in unobservable input assumptions

USD million	30.6.21		31.3.21		31.12.20	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans designated at fair value, loan commitments and guarantees	22	(13)	26	(21)	29	(28)
Securities financing transactions	69	(68)	71	(51)	40	(52)
Auction rate securities	114	(114)	88	(88)	105	(105)
Asset-backed securities	48	(34)	50	(40)	41	(41)
Equity instruments	150	(120)	127	(99)	129	(96)
Interest rate derivative contracts, net	25	(14)	38	(23)	11	(16)
Credit derivative contracts, net	8	(10)	10	(10)	10	(14)
Foreign exchange derivative contracts, net	15	(9)	17	(11)	20	(15)
Equity / index derivative contracts, net	344	(324)	358	(344)	318	(294)
Other	58	(77)	77	(92)	91	(107)
Total	852	(782)	861	(779)	794	(768)

f) Level 3 instruments: movements during the period

Significant changes in Level 3 instruments

The table on the following pages presents additional information about material Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and

unrealized gains and losses presented in the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Note 8 Fair value measurement (continued)**Movements of Level 3 instruments**

<i>USD billion</i>	Balance as of 31 December 2019	Total gains / losses included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 June 2020
		Net gains / losses included in income ¹	of which: related to Level 3 instruments held at the end of the reporting period								
Financial assets at fair value held for trading	1.8	(0.1)	0.0	0.3	(1.0)	1.4	0.0	0.3	0.0	0.0	2.7
<i>of which:</i>											
<i>Investment fund units</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Corporate and municipal bonds</i>	0.5	0.0	0.0	0.2	(0.2)	0.0	0.0	0.2	0.0	0.0	0.8
<i>Loans</i>	0.8	(0.1)	0.0	0.0	(0.6)	1.4	0.0	0.0	0.0	0.0	1.6
<i>Other</i>	0.4	0.0	0.0	0.0	(0.2)	0.0	0.0	0.1	0.0	0.0	0.3
Derivative financial instruments – assets	1.3	0.3	0.4	0.0	0.0	0.5	(0.5)	0.0	(0.1)	0.0	1.5
<i>of which:</i>											
<i>Interest rate contracts</i>	0.3	0.2	0.2	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.3
<i>Equity / index contracts</i>	0.6	0.0	0.1	0.0	0.0	0.5	(0.2)	0.0	(0.1)	0.0	0.8
<i>Credit derivative contracts</i>	0.4	0.1	0.1	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.4
<i>Other</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value not held for trading	4.0	(0.1)	(0.1)	0.5	(0.6)	0.0	0.0	0.1	0.0	0.0	3.7
<i>of which:</i>											
<i>Loans</i>	1.2	0.0	0.0	0.4	(0.5)	0.0	0.0	0.0	0.0	0.0	1.0
<i>Auction rate securities</i>	1.5	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
<i>Equity instruments</i>	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.5
<i>Other</i>	0.7	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.8
Derivative financial instruments – liabilities	2.0	1.2	1.1	0.0	0.0	0.5	(0.8)	0.6	(0.3)	0.0	3.3
<i>of which:</i>											
<i>Interest rate contracts</i>	0.1	0.7	0.7	0.0	0.0	0.0	(0.3)	0.3	0.0	0.0	0.8
<i>Equity / index contracts</i>	1.3	0.2	0.2	0.0	0.0	0.5	(0.4)	0.0	(0.2)	0.0	1.4
<i>Credit derivative contracts</i>	0.5	0.3	0.3	0.0	0.0	0.1	(0.1)	0.3	(0.1)	0.0	0.9
<i>Other</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Debt issued designated at fair value	9.9	0.2	0.3	0.0	0.0	3.9	(3.5)	0.4	(1.0)	0.0	9.7
Other financial liabilities designated at fair value	0.8	0.0	0.0	0.0	0.0	0.6	(0.3)	0.0	0.0	0.0	1.1

¹ Net gains / losses included in comprehensive income are composed of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. ² Total Level 3 assets as of 30 June 2021 were USD 8.1 billion (31 December 2020: USD 8.3 billion). Total Level 3 liabilities as of 30 June 2021 were USD 18.4 billion (31 December 2020: USD 15.2 billion).

Note 8 Fair value measurement (continued)

Balance as of 31 December 2020 ²	Net gains / losses included in income ¹	Total gains / losses included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 June 2021 ²
		of which: related to Level 3 instruments held at the end of the reporting period									
2.3	0.0	0.0	0.0	0.3	(0.8)	0.4	0.0	0.2	(0.2)	0.0	2.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.8	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.0	0.8
1.1	0.0	0.0	0.1	(0.5)	0.4	0.0	0.0	0.0	(0.2)	0.0	1.0
0.4	(0.1)	(0.1)	0.0	(0.2)	0.0	0.0	0.0	0.1	0.0	0.0	0.3
1.8	(0.2)	(0.1)	0.0	0.0	0.5	(0.4)	0.0	0.0	(0.1)	0.0	1.5
0.5	(0.1)	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.3
0.9	0.1	0.1	0.0	0.0	0.3	(0.4)	0.0	0.0	(0.1)	0.0	0.8
0.3	(0.1)	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.9	0.1	0.1	0.7	(0.3)	0.0	0.0	0.0	0.1	0.0	0.0	4.5
0.9	0.0	0.0	0.4	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	1.1
1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6
0.5	0.1	0.1	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.6
1.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2
3.5	0.2	0.0	0.0	0.0	0.7	(1.2)	0.0	0.0	(0.2)	0.0	2.9
0.5	(0.1)	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.5
2.3	0.4	0.2	0.0	0.0	0.5	(1.1)	0.0	0.0	(0.2)	0.0	1.9
0.5	(0.2)	(0.2)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.4
0.1	0.1	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.1
11.0	0.3	0.2	0.0	0.0	7.2	(2.9)	0.2	0.2	(0.8)	(0.2)	14.7
0.7	0.0	0.0	0.0	0.0	0.1	(0.2)	0.0	0.0	0.0	0.0	0.6

Note 8 Fair value measurement (continued)**g) Financial instruments not measured at fair value**

The table below reflects the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

<i>USD billion</i>	30.6.21		31.3.21		31.12.20	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash and balances at central banks	160.7	160.7	158.9	158.9	158.2	158.2
Loans and advances to banks	16.5	16.5	18.4	18.4	15.4	15.4
Receivables from securities financing transactions	83.5	83.5	82.4	82.4	74.2	74.2
Cash collateral receivables on derivative instruments	29.8	29.8	35.0	35.0	32.7	32.7
Loans and advances to customers	390.1	389.8	376.8	376.8	379.5	380.8
Other financial assets measured at amortized cost	27.1	27.6	26.8	27.3	27.2	28.0
Liabilities						
Amounts due to banks	14.6	14.6	12.6	12.6	11.0	11.0
Payables from securities financing transactions	6.0	6.0	6.7	6.7	6.3	6.3
Cash collateral payables on derivative instruments	32.2	32.2	36.6	36.6	37.3	37.3
Customer deposits	513.3	513.3	505.4	505.5	524.6	524.7
Debt issued measured at amortized cost	139.9	142.4	144.7	147.0	139.2	141.9
Other financial liabilities measured at amortized cost ¹	6.4	6.4	5.5	5.6	5.8	5.8

¹ Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions relate only to UBS's financial instruments not otherwise measured at fair value. Other institutions may use

different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 9 Derivative instruments

a) Derivative instruments

<i>As of 30.6.21, USD billion</i>	Derivative financial assets	Notional values related to derivative financial assets ¹	Derivative financial liabilities	Notional values related to derivative financial liabilities ¹	Other notional values ²
Derivative financial instruments					
Interest rate contracts	38.4	995	32.7	912	9,918
Credit derivative contracts	2.0	54	2.4	54	0
Foreign exchange contracts	49.5	3,074	47.4	2,869	2
Equity / index contracts	29.2	458	36.3	615	90
Commodity contracts	1.9	59	2.1	58	15
Loan commitments measured at FVTPL	0.0	1	0.0	11	
Unsettled purchases of non-derivative financial instruments ³	0.3	29	0.3	26	
Unsettled sales of non-derivative financial instruments ³	0.3	39	0.4	23	
Total derivative financial instruments, based on IFRS netting⁴	121.6	4,708	121.7	4,569	10,024
Further netting potential not recognized on the balance sheet ⁵	(107.5)		(106.8)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(86.8)</i>		<i>(86.8)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(20.6)</i>		<i>(20.0)</i>		
Total derivative financial instruments, after consideration of further netting potential	14.2		14.9		

As of 31.3.21, USD billion

Derivative financial instruments					
Interest rate contracts	39.9	991	34.0	901	11,707
Credit derivative contracts	2.3	65	2.5	62	0
Foreign exchange contracts	70.7	3,283	67.6	3,066	2
Equity / index contracts	32.2	468	38.7	599	97
Commodity contracts	2.2	62	2.0	54	12
Loan commitments measured at FVTPL	0.0	1	0.0	9	
Unsettled purchases of non-derivative financial instruments ³	0.6	26	0.3	32	
Unsettled sales of non-derivative financial instruments ³	0.4	41	0.8	21	
Total derivative financial instruments, based on IFRS netting⁴	148.3	4,937	146.0	4,745	11,817
Further netting potential not recognized on the balance sheet ⁵	(130.1)		(127.5)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(105.1)</i>		<i>(105.1)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(25.0)</i>		<i>(22.5)</i>		
Total derivative financial instruments, after consideration of further netting potential	18.2		18.5		

As of 31.12.20, USD billion

Derivative financial instruments					
Interest rate contracts	50.9	928	43.9	880	11,292
Credit derivative contracts	2.4	58	2.9	65	0
Foreign exchange contracts	68.7	2,951	70.5	2,820	1
Equity / index contracts	34.8	450	41.2	581	91
Commodity contracts	2.2	58	2.0	50	10
Loan commitments measured at FVTPL			0.0	10	
Unsettled purchases of non-derivative financial instruments ³	0.3	18	0.2	10	
Unsettled sales of non-derivative financial instruments ³	0.2	17	0.3	13	
Total derivative financial instruments, based on IFRS netting⁴	159.6	4,479	161.1	4,430	11,394
Further netting potential not recognized on the balance sheet ⁵	(144.4)		(141.2)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(117.2)</i>		<i>(117.2)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(27.2)</i>		<i>(23.9)</i>		
Total derivative financial instruments, after consideration of further netting potential	15.2		19.9		

¹ In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. Notional amounts of exchange-traded agency transactions and OTC-cleared transactions entered into on behalf of clients are not disclosed, as they have a significantly different risk profile. ² Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. ³ Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. ⁴ Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ⁵ Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2020 for more information.

Note 9 Derivative instruments (continued)**b) Cash collateral on derivative instruments**

<i>USD billion</i>	Receivables 30.6.21	Payables 30.6.21	Receivables 31.3.21	Payables 31.3.21	Receivables 31.12.20	Payables 31.12.20
Cash collateral on derivative instruments, based on IFRS netting ¹	29.8	32.2	35.0	36.6	32.7	37.3
Further netting potential not recognized on the balance sheet ²	(18.3)	(16.9)	(21.1)	(20.7)	(21.1)	(21.6)
<i>of which: netting of recognized financial liabilities / assets</i>	(15.9)	(14.4)	(18.2)	(18.3)	(19.6)	(19.6)
<i>of which: netting with collateral received / pledged</i>	(2.4)	(2.5)	(2.9)	(2.3)	(1.5)	(2.1)
Cash collateral on derivative instruments, after consideration of further netting potential	11.5	15.3	14.0	15.9	11.6	15.7

¹ Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ² Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2020 for more information.

Note 10 Other assets and liabilities**a) Other financial assets measured at amortized cost**

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Debt securities	18,484	18,533	18,801
<i>of which: government bills / bonds</i>	9,531	9,664	9,789
Loans to financial advisors	2,415	2,473	2,569
Fee- and commission-related receivables	1,982	2,073	2,014
Finance lease receivables	1,363	1,344	1,447
Settlement and clearing accounts	1,228	567	614
Accrued interest income	532	521	591
Other	1,139	1,260	1,158
Total other financial assets measured at amortized cost	27,143	26,770	27,194

b) Other non-financial assets

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Precious metals and other physical commodities	5,470	5,709	6,264
Bail deposit ¹	1,382	1,364	1,418
Prepaid expenses	1,083	1,065	1,081
VAT and other tax receivables	435	363	433
Properties and other non-current assets held for sale	68	248	246
Other	545	375	326
Total other non-financial assets	8,982	9,125	9,768

¹ Refer to item 1 in Note 14b for more information.

c) Other financial liabilities measured at amortized cost

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Other accrued expenses	1,758	1,756	1,696
Accrued interest expenses	1,015	932	1,355
Settlement and clearing accounts	2,176	1,288	1,199
Lease liabilities	3,754	3,767	3,927
Other	1,487	1,513	1,553
Total other financial liabilities measured at amortized cost	10,189	9,257	9,729

Note 10 Other assets and liabilities (continued)

d) Other financial liabilities designated at fair value

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Financial liabilities related to unit-linked investment contracts	22,217	21,357	20,975
Securities financing transactions	6,184	5,651	7,317
Over-the-counter debt instruments	2,142	1,787	2,060
Other	99	61	35
Total other financial liabilities designated at fair value	30,642	28,855	30,387
<i>of which: life-to-date own credit (gain) / loss</i>	<i>(39)</i>	<i>(23)</i>	<i>(36)</i>

e) Other non-financial liabilities

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Compensation-related liabilities	5,959	4,938	7,468
<i>of which: Deferred Contingent Capital Plan</i>	<i>1,500</i>	<i>1,420</i>	<i>1,858</i>
<i>of which: financial advisor compensation plans</i>	<i>1,314</i>	<i>1,203</i>	<i>1,500</i>
<i>of which: other compensation plans</i>	<i>1,830</i>	<i>1,125</i>	<i>2,740</i>
<i>of which: net defined benefit liability</i>	<i>666</i>	<i>654</i>	<i>722</i>
<i>of which: other compensation-related liabilities¹</i>	<i>650</i>	<i>536</i>	<i>648</i>
Deferred tax liabilities	392	329	564
Current tax liabilities	1,250	1,122	1,009
VAT and other tax payables	597	667	523
Deferred income	262	225	228
Other	116	111	61
Total other non-financial liabilities	8,576	7,391	9,854

¹ Includes liabilities for payroll taxes and untaken vacation.

Note 11 Debt issued designated at fair value

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Issued debt instruments			
Equity-linked ¹	49,157	44,615	41,069
Rates-linked	16,397	12,668	11,038
Credit-linked	1,826	1,804	1,933
Fixed-rate	2,883	3,343	3,604
Commodity-linked	1,961	1,564	1,497
Other	2,841	2,540	2,101
<i>of which: debt that contributes to total loss-absorbing capacity</i>	<i>2,112</i>	<i>1,676</i>	<i>1,190</i>
Total debt issued designated at fair value	75,065	66,535	61,243
<i>of which: issued by UBS AG with original maturity greater than one year²</i>	<i>51,830</i>	<i>47,348</i>	<i>46,427</i>
<i>of which: life-to-date own credit (gain) / loss</i>	<i>317</i>	<i>424</i>	<i>418</i>

¹ Includes investment fund unit-linked instruments issued. ² Based on original contractual maturity without considering any early redemption features. As of 30 June 2021, more than 99% of the balance was unsecured (31 March 2021: 100%; 31 December 2020: 100%).

Note 12 Debt issued measured at amortized cost

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Certificates of deposit	12,193	14,723	15,680
Commercial paper	25,304	26,591	25,472
Other short-term debt	5,219	6,080	5,515
Short-term debt¹	42,716	47,394	46,666
Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC)	37,765	37,453	36,611
Senior unsecured debt other than TLAC	28,945	28,990	21,340
<i>of which: issued by UBS AG with original maturity greater than one year²</i>	<i>26,109</i>	<i>23,309</i>	<i>18,464</i>
Covered bonds	1,449	2,606	2,796
Subordinated debt	20,072	19,327	22,157
<i>of which: high-trigger loss-absorbing additional tier 1 capital instruments</i>	<i>12,330</i>	<i>11,573</i>	<i>11,837</i>
<i>of which: low-trigger loss-absorbing additional tier 1 capital instruments</i>	<i>2,509</i>	<i>2,501</i>	<i>2,577</i>
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	<i>4,686</i>	<i>4,709</i>	<i>7,201</i>
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	<i>547</i>	<i>544</i>	<i>543</i>
Debt issued through the Swiss central mortgage institutions	8,963	8,911	9,660
Other long-term debt	0	2	3
Long-term debt³	97,195	97,288	92,566
Total debt issued measured at amortized cost⁴	139,911	144,682	139,232

¹ Debt with an original contractual maturity of less than one year. ² Based on original contractual maturity without considering any early redemption features. As of 30 June 2021, 100% of the balance was unsecured (31 March 2021: 100%; 31 December 2020: 100%). ³ Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. ⁴ Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

Note 13 Interest rate benchmark reform

Background

A market-wide reform of major interest rate benchmarks is being undertaken globally, with the Financial Conduct Authority (the FCA) announcing in March 2021 that the publication of London Interbank Offered Rates (LIBORs) will cease for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR, after 31 December 2021. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

The majority of UBS's Interbank Offered Rate (IBOR) exposure is to CHF LIBOR and USD LIBOR. The alternative reference rate (ARR) for CHF LIBOR is the Swiss Average Rate Overnight (SARON). The ARR for USD LIBOR is the Secured Overnight Financing Rate (SOFR); in addition, there are recommended ARRs for GBP LIBOR, JPY LIBOR and EUR LIBOR. For certain products in the US, UBS is considering the use of credit-sensitive rates as an alternative to SOFR.

As of 30 June 2021, transition uncertainty with respect to significant interest rate benchmarks remains, with the exception of the Euro Interbank Offered Rate (Euribor). The reform of Euribor is now complete and consisted of a change in the underlying calculation method.

The transition to ARRs includes a number of active steps that will also benefit from the support of associated regulatory activities. There may be some contracts, known as "tough legacy contracts," that cannot be practically transitioned or amended from IBORs to ARRs. The FCA continues to consult market participants about requiring the ICE Benchmark Administration to continue publishing certain LIBOR settings (i.e., one-, three- and six-month settings for the GBP, JPY and USD LIBORs) on a "synthetic" basis, which are not representative of the underlying financial markets, for a certain duration after 31 December 2021. However, these synthetic LIBORs will not be available for use in new contracts, given that they are non-representative, and are instead intended to help reduce disruption where resolution has not been agreed for certain tough legacy contracts. Furthermore, in February 2021, the EU Benchmarks Regulation was amended to enable the European Commission to designate a statutory replacement rate for tough legacy LIBOR contracts that are governed by the laws of EU Member States and remain outstanding after LIBOR cessation. On 6 April 2021, New York State LIBOR legislation was enacted with the intention of minimizing legal uncertainty and adverse economic effects associated with USD LIBOR transition for tough legacy contracts governed by New York law. For USD LIBOR contracts not governed by New York law, a bill has been introduced in Congress with similar objectives.

In October 2020, the International Swaps and Derivatives Association (ISDA) released the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, amending ISDA standard definitions for interest-rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs. The changes came into effect on 25 January 2021 and, from that date, all newly cleared and non-cleared derivatives between adhering parties that reference ISDA standard definitions now include these fallbacks. UBS adhered to the protocol in November 2020.

UBS is focused on transitioning existing contracts via bi-lateral and multi-lateral agreements, leveraging industry solutions (e.g., the use of fallback provisions) and through third-party actions (clearing houses, agents, etc.). Furthermore, in line with regulatory guidance UBS has implemented a framework to limit entry into new contracts referencing IBORs.

Governance over the transition to alternative benchmark rates

UBS has established a global cross-divisional, cross-functional governance structure and change program to address the scale and complexity of the transition. This global program is sponsored by the Group CFO and led by senior representatives from the business divisions and UBS's control and support functions. The program includes governance and execution structures within each business division, together with cross-divisional teams from each control and support function. Progress is overseen centrally via a monthly operating committee and a monthly steering committee, as well as quarterly updates to the joint Audit and Risk committees.

Risks

A core part of UBS's change program is the identification, management and monitoring of the risks associated with IBOR reform and transition. These risks include, but are not limited to, the following:

- economic risks to UBS and its clients, through the repricing of existing contracts, reduced transparency and / or liquidity of pricing information, market uncertainty or disruption;
- accounting risks, where the transition affects the accounting treatment, including hedge accounting and consequential income statement volatility;
- valuation risks arising from the variation between benchmarks that will cease and ARRs, affecting the risk profile of financial instruments;
- operational risks arising from changes to UBS's front-to-back processes and systems to accommodate the transition, as well as the revision of operational controls related to the reform; and
- legal and conduct risks relating to UBS's engagement with clients and market counterparties around new benchmark products and amendments required for existing contracts referencing benchmarks that will cease.

Note 13 Interest rate benchmark reform (continued)

In some cases, contracts may contain provisions intended to provide a fallback interest rate in the event of a brief unavailability of the relevant IBOR. These provisions may not be effective or may produce arbitrary results in the event of a permanent cessation of the relevant IBOR. While efforts to transition outstanding transactions from IBORs to ARR-based interest rates have made substantial progress, including through industry-wide protocols, such as the ISDA IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, there are still substantial volumes of transactions that require modification to effectively transition to ARR-based interest rates.

UBS remains confident that it has the transparency, oversight and operational preparedness to progress with the IBOR transition consistent with market timelines. UBS does not expect changes to its risk management approach and strategy as a result of interest rate benchmark reform.

Progress made during 2020 and the first half of 2021

Approaches to transition vary by product type. During 2020, UBS transitioned most of its CHF LIBOR-linked deposits to SARON and launched SARON-based mortgages and corporate loans based on all major ARRs in the Swiss market, as well as SOFR-based mortgages in the US market. By the end of the second quarter of 2021, UBS had successfully transitioned its GBP LIBOR- and EUR LIBOR-based private and commercial real estate mortgages in the UK and Monaco to the Sterling Overnight Index Average (SONIA) and Euribor, respectively. UBS has detailed plans in place to deliver the required changes for all other IBOR exposures, predominantly during 2021.

Financial instruments yet to transition to alternative benchmarks

The amounts included in the table below relate to financial instrument contracts across UBS's business divisions where UBS has material exposures subject to IBOR reform that have not yet transitioned to ARRs, and that:

- contractually reference an interest rate benchmark that will transition to an alternative benchmark; and
- have a contractual maturity date (including open-ended contracts) after the agreed cessation dates.

Contracts where penalty terms reference IBORs, or where exposure to an IBOR is not the primary purpose of the contract, have not been included, as these contracts do not have a material impact on the transition process. In addition, contracts that have been changed to incorporate ARR-based interest rates before the relevant cessation date have been excluded from the table below, because UBS expects no further transition work to implement the reform.

In line with information provided to management and external parties monitoring UBS's transition progress, the table below includes the following financial metrics for instruments subject to interest rate benchmark reform:

- gross carrying value / exposure for non-derivative financial instruments; and
- total trade count for derivative financial instruments.

The exposures included in the table below represent the maximum IBOR exposure, with the actual IBOR exposure being dependent upon client preferences and investment decisions. Overall, the effort required to transition is affected by multiple factors, including whether negotiations need to take place with multiple stakeholders (as is the case for syndicated loans or certain listed securities), market readiness – such as liquidity in ARR equivalent products – and a client's technical readiness to handle ARR market conventions.

As significant IBOR exposures transition to ARRs during 2021, the values and trade count disclosed are expected to decrease.

		30.6.21					
		LIBOR benchmark rates ¹					
Measure		CHF	USD	GBP	EUR ²	JPY	XCCY
Carrying value of non-derivative financial instruments							
Total non-derivative financial assets	USD million	31,423	77,502	1,829	6,587	3,070	3,796 ³
Total non-derivative financial liabilities	USD million	2,029	9,834	566	1,919	1,060	0
Trade count of derivative financial instruments							
Total derivative financial instruments	Trade count	9,519	42,566	12,513	9,626	4,247	5,948 ⁴
Off-balance sheet exposures							
Total irrevocable loan commitments	USD million	1	4,433	0	0	0	15,767 ⁵
		31.3.21					
		LIBOR benchmark rates ¹					
Measure		CHF	USD	GBP	EUR ²	JPY	XCCY
Carrying value of non-derivative financial instruments							
Total non-derivative financial assets	USD million	36,046	72,185	5,399	8,253	3,060	4,469 ³
Total non-derivative financial liabilities	USD million	2,612	13,142	1,429	2,252	1,460	0
Trade count of derivative financial instruments							
Total derivative financial instruments	Trade count	9,749	40,080	13,006	9,613	3,961	5,206 ⁴
Off-balance sheet exposures							
Total irrevocable loan commitments	USD million	106	4,656	167	0	0	15,188 ⁵

¹ Contracts have been disclosed without regard to early termination rights. Instead, it is assumed that such contracts will transition away from IBORs without such rights being exercised. ² Includes primarily EUR LIBOR positions. ³ Includes loans related to revolving multi-currency credit lines. ⁴ Includes cross-currency swaps where either leg or both legs are indexed to an IBOR. ⁵ Includes loan commitments that can be drawn in different currencies at the client's discretion.

Note 13 Interest rate benchmark reform (continued)

Non-derivative instruments

UBS's significant non-derivative IBOR exposures primarily relate to brokerage receivable and payable balances, corporate and private loans, and mortgages, linked to CHF and USD LIBORs.

In March 2021, following the FCA announcement regarding the cessation timelines for IBORs, UBS started a centralized communication initiative for private mortgages linked to CHF LIBOR, with the objective of transitioning these exposures either through the activation of existing fallbacks or the amendment of contractual terms, where such fallbacks do not exist. During the second quarter of 2021, mortgages that were linked to CHF LIBOR have been reduced by approximately USD 2 billion and the remaining USD 3 billion of mortgages linked to GBP LIBOR as of 31 March 2021 have successfully transitioned. US mortgages linked to USD LIBOR are planned to transition to SOFR from 2022–2023. US securities-based lending increased by approximately USD 4 billion in the second quarter of 2021, with agreements expected to switch to an alternative benchmark from the fourth quarter of 2021.

UBS is also proactively discussing transition mechanisms with many of its brokerage and corporate clients in order to transition their exposures throughout 2021 from CHF LIBOR, EUR LIBOR and GBP LIBOR. During the second quarter of 2021, the gross carrying amount of IBOR-indexed non-derivative financial assets and liabilities related to brokerage accounts, predominantly linked to GBP and USD LIBOR, was reduced by approximately USD 8 billion in aggregate as a result of successful transitions.

For certain non-derivative financial assets and financial liabilities, in particular bonds issued by third parties, UBS is dependent on the participation and engagement of others in effecting the transition from IBORs. UBS is actively monitoring such exposures and is in discussions with clients.

As presented in the table on the previous page, UBS had approximately USD 16 billion (31 March 2021, USD 15 billion) of irrevocable commitments as of 30 June 2021 that can be drawn down in different currencies with IBOR-based interest rates, primarily USD LIBOR and Euribor, and that expire after the relevant benchmark cessation dates. Related drawn-down amounts under these commitments were USD 4 billion (31 March 2021, USD 4 billion).

In addition, UBS had approximately USD 10 billion (31 March 2021, USD 16 billion) of committed revocable credit lines outstanding that allow clients to draw down a number of IBOR-linked products. UBS is in discussions with impacted clients, with plans in place to have all contracts amended by the relevant cessation dates.

Derivative instruments

UBS holds derivatives for trading and hedging purposes, including those designated in hedge accounting relationships. A significant number of interest rate and cross-currency swaps have floating legs that reference various benchmarks that will cease.

The majority of derivatives are transacted with clearing houses where UBS is dependent upon industry-wide compression activities to reduce exposure and clearing house actions to convert any remaining derivatives nearer the cessation dates. London Clearing House (LCH), which is the clearing house for a significant number of UBS's IRS derivatives, has confirmed that a standardized transition will be undertaken in December 2021 to transition IBOR-based derivatives to respective ARRs. UBS expects derivative volumes to fluctuate in line with business activity until such clearing house actions are taken.

For derivatives not transacted with clearing houses, as previously noted, UBS adhered to the ISDA IBOR Fallback Protocol in November 2020, although its preferred approach, in line with regulatory expectations, is to actively switch to ARRs before the relevant cessation dates or to bilaterally compress where feasible. UBS has begun a series of outreach activities to understand counterparties' intentions regarding whether they seek to adhere to the protocol or will actively switch.

In order to minimize the operational risk of converting high volumes of transactions at the time of cessation, UBS is making progress with its preparations to convert derivative instruments in bulk to ARR equivalents.

Note 14 Provisions and contingent liabilities**a) Provisions**

The table below presents an overview of total provisions.

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Provisions other than provisions for expected credit losses	2,646	2,481	2,571
Provisions for expected credit losses	209	245	257
Total provisions	2,855	2,726	2,828

The following table presents additional information for provisions other than provisions for expected credit losses.

<i>USD million</i>	Litigation, regulatory and similar matters ¹	Restructuring ²	Other ³	Total
Balance as of 31 December 2020	2,135	72	363	2,571
Balance as of 31 March 2021	2,072	61	348	2,481
Increase in provisions recognized in the income statement	87	147	33	267
Release of provisions recognized in the income statement	(24)	(6)	(4)	(34)
Provisions used in conformity with designated purpose	(27)	(23)	(31)	(82)
Capitalized reinstatement costs	0	0	(1)	(1)
Reclassifications	0	1	(1)	0
Foreign currency translation / unwind of discount	11	(2)	5	13
Balance as of 30 June 2021	2,119	179	348	2,646

¹ Comprises provisions for losses resulting from legal, liability and compliance risks. ² Includes personnel-related restructuring provisions of USD 135 million as of 30 June 2021 (31 March 2021: USD 12 million; 31 December 2020: USD 18 million) and provisions for onerous contracts of USD 40 million as of 30 June 2021 (31 March 2021: USD 44 million; 31 December 2020: USD 49 million). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short time period but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS is committed to pay for

non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 14b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

The Group operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS Group AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or

constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against the Group, but are nevertheless expected to be, based on the Group's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Note 14 Provisions and contingent liabilities (continued)

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either: (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 14a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement UBS entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and was subject to probation, which ended in January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of this report.

Provisions for litigation, regulatory and similar matters by business division and in Group Functions¹

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Balance as of 31 December 2020	861	115	0	227	932	2,135
Balance as of 31 March 2021	810	109	1	217	935	2,072
Increase in provisions recognized in the income statement	20	0	0	66	1	87
Release of provisions recognized in the income statement	(11)	(11)	0	(2)	0	(24)
Provisions used in conformity with designated purpose	(27)	0	0	0	0	(27)
Foreign currency translation / unwind of discount	8	2	0	1	0	11
Balance as of 30 June 2021	800	100	1	282	936	2,119

¹ Provisions, if any, for matters described in this Note are recorded in Global Wealth Management (item 3 and item 4) and Group Functions (item 2). Provisions, if any, for the matters described in items 1 and 6 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this Note in item 5 are allocated between the Investment Bank and Group Functions.

Note 14 Provisions and contingent liabilities (continued)**1. Inquiries regarding cross-border wealth management businesses**

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("*caution*") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The trial in the Court of

Appeal took place between 8-24 March 2021. At the conclusion of the trial, the prosecutor asserted that the maximum penalty was EUR 2.2 billion and requested the court to award a penalty of at least EUR 2 billion. The French state asked for civil damages of EUR 1 billion. The judgment on the merits of the case is currently set for 27 September 2021. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, our balance sheet at 30 June 2021 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 534 million at 30 June 2021). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on our balance sheet at 30 June 2021 reflects our best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("*inculpé*") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud.

Our balance sheet at 30 June 2021 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 14 Provisions and contingent liabilities (continued)

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages.

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019. On 10 December 2019, the district court denied UBS's motion to dismiss.

Our balance sheet at 30 June 2021 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans seeking aggregate damages of USD 3.4 billion, of which USD 2.9 billion have been resolved through settlements, arbitration or withdrawal of claims.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Note 14 Provisions and contingent liabilities (continued)

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. In June 2021 the court in the first of the three cases denied defendants' motion to dismiss; defendants are seeking leave to appeal that decision. In July 2021, the court in another of these cases granted defendants' motion to dismiss. A motion to dismiss is pending in the remaining case.

Our balance sheet at 30 June 2021 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

5. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with the UK Financial Conduct Authority (FCA), the US Commodity Futures Trading Commission (CFTC), FINMA, the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking, the DOJ's Criminal Division and the European Commission. UBS has ongoing obligations under the Cease and Desist Order of the Federal Reserve Board and the Office of the Comptroller of the

Currency (as successor to the Connecticut Department of Banking), and to cooperate with relevant authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS has ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

Note 14 Provisions and contingent liabilities (continued)

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received final court approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In December 2019, UBS entered into an agreement with representatives of the class of USD lenders to settle their USD LIBOR class action. The agreement has received final court approval. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards.

Other benchmark class actions in the US: In 2014, 2015 and 2017, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly

extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint. Defendants moved to dismiss the amended complaint in October 2020. In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs have appealed. Also in 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint moved to dismiss. In February 2020, the court in the BBSW action granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings. The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint was granted on 31 March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007-2011 relating to European government bonds. The European Commission fined UBS EUR 172 million. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 30 June 2021 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 14 Provisions and contingent liabilities (continued)**6. Swiss retrocessions**

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence

of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 30 June 2021 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 15 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS's operations with a functional currency other than the US dollar into US dollars.

	Closing exchange rate				Average rate ¹				
	As of				For the quarter ended			Year-to-date	
	30.6.21	31.3.21	31.12.20	30.6.20	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
1 CHF	1.08	1.06	1.13	1.06	1.10	1.09	1.04	1.09	1.04
1 EUR	1.19	1.17	1.22	1.12	1.20	1.20	1.11	1.20	1.11
1 GBP	1.38	1.38	1.37	1.24	1.39	1.38	1.24	1.39	1.26
100 JPY	0.90	0.90	0.97	0.93	0.91	0.93	0.93	0.92	0.93

¹ Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

UBS AG interim consolidated financial information (unaudited)

This section contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated. Refer to the UBS AG second quarter 2021 report, which will be available as of 23 July 2021 under “Quarterly reporting” at ubs.com/investors, for the interim consolidated financial statements of UBS AG.

Comparison between UBS Group AG consolidated and UBS AG consolidated

The accounting policies applied under International Financial Reporting Standards (IFRS) to both the UBS Group AG and the UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below.

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not in those of UBS AG. UBS AG’s assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the consolidated financial statements of UBS AG, but are eliminated in the consolidated financial statements of UBS Group AG. UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred.
- The equity of UBS Group AG consolidated was USD 3.4 billion higher than the equity of UBS AG consolidated as of 30 June 2021. This difference was mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with the dividend distributions of UBS Group AG, as well as higher retained earnings in the consolidated financial statements of

UBS Group AG, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. In addition, UBS Group AG is the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted. These effects were partly offset by treasury shares acquired and canceled as part of our share repurchase programs and those held to hedge share delivery obligations associated with Group compensation plans, as well as additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.

- The going concern capital of UBS Group AG consolidated was USD 3.8 billion higher than the going concern capital of UBS AG consolidated as of 30 June 2021, reflecting higher common equity tier 1 (CET1) capital of USD 2.4 billion and going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.4 billion.
- The CET1 capital of UBS Group AG consolidated was USD 2.4 billion higher than that of UBS AG consolidated as of 30 June 2021. The higher CET1 capital of UBS Group AG consolidated was primarily due to higher UBS Group AG consolidated IFRS equity of USD 3.4 billion, as described above, and lower UBS Group AG accruals for future capital returns to shareholders, partly offset by compensation-related regulatory capital accruals and a capital reserve for potential share repurchases at the UBS Group AG level.
- The going concern loss-absorbing AT1 capital of UBS Group AG consolidated was USD 1.4 billion higher than that of UBS AG consolidated as of 30 June 2021, mainly reflecting deferred contingent capital plan awards granted at the Group level to eligible employees for the performance years 2016 to 2020, partly offset by two loss-absorbing AT1 capital instruments on-lent by UBS Group AG to UBS AG.

Comparison between UBS Group AG consolidated and UBS AG consolidated

	As of or for the quarter ended 30.6.21		
	UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)
<i>USD million, except where indicated</i>			
Income statement			
Operating income	8,976	9,071	(94)
Operating expenses	6,384	6,589	(206)
Operating profit / (loss) before tax	2,593	2,481	111
<i>of which: Global Wealth Management</i>	1,294	1,273	21
<i>of which: Personal & Corporate Banking</i>	498	496	2
<i>of which: Asset Management</i>	255	254	1
<i>of which: Investment Bank</i>	668	655	14
<i>of which: Group Functions</i>	(124)	(197)	73
Net profit / (loss)	2,012	1,919	93
<i>of which: net profit / (loss) attributable to shareholders</i>	2,006	1,913	93
<i>of which: net profit / (loss) attributable to non-controlling interests</i>	6	6	0
Statement of comprehensive income			
Other comprehensive income	591	592	(1)
<i>of which: attributable to shareholders</i>	576	578	(1)
<i>of which: attributable to non-controlling interests</i>	14	14	0
Total comprehensive income	2,602	2,510	92
<i>of which: attributable to shareholders</i>	2,582	2,491	92
<i>of which: attributable to non-controlling interests</i>	20	20	0
Balance sheet			
Total assets	1,086,519	1,085,861	658
Total liabilities	1,027,469	1,030,216	(2,746)
Total equity	59,050	55,645	3,405
<i>of which: equity attributable to shareholders</i>	58,765	55,361	3,405
<i>of which: equity attributable to non-controlling interests</i>	284	284	0
Capital information			
Common equity tier 1 capital	42,583	40,190	2,393
Going concern capital	59,188	55,398	3,790
Risk-weighted assets	293,277	290,470	2,807
Common equity tier 1 capital ratio (%)	14.5	13.8	0.7
Going concern capital ratio (%)	20.2	19.1	1.1
Total loss-absorbing capacity ratio (%)	35.6	34.6	1.0
Leverage ratio denominator ¹	1,039,939	1,039,375	564
Common equity tier 1 leverage ratio (%) ¹	4.09	3.87	0.23
Going concern leverage ratio (%) ¹	5.7	5.3	0.4
Total loss-absorbing capacity leverage ratio (%)	10.0	9.7	0.4

¹ Leverage ratio denominators and leverage ratios for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

As of or for the quarter ended 31.3.21			As of or for the quarter ended 31.12.20		
UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)	UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)
8,705	8,836	(130)	8,117	8,220	(103)
6,407	6,684	(277)	6,132	6,324	(192)
2,298	2,151	147	1,985	1,896	89
1,409	1,391	18	864	855	9
389	390	0	353	353	(1)
227	227	0	401	401	0
412	394	17	529	528	1
(139)	(251)	112	(161)	(241)	79
1,827	1,713	114	1,645	1,572	73
1,824	1,710	114	1,636	1,563	73
3	3	0	9	9	0
(2,166)	(2,032)	(135)	83	54	29
(2,154)	(2,019)	(135)	65	36	29
(12)	(12)	0	18	18	0
(339)	(319)	(21)	1,728	1,626	102
(330)	(309)	(21)	1,701	1,599	102
(9)	(9)	0	27	27	0
1,107,712	1,109,234	(1,522)	1,125,765	1,125,327	438
1,049,379	1,051,481	(2,102)	1,066,000	1,067,254	(1,254)
58,333	57,753	580	59,765	58,073	1,691
58,026	57,446	580	59,445	57,754	1,691
307	307	0	319	319	0
40,426	38,826	1,600	39,890	38,181	1,709
56,288	53,255	3,033	56,178	52,610	3,567
287,828	285,119	2,710	289,101	286,743	2,358
14.0	13.6	0.4	13.8	13.3	0.5
19.6	18.7	0.9	19.4	18.3	1.1
35.0	34.2	0.7	35.2	34.2	1.0
1,038,225	1,039,736	(1,511)	1,037,150	1,036,771	379
3.89	3.73	0.16	3.85	3.68	0.16
5.4	5.1	0.3	5.4	5.1	0.3
9.7	9.4	0.3	9.8	9.5	0.3

Significant regulated subsidiary and sub-group information

Unaudited

Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

All values in millions, except where indicated	UBS AG (standalone)		UBS Switzerland AG (standalone)		UBS Europe SE (consolidated)		UBS Americas Holding LLC (consolidated)	
	USD		CHF		EUR		USD	
	Swiss GAAP Swiss SRB rules		Swiss GAAP Swiss SRB rules		IFRS EU regulatory rules		US GAAP US Basel III rules	
As of or for the quarter ended	30.6.21	31.3.21	30.6.21	31.3.21	30.6.21	31.3.21 ¹	30.6.21	31.3.21
Financial information²								
Income statement								
Total operating income	4,473	2,811	2,135	2,089	277	260	3,423	3,721
Total operating expenses	2,030	2,143	1,352	1,489	205	233	2,930	2,905
Operating profit / (loss) before tax	2,443	669	783	600	72	27	493	816
Net profit / (loss)	2,479	566	636	484	50	11	299	716
Balance sheet								
Total assets	511,973	517,606	323,291	325,921	47,426	49,246	183,777	182,786
Total liabilities	461,071	464,645	309,886	312,802	42,675	44,540	155,939	154,419
Total equity	50,902	52,962	13,405	13,119	4,751	4,706	27,838	28,367
Capital³								
Common equity tier 1 capital	51,279	50,223	12,312	12,417	3,921	3,721	14,477	14,716
Additional tier 1 capital	15,208	14,429	5,393	5,402	290	290	3,047	3,047
Tier 1 capital	66,487	64,652	17,705	17,819	4,211	4,011	17,523	17,763
Total going concern capital	66,487	64,652	17,705	17,819	4,211	4,011		
Tier 2 capital							620	736
Total capital					4,211	4,011	18,143	18,498
Total gone concern loss-absorbing capacity	45,091	44,365	10,868	10,890	2,179	2,184	6,300	6,300
Total loss-absorbing capacity	111,578	109,017	28,572	28,709	6,390	6,195	23,823	24,063
Risk-weighted assets and leverage ratio denominator³								
Risk-weighted assets	319,195	317,824	109,602	110,194	13,171	14,022	69,139	69,481
Leverage ratio denominator	606,536	611,022	341,991	344,925	49,797	43,620	170,985	169,386
Supplementary leverage ratio denominator ⁴							195,617	159,587
Capital and leverage ratios (%)³								
Common equity tier 1 capital ratio	16.1	15.8	11.2	11.3	29.8	26.5	20.9	21.2
Tier 1 capital ratio					32.0	28.6	25.3	25.6
Going concern capital ratio	20.8	20.3	16.2	16.2				
Total capital ratio					32.0	28.6	26.2	26.6
Total loss-absorbing capacity ratio			26.1	26.1	48.5	44.2	34.5	34.6
Tier 1 leverage ratio					8.5	9.2	10.2	10.5
Supplementary tier 1 leverage ratio ⁴							9.0	11.1
Going concern leverage ratio	11.0	10.6	5.2	5.2				
Total loss-absorbing capacity leverage ratio			8.4	8.3	12.8	14.2	13.9	14.2
Gone concern capital coverage ratio	120.6	118.1						
Liquidity³								
High-quality liquid assets (billion)	89	82	98	96	17	17	29,029	
Net cash outflows (billion)	51	48	65	66	11	11	17,509	
Liquidity coverage ratio (%) ^{5,6}	176	172	150	146	161	157	166	
Net stable funding ratio³								
Total available stable funding					15,756			
Total required stable funding					9,465			
Net stable funding ratio (%)					167⁷			
Other								
Joint and several liability between UBS AG and UBS Switzerland AG (billion) ⁸			7	9				

¹ Comparative figures have been restated to align with the regulatory reports as submitted to the European Central Bank (the ECB). ² The financial information disclosed does not represent interim financial statements under the respective GAAP / IFRS. ³ Refer to the 30 June 2021 Pillar 3 report, which will be available as of 20 August 2021 under "Pillar 3 disclosures" at ubs.com/investors, for more information. ⁴ US regulatory authorities temporarily eased the requirements for the supplementary leverage ratio (SLR), permitting the exclusion of US Treasury securities and deposits at the Federal Reserve Banks from the SLR denominator through March 2021. This exclusion resulted in an increase in the SLR of 187 bps on 31 March 2021. ⁵ In the second quarter of 2021, the UBS AG liquidity coverage ratio (LCR) was 176%, remaining above the prudential requirements communicated by FINMA. ⁶ In the second quarter of 2021, the LCR of UBS Switzerland AG, which is a Swiss SRB, was 150%, remaining above the prudential requirement communicated by FINMA in connection with the Swiss Emergency Plan. ⁷ The local disclosure requirement for the net stable funding ratio of UBS Europe SE came into force in June 2021. ⁸ Refer to the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2020 for more information about the joint and several liability. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and subsidiaries thereof. UBS Group AG and UBS AG have contributed a significant portion of their respective capital to, and provide substantial liquidity to, such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. The tables in this section summarize the regulatory capital components and capital ratios of our significant regulated subsidiaries and sub-groups determined under the regulatory framework of each subsidiary's or sub-group's home jurisdiction.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis and may limit the ability of an entity to engage in new activities or take capital actions based on the results of those tests.

In June 2021, the Federal Reserve Board (the FRB) released the results of the 2021 Dodd-Frank Act Stress Test (DFAST), which is complementary to the Federal Reserve's Comprehensive Capital Adequacy Review (CCAR) process. UBS's intermediate holding company, UBS Americas Holding LLC, exceeded

minimum capital requirements under the severely adverse scenario. The FRB also lifted the temporary limitations on capital distributions imposed during the pandemic. As a result, UBS Americas Holding LLC is permitted to make capital distributions as long as it maintains compliance with its total capital requirements, including its stress capital buffer.

Standalone financial information for UBS AG, UBS Group AG and UBS Switzerland AG will be available as of 23 July 2021 under "Complementary financial information" at ubs.com/investors.

Standalone regulatory information for UBS AG and UBS Switzerland AG, as well as consolidated regulatory information for UBS Europe SE and UBS Americas Holding LLC, is provided in the 30 June 2021 Pillar 3 report, which will be available as of 20 August 2021 under "Pillar 3 disclosures" at ubs.com/investors.

Selected financial and regulatory information for UBS AG consolidated is included in the key figures table below. Refer also to the UBS AG second quarter 2021 report, which will be available as of 23 July 2021 under "Quarterly reporting" at ubs.com/investors.

UBS AG consolidated key figures

USD million, except where indicated	As of or for the quarter ended				As of or year-to-date	
	30.6.21	31.3.21	31.12.20	30.6.20	30.6.21	30.6.20
Results						
Operating income	9,071	8,836	8,220	7,512	17,906	15,521
Operating expenses	6,589	6,684	6,324	5,987	13,274	12,197
Operating profit / (loss) before tax	2,481	2,151	1,896	1,525	4,632	3,324
Net profit / (loss) attributable to shareholders	1,913	1,710	1,563	1,194	3,623	2,615
Profitability and growth¹						
Return on equity (%)	13.6	11.9	10.9	8.4	12.7	9.3
Return on tangible equity (%)	15.3	13.4	12.2	9.5	14.3	10.5
Return on common equity tier 1 capital (%)	19.4	17.8	16.3	13.0	18.6	14.4
Return on risk-weighted assets, gross (%)	12.5	12.3	11.7	10.9	12.4	11.6
Return on leverage ratio denominator, gross (%) ²	3.5	3.4	3.3	3.2	3.4	3.4
Cost / income ratio (%)	73.3	75.9	76.3	76.9	74.6	75.9
Net profit growth (%)	60.3	20.3	151.3	(8.7)	38.5	10.1
Resources¹						
Total assets	1,085,861	1,109,234	1,125,327	1,063,446	1,085,861	1,063,446
Equity attributable to shareholders	55,361	57,446	57,754	55,384	55,361	55,384
Common equity tier 1 capital ³	40,190	38,826	38,181	37,403	40,190	37,403
Risk-weighted assets ³	290,470	285,119	286,743	284,798	290,470	284,798
Common equity tier 1 capital ratio (%) ³	13.8	13.6	13.3	13.1	13.8	13.1
Going concern capital ratio (%) ³	19.1	18.7	18.3	17.9	19.1	17.9
Total loss-absorbing capacity ratio (%) ³	34.6	34.2	34.2	31.9	34.6	31.9
Leverage ratio denominator ^{2,3}	1,039,375	1,039,736	1,036,771	974,135	1,039,375	974,135
Common equity tier 1 leverage ratio (%) ^{2,3}	3.87	3.73	3.68	3.84	3.87	3.84
Going concern leverage ratio (%) ^{2,3}	5.3	5.1	5.1	5.2	5.3	5.2
Total loss-absorbing capacity leverage ratio (%) ³	9.7	9.4	9.5	9.3	9.7	9.3
Other						
Invested assets (USD billion) ⁴	4,485	4,306	4,187	3,588	4,485	3,588
Personnel (full-time equivalents)	47,227	47,592	47,546	47,120	47,227	47,120

¹ Refer to the "Performance targets and capital guidance" section of our Annual Report 2020 for more information about our performance measurement. ² Leverage ratio denominators and leverage ratios for the respective periods in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ³ Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. ⁴ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of our Annual Report 2020 for more information.

Alternative performance measures

Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in the discussion of the financial and operating performance of the Group, our business divisions and our Group Functions. We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented in the table below. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

APM label	Calculation	Information content
Invested assets (USD and CHF) – GWM, P&C, AM	Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts.	This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.
Client assets (USD and CHF) – GWM, P&C	Calculated as the sum of invested assets and other assets held purely for transactional purposes or custody only.	This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes, including other assets held purely for transactional purposes or custody only.
Recurring net fee income (USD and CHF) – GWM, P&C	Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts (as well as credit card fees for GWM).	This measure provides information about the amount of recurring net fee income.
Transaction-based income (USD and CHF) – GWM, P&C	Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, as well as fees for payment and foreign exchange transactions (and credit card fees for P&C), together with other net income from financial instruments measured at fair value through profit or loss.	This measure provides information about the amount of the non-recurring portion of net fee and commission income.
Cost / income ratio (%)	Calculated as operating expenses divided by operating income before credit loss expense or release.	This measure provides information about the efficiency of the business by comparing operating expenses with gross income.
Gross margin on invested assets (bps) – AM	Calculated as operating income before credit loss expense or release (annualized as applicable) divided by average invested assets.	This measure provides information about the operating income before credit loss expense or release of the business in relation to invested assets.
Net interest margin (bps) – P&C	Calculated as net interest income (annualized as applicable) divided by average loans.	This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value.
Net margin on invested assets (bps) – AM	Calculated as operating profit before tax (annualized as applicable) divided by average invested assets.	This measure provides information about the operating profit before tax of the business in relation to invested assets.
Business volume for Personal Banking (CHF and USD) – P&C	Calculated as the sum of client assets and loans.	This measure provides information about the volume of client assets and loans.
Net new business volume for Personal Banking (CHF and USD) – P&C	Calculated as the sum of net inflows and outflows of client assets and loans during a specific period (annualized as applicable).	This measure provides information about the business volume as a result of net new business volume flows during a specific period.
Net new business volume growth for Personal Banking (%) – P&C	Calculated as the sum of net inflows and outflows of client assets and loans during a specific period (annualized as applicable) divided by total business volume / client assets at the beginning of the period.	This measure provides information about the growth of the business volume as a result of net new business volume flows during a specific period.

APM label	Calculation	Information content
Net profit growth (%)	Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period.	This measure provides information about profit growth in comparison with the prior period.
Pre-tax profit growth (%)	Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period.	This measure provides information about pre-tax profit growth in comparison with the prior period.
Return on common equity tier 1 capital (%)	Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital.	This measure provides information about the profitability of the business in relation to common equity tier 1 capital.
Return on equity (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders.	This measure provides information about the profitability of the business in relation to equity.
Return on attributed equity (%)	Calculated as annualized business division operating profit before tax divided by average attributed equity.	This measure provides information about the profitability of the business divisions in relation to attributed equity.
Return on leverage ratio denominator, gross (%)	Calculated as annualized operating income before credit loss expense or release divided by average leverage ratio denominator.	This measure provides information about the revenues of the business in relation to leverage ratio denominator.
Return on risk-weighted assets, gross (%)	Calculated as annualized operating income before credit loss expense or release divided by average risk-weighted assets.	This measure provides information about the revenues of the business in relation to risk-weighted assets.
Return on tangible equity (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets.	This measure provides information about the profitability of the business in relation to tangible equity.
Total book value per share (USD and CHF¹)	Calculated as equity attributable to shareholders divided by the number of shares outstanding.	This measure provides information about net assets on a per-share basis.
Tangible book value per share (USD and CHF¹)	Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding.	This measure provides information about tangible net assets on a per-share basis.
Loan penetration (%) – GWM	Calculated as loans divided by invested assets.	This measure provides information about the loan volume in relation to invested assets.
Net new money (USD) – AM	Calculated as the sum of the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period.	This measure provides information about the development of invested assets during a specific period as a result of net new money flows and excludes movements due to market performance, foreign exchange translation, dividends, interest and fees.
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) – GWM, P&C	Calculated as impaired loan portfolio divided by total gross loan portfolio.	This measure provides information about the proportion of impaired loan portfolio in the total gross loan portfolio.
Secured loan portfolio as a percentage of total loan portfolio, gross (%) – P&C	Calculated as secured loan portfolio divided by total gross loan portfolio.	This measure provides information about the proportion of secured loan portfolio in the total gross loan portfolio.
Active Digital Banking clients in Personal Banking (%) – P&C	Calculated as the number of clients (within the meaning of numbers of unique business relationships operated by Personal Banking), excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland, and clients who have defaulted on loans or credit facilities, who have logged on at least once within the past month divided by the total number of clients (within the aforementioned meaning).	This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking.

APM label	Calculation	Information content
Active Digital Banking clients in Corporate & Institutional Clients (%) – P&C	Calculated as the number of clients (within the meaning of numbers of unique business relationships or legal entities operated by Corporate & Institutional Clients), excluding clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities, which have logged on at least once within the past month divided by the total number of clients (within the aforementioned meaning).	This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) which are serviced by Corporate & Institutional Clients.
Mobile Banking log-in share in Personal Banking (%) – P&C	Calculated as the number of Mobile Banking app log-ins divided by total log-ins via E-Banking and the Mobile Banking app in Personal Banking.	This measure provides information about the proportion of Mobile Banking app log-ins in the total number of log-ins via E-Banking and the Mobile Banking app in Personal Banking.
Fee-generating assets (USD) – GWM	Calculated as the sum of discretionary and non-discretionary wealth management portfolios (mandate volume) and assets where generated revenues are predominantly of a recurring nature, i.e., mainly investment and mutual funds, including hedge funds and private markets, where we have a distribution agreement.	This measure provides information about the volume of invested assets that create a revenue stream, whether as a result of the nature of the contractual relationship with clients or through the fee structure of the asset. An increase in the level of fee-generating assets results in an increase in the associated revenue stream.
Net new fee-generating assets (USD) – GWM	Calculated as the sum of the net amount of fee-generating assets inflows and outflows, including dividend and interest inflows into mandates and outflows from mandate fees paid by clients, during a specific period.	This measure provides information about the development of fee-generating assets during a specific period as a result of net flows and excludes movements due to market performance and foreign exchange translation.
Fee-generating asset margin (bps) – GWM	Calculated as revenues from fee-generating assets (a portion of which is included in recurring fee income and a portion of which is included in transaction-based income, annualized as applicable) divided by average fee-generating assets for the relevant mandate fee billing period.	This measure provides information about the revenues from fee-generating assets in relation to their average volume during the relevant mandate fee billing period.

† Total book value per share and tangible book value per share in Swiss francs are calculated based on a translation of equity under our US dollar presentation currency.

Abbreviations frequently used in our financial reports

A		CEM	current exposure method	EPS	earnings per share
ABS	asset-backed securities	CEO	Chief Executive Officer	ESG	environmental, social and governance
AEI	automatic exchange of information	CET1	common equity tier 1	ETD	exchange-traded derivatives
AGM	Annual General Meeting of shareholders	CFO	Chief Financial Officer	ETF	exchange-traded fund
A-IRB	advanced internal ratings-based	CFTC	US Commodity Futures Trading Commission	EU	European Union
AIV	alternative investment vehicle	CHF	Swiss franc	EUR	euro
ALCO	Asset and Liability Committee	CIC	Corporate & Institutional Clients	Euribor	Euro Interbank Offered Rate
AMA	advanced measurement approach	CIO	Chief Investment Office	EVE	economic value of equity
AML	anti-money laundering	CLS	Continuous Linked Settlement	EY	Ernst & Young (Ltd)
AoA	Articles of Association	CMBS	commercial mortgage-backed security	F	
APAC	Asia Pacific	C&ORC	Compliance & Operational Risk Control	FA	financial advisor
APM	alternative performance measure	CRD IV	EU Capital Requirements Directive of 2013	FCA	UK Financial Conduct Authority
ARR	alternative reference rate	CRM	credit risk mitigation (credit risk) or comprehensive risk measure (market risk)	FCT	foreign currency translation
ARS	auction rate securities	CRR	Capital Requirements Regulation	FINMA	Swiss Financial Market Supervisory Authority
ASF	available stable funding	CST	combined stress test	FMIA	Swiss Financial Market Infrastructure Act
AT1	additional tier 1	CVA	credit valuation adjustment	FSB	Financial Stability Board
AuM	assets under management			FTA	Swiss Federal Tax Administration
B				FVA	funding valuation adjustment
BCBS	Basel Committee on Banking Supervision	D		FVOCI	fair value through other comprehensive income
BEAT	base erosion and anti-abuse tax	DBO	defined benefit obligation	FVTPL	fair value through profit or loss
BIS	Bank for International Settlements	DCCP	Deferred Contingent Capital Plan	FX	foreign exchange
BoD	Board of Directors	DJSI	Dow Jones Sustainability Indices	G	
BVG	Swiss occupational pension plan	DM	discount margin	GAAP	generally accepted accounting principles
C		DOJ	US Department of Justice	GBP	pound sterling
CAO	Capital Adequacy Ordinance	D-SIB	domestic systemically important bank	GDP	gross domestic product
CCAR	Comprehensive Capital Analysis and Review	DTA	deferred tax asset	GEB	Group Executive Board
CCF	credit conversion factor	DVA	debit valuation adjustment	GIA	Group Internal Audit
CCP	central counterparty	E		GIIPS	Greece, Italy, Ireland, Portugal and Spain
CCR	counterparty credit risk	EAD	exposure at default	GMD	Group Managing Director
CCRC	Corporate Culture and Responsibility Committee	EB	Executive Board	GRI	Global Reporting Initiative
CCyB	countercyclical buffer	EBA	European Banking Authority	GSE	government sponsored entities
CDO	collateralized debt obligation	EC	European Commission	G-SIB	global systemically important bank
CDS	credit default swap	ECB	European Central Bank	H	
CEA	Commodity Exchange Act	ECL	expected credit loss	HQLA	high-quality liquid assets
		EIR	effective interest rate	HR	human resources
		EL	expected loss		
		EMEA	Europe, Middle East and Africa		
		EOP	Equity Ownership Plan		
		EPE	expected positive exposure		

Abbreviations frequently used in our financial reports (continued)

I		NII	net interest income	SAR	stock appreciation right or
IAA	internal assessment approach	NRV	negative replacement value		Special Administrative Region
IAS	International Accounting Standards	NSFR	net stable funding ratio	SBC	Swiss Bank Corporation
IASB	International Accounting Standards Board	NYSE	New York Stock Exchange	SDG	Sustainable Development Goal
IBOR	Interbank Offered Rate	O		SE	structured entity
IFRIC	International Financial Reporting Interpretations Committee	OCA	own credit adjustment	SEC	US Securities and Exchange Commission
IFRS	International Financial Reporting Standards	OCI	other comprehensive income	SEEOP	Senior Executive Equity Ownership Plan
IHC	intermediate holding company	OTC	over-the-counter	SFT	securities financing transaction
IMA	internal models approach	P		SI	sustainable investing
IMM	internal model method	PD	probability of default	SICR	significant increase in credit risk
IRB	internal ratings-based	PFE	potential future exposure	SIX	SIX Swiss Exchange
IRC	incremental risk charge	PIT	point in time	SME	small and medium-sized entity
IRRBB	interest rate risk in the banking book	P&L	profit or loss	SMF	Senior Management Function
ISDA	International Swaps and Derivatives Association	POCI	purchased or originated credit-impaired	SNB	Swiss National Bank
		PRA	UK Prudential Regulation Authority	SPPI	solely payments of principal and interest
		PRV	positive replacement value	SRB	systemically relevant bank
K		Q		SRM	specific risk measure
KRT	Key Risk Taker	QCCP	qualifying central counterparty	SVaR	stressed value-at-risk
		QRRE	qualifying revolving retail exposures		
L		R		T	
LAS	liquidity-adjusted stress	RBA	role-based allowances	TBTF	too big to fail
LCR	liquidity coverage ratio	RBC	risk-based capital	TCJA	US Tax Cuts and Jobs Act
LGD	loss given default	RbM	risk-based monitoring	TLAC	total loss-absorbing capacity
LIBOR	London Interbank Offered Rate	RMBS	residential mortgage-backed securities	TTC	through-the-cycle
LLC	limited liability company	RniV	risks not in VaR	U	
LRD	leverage ratio denominator	RoAE	return on attributed equity	UBS RESI	UBS Real Estate Securities Inc.
LTIP	Long-Term Incentive Plan	RoCET1	return on CET1 capital	UoM	units of measure
LTV	loan-to-value	RoTE	return on tangible equity	USD	US dollar
M		RoU	right-of-use	V	
M&A	mergers and acquisitions	RV	replacement value	VaR	value-at-risk
MiFID II	Markets in Financial Instruments Directive II	RW	risk weight	VAT	value added tax
MRT	Material Risk Taker	RWA	risk-weighted assets		
N		S		W	
NAV	net asset value	SA	standardized approach	WEKO	Swiss Competition Commission
NCL	Non-core and Legacy Portfolio	SA-CCR	standardized approach for counterparty credit risk		

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

Information sources

Reporting publications

Annual publications

Annual Report (SAP No. 80531): Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Group Functions; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.

Geschäftsbericht (SAP No. 80531): This publication provides a German translation of selected sections of our Annual Report.

Annual Review (SAP No. 80530): This booklet contains key information about our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian.

Compensation Report (SAP No. 82307): This report discusses our compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

Quarterly publications

The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

How to order publications

The annual and quarterly publications are available in .pdf format at ubs.com/investors, under "Financial information," and printed copies can be requested from UBS free of charge. For annual publications, refer to the "Investor services" section at ubs.com/investors. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

Website

The "Investor Relations" website at ubs.com/investors provides the following information about UBS: news releases; financial information, including results-related filings with the US Securities and Exchange Commission; information for shareholders, including UBS share price charts, as well as data and dividend information, and for bondholders; the UBS corporate calendar; and presentations by management for investors and financial analysts. Information is available online in English, with some information also available in German.

Results presentations

Our quarterly results presentations are webcast live. Recordings of most presentations can be downloaded from ubs.com/presentations.

Messaging service

Email alerts to news about UBS can be subscribed for under "UBS News Alert" at ubs.com/global/en/investor-relations/contact/investor-services.html. Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (the SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wrap-around document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG annual report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC's website: sec.gov. Refer to ubs.com/investors for more information.

Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS’s judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. The outbreak of COVID-19 and the measures taken in response to the pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase credit loss expense and credit impairments. In addition, we face heightened operational risks due to remote working arrangements, including risks to supervisory and surveillance controls, as well as increased fraud and data security risks. The unprecedented scale of the measures taken to respond to the pandemic as well as the uncertainty surrounding vaccine supply, distribution, and efficacy against mutated virus strains create significantly greater uncertainty about forward-looking statements. Factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (vii) UBS’s ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments; (viii) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (ix) the uncertainty arising from the UK’s exit from the EU; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xiv) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others to achieve goals relating to climate, environmental and social matters as well as the evolving nature of underlying science and industry and governmental standards; and (xxii) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2020 and UBS’s First Quarter 2021 Report on Form 6K. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes disclosed in text and tables are calculated on the basis of unrounded figures. Absolute changes between reporting periods disclosed in the text, which can be derived from numbers presented in related tables, are calculated on a rounded basis.

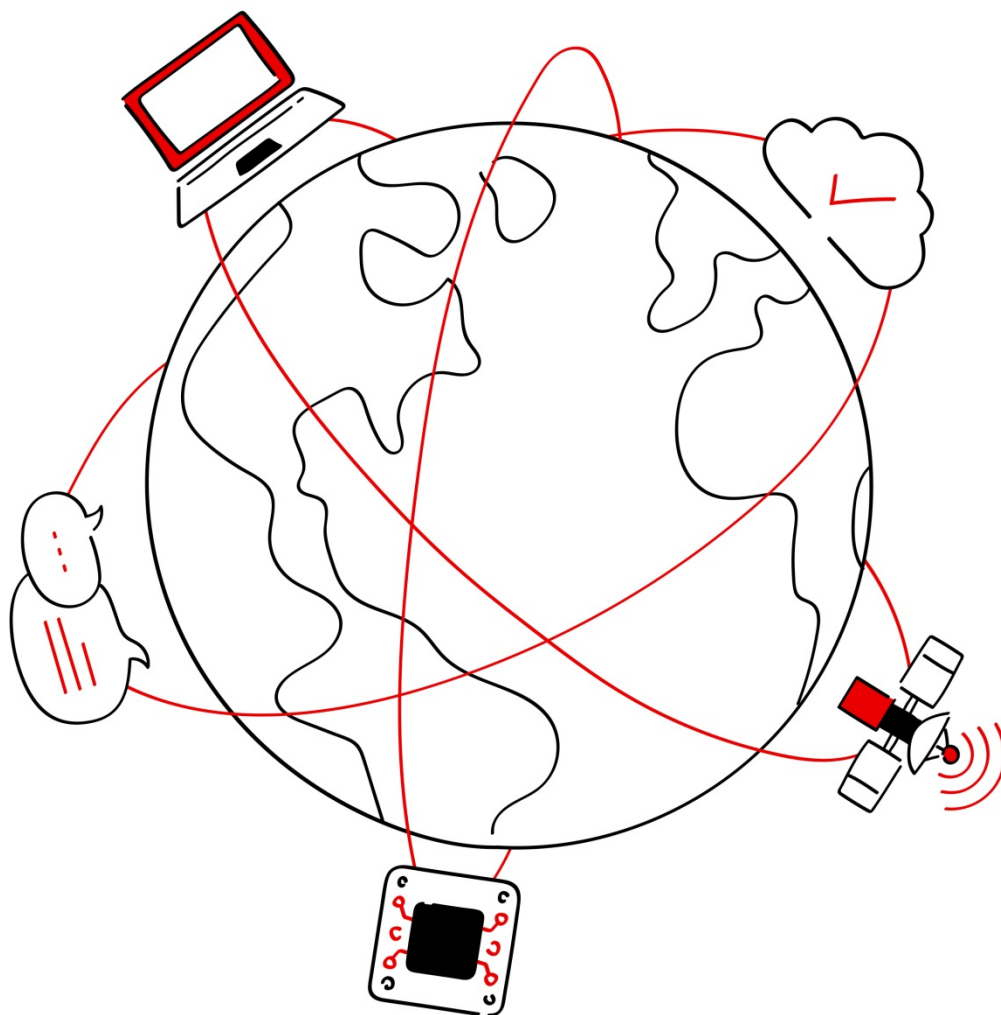
Tables | Within tables, blank fields generally indicate non-applicability or that presentation of any content would not be meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Values that are zero on a rounded basis can be either negative or positive on an actual basis.

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The UBS AG Second Quarter 2021 Report



UBS AG

Second quarter 2021 report

Corporate calendar UBS AG

Publication of the third quarter 2021 report: Friday, 29 October 2021

Publication dates of quarterly and annual reports and results are made available as part of the corporate calendar of UBS AG at ubs.com/investors

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UBS AG consolidated key figures

UBS AG consolidated key figures

USD million, except where indicated	As of or for the quarter ended				As of or year-to-date	
	30.6.21	31.3.21	31.12.20	30.6.20	30.6.21	30.6.20
Results						
Operating income	9,071	8,836	8,220	7,512	17,906	15,521
Operating expenses	6,589	6,684	6,324	5,987	13,274	12,197
Operating profit / (loss) before tax	2,481	2,151	1,896	1,525	4,632	3,324
Net profit / (loss) attributable to shareholders	1,913	1,710	1,563	1,194	3,623	2,615
Profitability and growth						
Return on equity (%)	13.6	11.9	10.9	8.4	12.7	9.3
Return on tangible equity (%)	15.3	13.4	12.2	9.5	14.3	10.5
Return on common equity tier 1 capital (%)	19.4	17.8	16.3	13.0	18.6	14.4
Return on risk-weighted assets, gross (%)	12.5	12.3	11.7	10.9	12.4	11.6
Return on leverage ratio denominator, gross (%) ¹	3.5	3.4	3.3	3.2	3.4	3.4
Cost / income ratio (%)	73.3	75.9	76.3	76.9	74.6	75.9
Net profit growth (%)	60.3	20.3	151.3	(8.7)	38.5	10.1
Resources						
Total assets	1,085,861	1,109,234	1,125,327	1,063,446	1,085,861	1,063,446
Equity attributable to shareholders	55,361	57,446	57,754	55,384	55,361	55,384
Common equity tier 1 capital ²	40,190	38,826	38,181	37,403	40,190	37,403
Risk-weighted assets ²	290,470	285,119	286,743	284,798	290,470	284,798
Common equity tier 1 capital ratio (%) ²	13.8	13.6	13.3	13.1	13.8	13.1
Going concern capital ratio (%) ²	19.1	18.7	18.3	17.9	19.1	17.9
Total loss-absorbing capacity ratio (%) ²	34.6	34.2	34.2	31.9	34.6	31.9
Leverage ratio denominator ^{1,2}	1,039,375	1,039,736	1,036,771	974,135	1,039,375	974,135
Common equity tier 1 leverage ratio (%) ^{1,2}	3.87	3.73	3.68	3.84	3.87	3.84
Going concern leverage ratio (%) ^{1,2}	5.3	5.1	5.1	5.2	5.3	5.2
Total loss-absorbing capacity leverage ratio (%) ²	9.7	9.4	9.5	9.3	9.7	9.3
Other						
Invested assets (USD billion) ³	4,485	4,306	4,187	3,588	4,485	3,588
Personnel (full-time equivalents)	47,227	47,592	47,546	47,120	47,227	47,120

¹ Leverage ratio denominators and leverage ratios for the respective periods in 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ² Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. ³ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of our Annual Report 2020 for more information.

Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in our external reports (annual, quarterly and other reports). We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented under "Alternative performance measures" in the appendix to this report. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

Introduction

Overview

UBS Group AG is the holding company for the UBS Group and the parent company of UBS AG. UBS Group AG holds 100% of the issued shares in UBS AG. Financial information for UBS AG consolidated does not differ materially from that for UBS Group AG consolidated.

This report includes risk and capital management information for UBS AG consolidated and the interim consolidated financial statements, as well as UBS AG standalone financial information for the quarter ended 30 June 2021. Regulatory information for UBS AG standalone is provided in the 30 June 2021 Pillar 3 report, available under "Pillar 3 disclosures" at ubs.com/investors.

- › Refer to the **UBS Group second quarter 2021 report, available under "Quarterly reporting" at ubs.com/investors, for more information**

Comparison between UBS Group AG consolidated and UBS AG consolidated

The table on the following page contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated.

The accounting policies applied under International Financial Reporting Standards (IFRS) to both the UBS Group AG and the UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below.

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not in those of UBS AG. UBS AG's assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the consolidated financial statements of UBS AG, but are eliminated in the consolidated financial statements of UBS Group AG. UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred.
- The equity of UBS Group AG consolidated was USD 3.4 billion higher than the equity of UBS AG consolidated as of 30 June 2021. This difference was mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with

the dividend distributions of UBS Group AG, as well as higher retained earnings in the consolidated financial statements of UBS Group AG, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. In addition, UBS Group AG is the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted. These effects were partly offset by treasury shares acquired and canceled as part of our share repurchase programs and those held to hedge share delivery obligations associated with Group compensation plans, as well as additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.

- The going concern capital of UBS Group AG consolidated was USD 3.8 billion higher than the going concern capital of UBS AG consolidated as of 30 June 2021, reflecting higher common equity tier 1 (CET1) capital of USD 2.4 billion and going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.4 billion.
- The CET1 capital of UBS Group AG consolidated was USD 2.4 billion higher than that of UBS AG consolidated as of 30 June 2021. The higher CET1 capital of UBS Group AG consolidated was primarily due to higher UBS Group AG consolidated IFRS equity of USD 3.4 billion, as described above, and lower UBS Group AG accruals for future capital returns to shareholders, partly offset by compensation-related regulatory capital accruals and a capital reserve for potential share repurchases at the UBS Group AG level.
- The going concern loss-absorbing AT1 capital of UBS Group AG consolidated was USD 1.4 billion higher than that of UBS AG consolidated as of 30 June 2021, mainly reflecting deferred contingent capital plan awards granted at the Group level to eligible employees for the performance years 2016 to 2020, partly offset by two loss-absorbing AT1 capital instruments on-lent by UBS Group AG to UBS AG.

- › Refer to "**Holding company and significant regulated subsidiaries and sub-groups**" under "**Complementary financial information**" at ubs.com/investors for an illustration of the consolidation scope differences between UBS AG and UBS Group AG
- › Refer to the "**Capital management**" section of this report for more information about differences in the loss-absorbing capacity between UBS Group AG consolidated and UBS AG consolidated

Comparison between UBS Group AG consolidated and UBS AG consolidated

USD million, except where indicated	As of or for the quarter ended 30.6.21		
	UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)
Income statement			
Operating income	8,976	9,071	(94)
Operating expenses	6,384	6,589	(206)
Operating profit / (loss) before tax	2,593	2,481	111
<i>of which: Global Wealth Management</i>	1,294	1,273	21
<i>of which: Personal & Corporate Banking</i>	498	496	2
<i>of which: Asset Management</i>	255	254	1
<i>of which: Investment Bank</i>	668	655	14
<i>of which: Group Functions</i>	(124)	(197)	73
Net profit / (loss)	2,012	1,919	93
<i>of which: net profit / (loss) attributable to shareholders</i>	2,006	1,913	93
<i>of which: net profit / (loss) attributable to non-controlling interests</i>	6	6	0
Statement of comprehensive income			
Other comprehensive income	591	592	(1)
<i>of which: attributable to shareholders</i>	576	578	(1)
<i>of which: attributable to non-controlling interests</i>	14	14	0
Total comprehensive income	2,602	2,510	92
<i>of which: attributable to shareholders</i>	2,582	2,491	92
<i>of which: attributable to non-controlling interests</i>	20	20	0
Balance sheet			
Total assets	1,086,519	1,085,861	658
Total liabilities	1,027,469	1,030,216	(2,746)
Total equity	59,050	55,645	3,405
<i>of which: equity attributable to shareholders</i>	58,765	55,361	3,405
<i>of which: equity attributable to non-controlling interests</i>	284	284	0
Capital information			
Common equity tier 1 capital	42,583	40,190	2,393
Going concern capital	59,188	55,398	3,790
Risk-weighted assets	293,277	290,470	2,807
Common equity tier 1 capital ratio (%)	14.5	13.8	0.7
Going concern capital ratio (%)	20.2	19.1	1.1
Total loss-absorbing capacity ratio (%)	35.6	34.6	1.0
Leverage ratio denominator ¹	1,039,939	1,039,375	564
Common equity tier 1 leverage ratio (%) ¹	4.09	3.87	0.23
Going concern leverage ratio (%) ¹	5.7	5.3	0.4
Total loss-absorbing capacity leverage ratio (%)	10.0	9.7	0.4

¹ Leverage ratio denominators and leverage ratios for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information.

As of or for the quarter ended 31.3.21			As of or for the quarter ended 31.12.20		
UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)	UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)
8,705	8,836	(130)	8,117	8,220	(103)
6,407	6,684	(277)	6,132	6,324	(192)
2,298	2,151	147	1,985	1,896	89
1,409	1,391	18	864	855	9
389	390	0	353	353	(1)
227	227	0	401	401	0
412	394	17	529	528	1
(139)	(251)	112	(161)	(241)	79
1,827	1,713	114	1,645	1,572	73
1,824	1,710	114	1,636	1,563	73
3	3	0	9	9	0
(2,166)	(2,032)	(135)	83	54	29
(2,154)	(2,019)	(135)	65	36	29
(12)	(12)	0	18	18	0
(339)	(319)	(21)	1,728	1,626	102
(330)	(309)	(21)	1,701	1,599	102
(9)	(9)	0	27	27	0
1,107,712	1,109,234	(1,522)	1,125,765	1,125,327	438
1,049,379	1,051,481	(2,102)	1,066,000	1,067,254	(1,254)
58,333	57,753	580	59,765	58,073	1,691
58,026	57,446	580	59,445	57,754	1,691
307	307	0	319	319	0
40,426	38,826	1,600	39,890	38,181	1,709
56,288	53,255	3,033	56,178	52,610	3,567
287,828	285,119	2,710	289,101	286,743	2,358
14.0	13.6	0.4	13.8	13.3	0.5
19.6	18.7	0.9	19.4	18.3	1.1
35.0	34.2	0.7	35.2	34.2	1.0
1,038,225	1,039,736	(1,511)	1,037,150	1,036,771	379
3.89	3.73	0.16	3.85	3.68	0.16
5.4	5.1	0.3	5.4	5.1	0.3
9.7	9.4	0.3	9.8	9.5	0.3

Risk and capital management

Management report

Risk management and control

UBS AG consolidated risk profile

The risk profile of UBS AG consolidated does not differ materially from that of UBS Group AG consolidated and the risk information provided in the UBS Group second quarter 2021 report is equally applicable to UBS AG consolidated.

The credit risk profile of UBS AG consolidated differs from that of UBS Group AG consolidated primarily in relation to

receivables of UBS AG and UBS Switzerland AG from UBS Group AG. The total banking products exposure of UBS AG consolidated as of 30 June 2021 was USD 1.2 billion, or 0.2%, higher than the exposure of UBS Group, compared with USD 3.3 billion, or 0.5%, as of 31 March 2021.

› **Refer to the “Risk management and control” section of the UBS Group second quarter 2021 report for more information**

Capital management

Going and gone concern requirements and information

UBS is considered a systemically relevant bank (an SRB) under Swiss banking law and, on a consolidated basis, both UBS Group AG and UBS AG are required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Swiss SRB framework and requirements applicable to UBS AG consolidated are consistent with those applicable to UBS Group AG consolidated and are described in the “Capital, liquidity and funding, and balance sheet” section of our Annual Report 2020.

UBS AG is subject to going and gone concern requirements on a standalone basis. Capital and other regulatory information for UBS AG standalone is provided under “Holding company and significant regulated subsidiaries and sub-groups” at ubs.com/investors and in the 30 June 2021 Pillar 3 report, which will be available as of 20 August 2021 under “Pillar 3 disclosures” at ubs.com/investors.

The table on the next page provides the risk-weighted assets (RWA)- and leverage ratio denominator (LRD)-based requirements and information as of 30 June 2021 for UBS AG consolidated.

Swiss SRB going and gone concern requirements and information

As of 30.6.21	RWA		LRD	
<i>USD million, except where indicated</i>	in %		in %	
Required going concern capital				
Total going concern capital	13.96¹	40,552	4.88¹	50,670
Common equity tier 1 capital	9.66	28,062	3.38²	35,079
<i>of which: minimum capital</i>	<i>4.50</i>	<i>13,071</i>	<i>1.50</i>	<i>15,591</i>
<i>of which: buffer capital</i>	<i>5.14</i>	<i>14,930</i>	<i>1.88</i>	<i>19,488</i>
<i>of which: countercyclical buffer</i>	<i>0.02</i>	<i>61</i>		
Maximum additional tier 1 capital	4.30	12,490	1.50	15,591
<i>of which: additional tier 1 capital</i>	<i>3.50</i>	<i>10,166</i>	<i>1.50</i>	<i>15,591</i>
<i>of which: additional tier 1 buffer capital</i>	<i>0.80</i>	<i>2,324</i>		
Eligible going concern capital				
Total going concern capital	19.07	55,398	5.33	55,398
Common equity tier 1 capital	13.84	40,190	3.87	40,190
Total loss-absorbing additional tier 1 capital	5.24	15,208	1.46	15,208
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	<i>4.37</i>	<i>12,702</i>	<i>1.22</i>	<i>12,702</i>
<i>of which: low-trigger loss-absorbing additional tier 1 capital³</i>	<i>0.86</i>	<i>2,506</i>	<i>0.24</i>	<i>2,506</i>
Required gone concern capital⁴				
Total gone concern loss-absorbing capacity⁵	10.60	30,803	3.76	39,071
<i>of which: base requirement</i>	<i>12.86</i>	<i>37,354</i>	<i>4.50</i>	<i>46,772</i>
<i>of which: additional requirement for market share and LRD</i>	<i>1.08</i>	<i>3,137</i>	<i>0.38</i>	<i>3,898</i>
<i>of which: applicable reduction on requirements</i>	<i>(3.34)</i>	<i>(9,688)</i>	<i>(1.12)</i>	<i>(11,598)</i>
<i>of which: rebate granted (equivalent to 47.5% of maximum rebate)⁶</i>	<i>(2.54)</i>	<i>(7,368)</i>	<i>(0.89)</i>	<i>(9,257)</i>
<i>of which: reduction for usage of low-trigger tier 2 capital instruments</i>	<i>(0.80)</i>	<i>(2,320)</i>	<i>(0.23)</i>	<i>(2,342)</i>
Eligible gone concern capital				
Total gone concern loss-absorbing capacity	15.53	45,110	4.34	45,110
Total tier 2 capital	1.80	5,232	0.50	5,232
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	<i>1.61</i>	<i>4,686</i>	<i>0.45</i>	<i>4,686</i>
<i>of which: non-Basel III-compliant tier 2 capital</i>	<i>0.19</i>	<i>547</i>	<i>0.05</i>	<i>547</i>
TLAC-eligible senior unsecured debt	13.73	39,878	3.84	39,878
Total loss-absorbing capacity				
Required total loss-absorbing capacity	24.57	71,356	8.63	89,741
Eligible total loss-absorbing capacity	34.60	100,508	9.67	100,508
Risk-weighted assets / leverage ratio denominator				
Risk-weighted assets		290,470		
Leverage ratio denominator				1,039,375

¹ Includes applicable add-ons of 1.08% for RWA and 0.375% for LRD. ² Our minimum CET1 leverage ratio requirement of 3.375% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement and a 0.125% market share add-on requirement based on our Swiss credit business. ³ The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and qualify as going concern capital at the UBS AG consolidated level, as agreed with FINMA. ⁴ A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. ⁵ The gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher quality capital instruments is floored at 8.6% and 3% for the RWA- and LRD-based requirements, respectively. This means that the combined reduction may not exceed 5.34 percentage points for the RWA-based requirement of 13.94% and 1.875 percentage points for the LRD-based requirement of 4.875%. ⁶ Based on the actions we completed up to December 2020 to improve resolvability, FINMA granted an increase of rebate on the gone concern requirement from 47.5% to 55.0% of the maximum rebate, effective from 1 July 2021.

Swiss SRB going and gone concern information

<i>USD million, except where indicated</i>	30.6.21	31.3.21	31.12.20
Eligible going concern capital			
Total going concern capital	55,398	53,255	52,610
Total tier 1 capital	55,398	53,255	52,610
Common equity tier 1 capital	40,190	38,826	38,181
Total loss-absorbing additional tier 1 capital	15,208	14,429	14,430
of which: high-trigger loss-absorbing additional tier 1 capital	12,702	11,930	11,854
of which: low-trigger loss-absorbing additional tier 1 capital ¹	2,506	2,499	2,575
Eligible gone concern capital			
Total gone concern loss-absorbing capacity	45,110	44,381	45,545
Total tier 2 capital	5,232	5,253	7,744
of which: low-trigger loss-absorbing tier 2 capital	4,686	4,709	7,201
of which: non-Basel III-compliant tier 2 capital	547	544	543
TLAC-eligible senior unsecured debt	39,878	39,129	37,801
Total loss-absorbing capacity			
Total loss-absorbing capacity	100,508	97,636	98,155
Risk-weighted assets / leverage ratio denominator			
Risk-weighted assets	290,470	285,119	286,743
Leverage ratio denominator ²	1,039,375	1,039,736	1,036,771
Capital and loss-absorbing capacity ratios (%)			
Going concern capital ratio	19.1	18.7	18.3
of which: common equity tier 1 capital ratio	13.8	13.6	13.3
Gone concern loss-absorbing capacity ratio	15.5	15.6	15.9
Total loss-absorbing capacity ratio	34.6	34.2	34.2
Leverage ratios (%)²			
Going concern leverage ratio	5.3	5.1	5.1
of which: common equity tier 1 leverage ratio	3.87	3.73	3.68
Gone concern leverage ratio	4.3	4.3	4.4
Total loss-absorbing capacity leverage ratio	9.7	9.4	9.5

¹ The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and qualify as going concern capital of UBS AG, as agreed with FINMA. ² The leverage ratio denominator (LRD) and leverage ratios for 31 December 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to "UBS AG consolidated total loss-absorbing capacity and leverage ratio information" in the "Capital, liquidity and funding, and balance sheet" section of the combined UBS Group AG and UBS AG Annual Report 2020, available under "Annual reporting" at ubs.com/investors, for more information.

UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

Swiss SRB going and gone concern information

As of 30.6.21

<i>USD million, except where indicated</i>	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference
Eligible going concern capital			
Total going concern capital	59,188	55,398	3,790
Total tier 1 capital	59,188	55,398	3,790
Common equity tier 1 capital	42,583	40,190	2,393
Total loss-absorbing additional tier 1 capital	16,605	15,208	1,397
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	14,096	12,702	1,395
<i>of which: low-trigger loss-absorbing additional tier 1 capital</i>	2,509	2,506	3
Eligible gone concern capital			
Total gone concern loss-absorbing capacity	45,110	45,110	
Total tier 2 capital	5,232	5,232	
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	4,686	4,686	
<i>of which: non-Basel III-compliant tier 2 capital</i>	547	547	
TLAC-eligible senior unsecured debt	39,878	39,878	
Total loss-absorbing capacity			
Total loss-absorbing capacity	104,298	100,508	3,790
Risk-weighted assets / leverage ratio denominator			
Risk-weighted assets	293,277	290,470	2,807
Leverage ratio denominator	1,039,939	1,039,375	564
Capital and loss-absorbing capacity ratios (%)			
Going concern capital ratio	20.2	19.1	1.1
<i>of which: common equity tier 1 capital ratio</i>	14.5	13.8	0.7
Gone concern loss-absorbing capacity ratio	15.4	15.5	(0.1)
Total loss-absorbing capacity ratio	35.6	34.6	1.0
Leverage ratios (%)			
Going concern leverage ratio	5.7	5.3	0.4
<i>of which: common equity tier 1 leverage ratio</i>	4.09	3.87	0.23
Gone concern leverage ratio	4.3	4.3	0.0
Total loss-absorbing capacity leverage ratio	10.0	9.7	0.4

Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)

As of 30.6.21

<i>USD million</i>	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference
Total IFRS equity	59,050	55,645	3,405
Equity attributable to non-controlling interests	(284)	(284)	0
Defined benefit plans, net of tax	(144)	(144)	0
Deferred tax assets recognized for tax loss carry-forwards	(5,183)	(5,183)	0
Deferred tax assets on temporary differences, excess over threshold	0	(92)	92
Goodwill, net of tax	(5,883)	(5,883)	0
Intangible assets, net of tax	(200)	(200)	0
Compensation-related components (not recognized in net profit)	(1,680)	0	(1,680)
Expected losses on advanced internal ratings-based portfolio less provisions	(463)	(463)	0
Unrealized (gains) / losses from cash flow hedges, net of tax	(1,365)	(1,365)	0
Own credit related to gains / losses on financial liabilities measured at fair value that existed at the balance sheet date	279	279	0
Own credit related to gains / losses on derivative financial instruments that existed at the balance sheet date	(50)	(50)	0
Unrealized gains related to debt instruments at fair value through OCI, net of tax	(89)	(89)	0
Prudential valuation adjustments	(146)	(146)	0
Capital reserve for potential share repurchases	(587)	0	(587)
Other ¹	(670)	(1,834)	1,164
Total common equity tier 1 capital	42,583	40,190	2,393

¹ Includes accruals for dividends to shareholders for the current year and other items.

UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

The going concern capital of UBS AG consolidated was USD 3.8 billion lower than the going concern capital of UBS Group AG consolidated as of 30 June 2021, reflecting lower common equity tier 1 (CET1) capital of USD 2.4 billion and lower going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.4 billion.

The aforementioned difference in CET1 capital was primarily due to higher UBS Group AG consolidated IFRS equity of USD 3.4 billion and lower UBS Group AG accruals for future capital returns to shareholders, partly offset by compensation-related regulatory capital accruals and a capital reserve for potential share repurchases at the UBS Group AG level.

The going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 1.4 billion lower than that of UBS Group AG consolidated as of 30 June 2021, mainly reflecting deferred contingent capital plan awards granted at the Group level to eligible employees for the performance years 2016 to 2020, partly offset by two loss-absorbing AT1 capital instruments on-lent by UBS Group AG to UBS AG.

Differences in capital between UBS Group AG consolidated and UBS AG consolidated related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

The leverage ratio framework for UBS AG consolidated is consistent with that of UBS Group AG consolidated. As of 30 June 2021, the going concern leverage ratio of UBS AG consolidated was 0.4 percentage points lower than that of UBS Group AG consolidated, mainly because the going concern capital of UBS AG consolidated was USD 3.8 billion lower.

- › Refer to the “Capital management” section of the UBS Group second quarter 2021 report, available under “Quarterly reporting” at ubs.com/investors, for information about the developments of loss-absorbing capacity, RWA and LRD for UBS Group AG consolidated
- › Refer to the “Introduction” section of this report for more information about the differences in equity between UBS AG consolidated and UBS Group AG consolidated

Consolidated financial statements

Unaudited

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UBS AG interim consolidated financial statements (unaudited)

Income statement

<i>USD million</i>	Note	For the quarter ended			Year-to-date	
		30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,107	2,098	2,135	4,205	4,591
Interest expense from financial instruments measured at amortized cost	3	(860)	(859)	(1,112)	(1,719)	(2,519)
Net interest income from financial instruments measured at fair value through profit or loss	3	359	351	354	710	616
Net interest income	3	1,607	1,589	1,376	3,196	2,689
Other net income from financial instruments measured at fair value through profit or loss		1,471	1,314	1,944	2,785	3,719
Credit loss (expense) / release	9	80	28	(272)	108	(540)
Fee and commission income	4	6,047	6,197	4,730	12,244	10,211
Fee and commission expense	4	(484)	(478)	(419)	(962)	(875)
Net fee and commission income	4	5,563	5,719	4,311	11,282	9,336
Other income	5	350	185	153	535	317
Total operating income		9,071	8,836	7,512	17,906	15,521
Personnel expenses	6	4,072	4,086	3,682	8,158	7,391
General and administrative expenses	7	2,070	2,141	1,879	4,211	3,960
Depreciation and impairment of property, equipment and software		439	449	409	887	814
Amortization and impairment of goodwill and intangible assets		9	8	17	17	32
Total operating expenses		6,589	6,684	5,987	13,274	12,197
Operating profit / (loss) before tax		2,481	2,151	1,525	4,632	3,324
Tax expense / (benefit)	8	563	439	328	1,001	703
Net profit / (loss)		1,919	1,713	1,197	3,631	2,621
Net profit / (loss) attributable to non-controlling interests		6	3	3	9	6
Net profit / (loss) attributable to shareholders		1,913	1,710	1,194	3,623	2,615

Statement of comprehensive income

	For the quarter ended			Year-to-date	
<i>USD million</i>	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Comprehensive income attributable to shareholders					
Net profit / (loss)	1,913	1,710	1,194	3,623	2,615
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation					
Foreign currency translation movements related to net assets of foreign operations, before tax	447	(1,407)	447	(960)	172
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	(203)	705	(196)	502	(61)
Foreign currency translation differences on foreign operations reclassified to the income statement	(9)	1	0	(8)	0
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	8	0	2	8	(7)
Income tax relating to foreign currency translations, including the impact of net investment hedges	(4)	10	(2)	6	(2)
Subtotal foreign currency translation, net of tax	239	(691)	249	(452)	103
Financial assets measured at fair value through other comprehensive income					
Net unrealized gains / (losses), before tax	21	(131)	19	(110)	226
Realized gains reclassified to the income statement from equity	(3)	(8)	(15)	(11)	(24)
Realized losses reclassified to the income statement from equity	0	2	0	2	0
Income tax relating to net unrealized gains / (losses)	(4)	35	(3)	31	(54)
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	14	(102)	1	(88)	149
Cash flow hedges of interest rate risk					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	542	(1,172)	291	(630)	2,244
Net (gains) / losses reclassified to the income statement from equity	(268)	(254)	(171)	(522)	(274)
Income tax relating to cash flow hedges	(51)	266	(25)	215	(370)
Subtotal cash flow hedges, net of tax	222	(1,160)	95	(937)	1,600
Cost of hedging					
Change in fair value of cost of hedging, before tax	(24)	(13)	(18)	(37)	(12)
Amortization of initial cost of hedging to the income statement	7	7	5	14	7
Income tax relating to cost of hedging	0	0	0	0	0
Subtotal cost of hedging, net of tax	(16)	(6)	(13)	(23)	(4)
Total other comprehensive income that may be reclassified to the income statement, net of tax	459	(1,958)	333	(1,500)	1,847
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	0	(35)	(417)	(35)	(314)
Income tax relating to defined benefit plans	0	3	(81)	4	43
Subtotal defined benefit plans, net of tax	0	(32)	(498)	(31)	(270)
Own credit on financial liabilities designated at fair value¹					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	118	(29)	(1,095)	89	62
Income tax relating to own credit on financial liabilities designated at fair value	0	0	223	0	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	118	(29)	(872)	89	62
Total other comprehensive income that will not be reclassified to the income statement, net of tax	119	(61)	(1,370)	58	(208)
Total other comprehensive income	578	(2,019)	(1,037)	(1,442)	1,639
Total comprehensive income attributable to shareholders	2,491	(309)	157	2,181	4,254

Statement of comprehensive income (continued)

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	6	3	3	9	6
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	14	(12)	1	2	(4)
Income tax relating to foreign currency translation movements	0	0	0	0	0
Subtotal foreign currency translation, net of tax	14	(12)	1	2	(4)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	14	(12)	1	2	(4)
Total comprehensive income attributable to non-controlling interests	20	(9)	4	10	3
Total comprehensive income					
Net profit / (loss)	1,919	1,713	1,197	3,631	2,621
Other comprehensive income	592	(2,032)	(1,035)	(1,440)	1,635
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>459</i>	<i>(1,958)</i>	<i>333</i>	<i>(1,500)</i>	<i>1,847</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>133</i>	<i>(73)</i>	<i>(1,369)</i>	<i>60</i>	<i>(212)</i>
Total comprehensive income	2,510	(319)	161	2,192	4,256

¹ Refer to Note 10 for more information.

Balance sheet

<i>USD million</i>	Note	30.6.21	31.3.21	31.12.20
Assets				
Cash and balances at central banks		160,672	158,914	158,231
Loans and advances to banks		16,376	18,348	15,344
Receivables from securities financing transactions		83,494	82,384	74,210
Cash collateral receivables on derivative instruments	11	29,787	35,050	32,737
Loans and advances to customers	9	391,406	380,141	380,977
Other financial assets measured at amortized cost	12	27,201	26,837	27,219
Total financial assets measured at amortized cost		708,937	701,674	688,717
Financial assets at fair value held for trading	10	122,628	120,717	125,492
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		<i>44,333</i>	<i>48,385</i>	<i>47,098</i>
Derivative financial instruments	10, 11	121,622	148,284	159,618
Brokerage receivables	10	23,010	24,201	24,659
Financial assets at fair value not held for trading	10	64,952	68,763	80,038
Total financial assets measured at fair value through profit or loss		332,211	361,964	389,808
Financial assets measured at fair value through other comprehensive income	10	7,775	8,100	8,258
Investments in associates		1,198	1,542	1,557
Property, equipment and software		11,732	11,610	11,958
Goodwill and intangible assets		6,452	6,427	6,480
Deferred tax assets		8,951	9,161	9,174
Other non-financial assets	12	8,603	8,755	9,374
Total assets		1,085,861	1,109,234	1,125,327

Balance sheet (continued)

<i>USD million</i>	Note	30.6.21	31.3.21	31.12.20
Liabilities				
Amounts due to banks		14,615	12,564	11,050
Payables from securities financing transactions		5,972	6,651	6,321
Cash collateral payables on derivative instruments	11	32,193	36,571	37,313
Customer deposits		517,462	508,903	527,929
Funding from UBS Group AG		55,907	57,699	53,979
Debt issued measured at amortized cost	14	84,491	87,495	85,351
Other financial liabilities measured at amortized cost	12	10,671	9,624	10,421
Total financial liabilities measured at amortized cost		721,311	719,508	732,364
Financial liabilities at fair value held for trading	10	33,348	37,062	33,595
Derivative financial instruments	10, 11	121,688	146,041	161,102
Brokerage payables designated at fair value	10	39,129	45,600	38,742
Debt issued designated at fair value	10, 13	72,799	64,635	59,868
Other financial liabilities designated at fair value	10, 12	32,908	30,769	31,773
Total financial liabilities measured at fair value through profit or loss		299,871	324,108	325,080
Provisions	16	2,792	2,693	2,791
Other non-financial liabilities	12	6,241	5,171	7,018
Total liabilities		1,030,216	1,051,481	1,067,254
Equity				
Share capital		338	338	338
Share premium		24,542	24,579	24,580
Retained earnings		24,414	26,926	25,251
Other comprehensive income recognized directly in equity, net of tax		6,067	5,603	7,585
Equity attributable to shareholders		55,361	57,446	57,754
Equity attributable to non-controlling interests		284	307	319
Total equity		55,645	57,753	58,073
Total liabilities and equity		1,085,861	1,109,234	1,125,327

Statement of changes in equity

<i>USD million</i>	Share capital	Share premium	Retained earnings
Balance as of 1 January 2020	338	24,659	23,419
Tax (expense) / benefit		(2)	
Dividends			(2,550)
Translation effects recognized directly in retained earnings			(11)
Share of changes in retained earnings of associates and joint ventures			(40)
New consolidations / (deconsolidations) and other increases / (decreases)		0	
Total comprehensive income for the period			2,406
<i>of which: net profit / (loss)</i>			<i>2,615</i>
<i>of which: OCI that may be reclassified to the income statement, net of tax</i>			
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>			<i>(270)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>			<i>62</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>			
Balance as of 30 June 2020	338	24,657	23,225
Balance as of 1 January 2021	338	24,580	25,251
Tax (expense) / benefit		2	
Dividends			(4,539)
Translation effects recognized directly in retained earnings			19
Share of changes in retained earnings of associates and joint ventures			2
New consolidations / (deconsolidations) and other increases / (decreases)		(39)	
Total comprehensive income for the period			3,681
<i>of which: net profit / (loss)</i>			<i>3,623</i>
<i>of which: OCI that may be reclassified to the income statement, net of tax</i>			
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>			<i>(31)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>			<i>89</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>			
Balance as of 30 June 2021	338	24,542	24,414

¹ Excludes other comprehensive income related to defined benefit plans and own credit that is recorded directly in Retained earnings.

<i>Other comprehensive income recognized directly in equity, net of tax¹</i>	<i>of which: foreign currency translation</i>	<i>of which: financial assets measured at fair value through OCI</i>	<i>of which: cash flow hedges</i>	<i>of which: cost of hedging</i>	Total equity attributable to shareholders	Non-controlling interests	Total equity
5,306	4,032	14	1,260		53,722	174	53,896
					(2)		(2)
					(2,550)	(4)	(2,554)
11		0	11		0		0
					(40)		(40)
					0	0	0
1,847	103	149	1,600	(4)	4,254	3	4,256
					2,615	6	2,621
1,847	103	149	1,600	(4)	1,847		1,847
					(270)		(270)
					62		62
					0	(4)	(4)
7,164	4,134	163	2,871	(4)	55,384	173	55,557
7,585	5,126	151	2,321	(13)	57,754	319	58,073
					2		2
					(4,539)	(4)	(4,542)
(19)		0	(19)	0	0		0
					2		2
					(39)	(42)	(81)
(1,500)	(452)	(88)	(937)	(23)	2,181	10	2,192
					3,623	9	3,631
(1,500)	(452)	(88)	(937)	(23)	(1,500)		(1,500)
					(31)		(31)
					89		89
					0	2	2
6,067	4,675	63	1,365	(36)	55,361	284	55,645

Statement of cash flows

	Year-to-date	
<i>USD million</i>	30.6.21	30.6.20
Cash flow from / (used in) operating activities		
Net profit / (loss)	3,631	2,621
Non-cash items included in net profit and other adjustments:		
Depreciation and impairment of property, equipment and software	887	814
Amortization and impairment of goodwill and intangible assets	17	32
Credit loss expense / (release)	(108)	540
Share of net profits of associates / joint ventures and impairment of associates	(74)	(29)
Deferred tax expense / (benefit)	278	191
Net loss / (gain) from investing activities	(239)	240
Net loss / (gain) from financing activities	2,070	(7,047)
Other net adjustments	4,742	(595)
Net change in operating assets and liabilities:		
Loans and advances to banks / amounts due to banks	3,872	5,585
Securities financing transactions	(10,249)	3,167
Cash collateral on derivative instruments	(2,183)	(2,046)
Loans and advances to customers	(19,714)	(14,143)
Customer deposits	573	21,004
Financial assets and liabilities at fair value held for trading and derivative financial instruments	(1,278)	38,756
Brokerage receivables and payables	2,047	1,140
Financial assets at fair value not held for trading, other financial assets and liabilities	14,416	(7,484)
Provisions, other non-financial assets and liabilities	261	(1,323)
Income taxes paid, net of refunds	(363)	(364)
Net cash flow from / (used in) operating activities	(1,413)	41,060
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	(1)	(1)
Disposal of subsidiaries, associates and intangible assets ¹	437	14
Purchase of property, equipment and software	(757)	(725)
Disposal of property, equipment and software	264	4
Purchase of financial assets measured at fair value through other comprehensive income	(1,950)	(4,132)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	2,324	1,944
Net (purchase) / redemption of debt securities measured at amortized cost	116	(4,817)
Net cash flow from / (used in) investing activities	434	(7,713)

Statement of cash flows (continued)

	Year-to-date	
<i>USD million</i>	30.6.21	30.6.20
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	(3,877)	14,912
Distributions paid on UBS shares	(4,539)	(2,550)
Repayment of lease liabilities	(274)	(262)
Issuance of debt designated at fair value and long-term debt measured at amortized cost ²	63,845	46,001
Repayment of debt designated at fair value and long-term debt measured at amortized cost ²	(45,244)	(46,137)
Net changes in non-controlling interests	(4)	(4)
Net cash flow from / (used in) financing activities	9,908	11,960
Total cash flow		
Cash and cash equivalents at the beginning of the period	173,430	119,804
Net cash flow from / (used in) operating, investing and financing activities	8,929	45,308
Effects of exchange rate differences on cash and cash equivalents	(5,389)	1,567
Cash and cash equivalents at the end of the period³	176,971	166,679
<i>of which: cash and balances at central banks⁴</i>	<i>160,541</i>	<i>149,430</i>
<i>of which: loans and advances to banks</i>	<i>15,001</i>	<i>14,339</i>
<i>of which: money market paper</i>	<i>1,428</i>	<i>2,911</i>
Additional information		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	5,475	6,375
Interest paid in cash	2,703	4,249
Dividends on equity investments, investment funds and associates received in cash	1,263	1,104

¹ Includes cash proceeds from the sale of UBS's minority investment in Clearstream Fund Centre for the period ended 30 June 2021, and dividends received from associates in both periods. ² Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG in the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value in the balance sheet). ³ USD 3,432 million and USD 5,393 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 30 June 2021 and 30 June 2020, respectively. Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2020 for more information. ⁴ Includes only balances with an original maturity of three months or less.

Notes to the UBS AG interim consolidated financial statements (unaudited)

Note 1 Basis of accounting and other financial reporting effects

Basis of preparation

The consolidated financial statements (the financial statements) of UBS AG and its subsidiaries (together, UBS AG) are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD). These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*.

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS AG consolidated annual financial statements for the period ended 31 December 2020, except for the changes described in this Note. These interim financial statements are unaudited and should be read in conjunction with UBS AG's audited consolidated financial statements included in the Annual Report 2020. In the opinion of management, all necessary adjustments were made for a fair presentation of UBS AG's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information about areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 (*Interest Rate Benchmark Reform – Phase 2*)

On 1 January 2021, UBS AG adopted *Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced.

The amendments provide a practical expedient which permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates (ARRs) to be accounted for prospectively by updating the instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

UBS AG adopted the amendments, which provide a practical expedient with no material effect on the its financial statements.

Note 1 Basis of accounting and other financial reporting effects (continued)

Furthermore, the amendments provide various hedge accounting reliefs, with the following expected to benefit UBS AG.

– *Risk components*

The amendments permit UBS AG to designate an alternative benchmark rate as a non-contractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided UBS AG can reasonably expect that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. As of 30 June 2021, the alternative benchmark rates that UBS AG has designated as the hedged risk in fair value hedges of interest rate risk related to debt instruments and cash flow hedges of forecast transactions were the Secured Overnight Financing Rate (SOFR), the Swiss Average Rate Overnight (SARON) and the Sterling Overnight Index Average (SONIA). The designated notionals were USD 11 billion, USD 1.1 billion and USD 0.7 billion, respectively.

– *Hedge designation*

Following amendments to the hedge documentation to reflect the change in designation relating to IBOR reform, UBS AG will continue its hedge relationships provided the other hedge accounting criteria and requirements of the phase 2 amendment are met. As of 30 June 2021, no such changes have been made.

– *Amounts accumulated in the cash flow hedge reserve*

Upon changing the hedge designation as set out above, the accumulated amounts in the cash flow hedge reserve are

assumed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based is changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also assumed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur. As of 30 June 2021, no such changes have been made.

– *Retrospective effectiveness assessment as applied to hedges designated under IAS 39*

Upon the end of the phase 1 relief for effectiveness assessment UBS AG may elect to reset to zero the cumulative fair value changes of the hedged item and hedging instrument for the purpose of assessing the retrospective effectiveness of a hedging relationship. As of 30 June 2021, no such election has been made.

› **Refer to “Note 25 Hedge accounting” in the “Consolidated financial statements” section of the Annual Report 2020 for details about phase 1 accounting reliefs**

The amendments also introduced additional disclosure requirements regarding UBS AG’s management of the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition.

› **Refer to Note 15 for more information**

Note 2 Segment reporting

UBS AG's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions they reflect the management structure of UBS AG.

- › Refer to "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2020 for more information about UBS AG's reporting segments

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the six months ended 30 June 2021						
Net interest income	2,023	1,039	(7)	244	(103)	3,196
Non-interest income	7,582	1,063	1,310	4,479	167	14,603
Income	9,606	2,103	1,303	4,724	64	17,798
Credit loss (expense) / release	16	69	0	23	(1)	108
Total operating income	9,622	2,172	1,303	4,747	63	17,906
Total operating expenses	6,958	1,286	822	3,698	511	13,274
Operating profit / (loss) before tax	2,664	886	481	1,049	(448)	4,632
Tax expense / (benefit)						1,001
Net profit / (loss)						3,631

As of 30 June 2021

Total assets	375,076	222,013	29,027	344,069	115,675	1,085,861
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USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the six months ended 30 June 2020						
Net interest income	2,054	1,029	(9)	3	(387)	2,689
Non-interest income	6,553	886	1,048	4,906	(20)	13,372
Income	8,607	1,914	1,038	4,909	(407)	16,061
Credit loss (expense) / release	(117)	(187)	0	(200)	(35)	(540)
Total operating income	8,489	1,727	1,038	4,709	(443)	15,521
Total operating expenses	6,421	1,155	724	3,419	478	12,197
Operating profit / (loss) before tax	2,068	573	314	1,290	(921)	3,324
Tax expense / (benefit)						703
Net profit / (loss)						2,621

As of 31 December 2020

Total assets	367,714	231,710	28,266	369,778	127,858	1,125,327
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Note 3 Net interest income

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income					
Interest income from loans and deposits ¹	1,613	1,586	1,633	3,198	3,504
Interest income from securities financing transactions ²	126	135	202	261	569
Interest income from other financial instruments measured at amortized cost	68	73	87	141	176
Interest income from debt instruments measured at fair value through other comprehensive income	16	35	35	51	52
Interest income from derivative instruments designated as cash flow hedges	284	268	178	553	290
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	2,107	2,098	2,135	4,205	4,591
Interest expense on loans and deposits ³	415	439	606	854	1,499
Interest expense on securities financing transactions ⁴	293	258	224	551	443
Interest expense on debt issued	126	137	256	263	523
Interest expense on lease liabilities	25	26	26	51	53
Total interest expense from financial instruments measured at amortized cost	860	859	1,112	1,719	2,519
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,247	1,239	1,022	2,486	2,073
Net interest income from financial instruments measured at fair value through profit or loss					
Net interest income from financial instruments at fair value held for trading	195	201	244	397	446
Net interest income from brokerage balances	216	197	182	412	318
Net interest income from securities financing transactions at fair value not held for trading ⁵	12	12	18	24	51
Interest income from other financial instruments at fair value not held for trading	75	96	153	170	355
Interest expense on other financial instruments designated at fair value	(138)	(155)	(244)	(294)	(555)
Total net interest income from financial instruments measured at fair value through profit or loss	359	351	354	710	616
Total net interest income	1,607	1,589	1,376	3,196	2,689

¹ Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. ² Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. ³ Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, customer deposits, and funding from UBS Group AG, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. ⁴ Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions. ⁵ Includes interest expense on securities financing transactions designated at fair value.

Note 4 Net fee and commission income

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Fee and commission income					
Underwriting fees	393	420	257	813	460
<i>of which: equity underwriting fees</i>	<i>262</i>	<i>275</i>	<i>123</i>	<i>537</i>	<i>230</i>
<i>of which: debt underwriting fees</i>	<i>131</i>	<i>145</i>	<i>133</i>	<i>276</i>	<i>230</i>
M&A and corporate finance fees	330	238	117	568	335
Brokerage fees	1,037	1,358	959	2,395	2,204
Investment fund fees	1,405	1,437	1,197	2,842	2,492
Portfolio management and related services	2,426	2,284	1,813	4,710	3,872
Other	456	461	387	917	848
Total fee and commission income¹	6,047	6,197	4,730	12,244	10,211
<i>of which: recurring</i>	<i>3,823</i>	<i>3,621</i>	<i>2,980</i>	<i>7,444</i>	<i>6,321</i>
<i>of which: transaction-based</i>	<i>2,182</i>	<i>2,482</i>	<i>1,675</i>	<i>4,664</i>	<i>3,776</i>
<i>of which: performance-based</i>	<i>42</i>	<i>94</i>	<i>75</i>	<i>136</i>	<i>114</i>
Fee and commission expense					
Brokerage fees paid	74	68	63	142	149
Distribution fees paid	153	132	144	285	300
Other	258	277	212	535	426
Total fee and commission expense	484	478	419	962	875
Net fee and commission income	5,563	5,719	4,311	11,282	9,336
<i>of which: net brokerage fees</i>	<i>963</i>	<i>1,290</i>	<i>896</i>	<i>2,253</i>	<i>2,055</i>

¹ Reflects third-party fee and commission income for the second quarter of 2021 of USD 3,585 million for Global Wealth Management (first quarter of 2021: USD 3,673 million; second quarter of 2020: USD 2,809 million), USD 400 million for Personal & Corporate Banking (first quarter of 2021: USD 389 million; second quarter of 2020: USD 313 million), USD 805 million for Asset Management (first quarter of 2021: USD 815 million; second quarter of 2020: USD 700 million), USD 1,248 million for the Investment Bank (first quarter of 2021: USD 1,305 million; second quarter of 2020: USD 872 million) and USD 9 million for Group Functions (first quarter of 2021: USD 15 million; second quarter of 2020: USD 36 million).

Note 5 Other income

UBS AG recognized USD 350 million of other income in the second quarter of 2021, compared with USD 153 million in the second quarter of 2020. This includes gains of USD 101 million from properties held for sale, largely driven by the sale of a

property in Basel, and other income of USD 45 million related to a legacy bankruptcy claim. In addition, the investment in Clearstream Fund Centre was sold to Deutsche Börse AG during the quarter, resulting in a USD 37 million net gain.

Note 6 Personnel expenses

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Salaries and variable compensation	2,432	2,370	2,276	4,802	4,408
Financial advisor compensation ¹	1,183	1,170	941	2,353	2,035
Contractors	38	36	35	75	64
Social security	187	211	182	398	347
Post-employment benefit plans	124 ²	194	143	319	321
Other personnel expenses	108	105	104	212	217
Total personnel expenses	4,072	4,086	3,682	8,158	7,391

¹ Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Includes curtailment gains of USD 36 million, which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

Note 7 General and administrative expenses

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Outsourcing costs	95	89	99	184	211
IT expenses	122	125	106	247	222
Consulting, legal and audit fees	115	84	137	199	269
Real estate and logistics costs	126	127	134	253	271
Market data services	93	89	89	182	175
Marketing & communication	36	32	25	68	56
Travel and entertainment	12	8	10	20	54
Litigation, regulatory & similar matters ¹	63	9	2	72	8
Other ²	1,408	1,578	1,278	2,986	2,695
<i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i>	<i>1,294</i>	<i>1,375</i>	<i>1,127</i>	<i>2,669</i>	<i>2,377</i>
<i>of which: UK and German bank levies</i>	<i>(11)</i>	<i>41</i>	<i>3</i>	<i>30</i>	<i>17</i>
Total general and administrative expenses	2,070	2,141	1,879	4,211	3,960

¹ Reflects the net increase in / (release of) provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 16 for more information. ² Includes charitable donations.

Note 8 Income taxes

Income tax expenses of USD 563 million were recognized for the second quarter of 2021, representing an effective tax rate of 22.7%, compared with USD 328 million for the second quarter of 2020 and an effective tax rate of 21.5%.

Current tax expenses were USD 346 million, compared with USD 329 million, and related to taxable profits of UBS Switzerland AG and other entities.

Deferred tax expenses were USD 217 million, compared with a net deferred tax benefit of USD 1 million, and primarily related to the amortization of deferred tax assets previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc.

Note 9 Expected credit loss measurement

a) Credit loss expense / release

Total net credit loss releases were USD 80 million in the second quarter of 2021, reflecting an USD 88 million net release of credit losses related to stage 1 and 2 positions and USD 8 million of net credit loss expenses related to credit-impaired (stage 3) positions.

The USD 88 million stage 1 and 2 net release included the partial release of a post-model adjustment of USD 91 million (representing one-third of the USD 273 million scenario-driven

model output effects from the third quarter of 2020 to the second quarter of 2021), due to the continued positive trend in macroeconomic scenario input data.

Stage 3 net credit loss expenses were USD 8 million, including USD 3 million net expenses in the Investment Bank and USD 5 million net expenses in Personal & Corporate Banking, across various corporate lending positions.

Credit loss (expense) / release

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
For the quarter ended 30.6.21						
Stages 1 and 2	13	51	0	24	(1)	88
Stage 3	0	(5)	0	(3)	0	(8)
Total credit loss (expense) / release	14	46	0	21	(1)	80

Note 9 Expected credit loss measurement (continued)

b) Changes to ECL models, scenarios, scenario weights and key inputs

Scenarios

The expected credit loss (ECL) scenarios, along with the related macroeconomic factors, were updated and reviewed in light of the economic and political conditions prevailing for the second quarter of 2021 through a series of governance meetings, with input and feedback from UBS risk and finance experts across the business divisions and regions. Effective from the second quarter of 2021, management has included an upside scenario and a mild downside scenario in the ECL calculation similar to the approach applied before the COVID-19 pandemic, as uncertainty regarding future economic developments and the related effects on models further decline and post-model adjustment levels decrease.

The upside scenario assumes that positive developments regarding COVID-19 enable economic activity to rebound more quickly than expected, supported by significant improvements in business and consumer activity. Structural changes from the lockdown period and accelerated technology uptake increase productivity and help to keep growth buoyant beyond the initial rebound in activity. Underlying macroeconomic conditions improve, and asset values increase substantially.

The mild downside scenario assumes a shift in sentiment caused by higher-than-expected inflation and the Federal Reserve's intention to begin tapering its quantitative easing program. Long-term interest rates rise sharply and equities decline as market volatility ensues. Economic activity slows across the globe causing a mild recession.

The baseline and severe downside scenarios included slightly more optimistic assumptions compared with those applied in the first quarter of 2021, reflecting improvements in economic activity, greater optimism regarding the availability and effective distribution of COVID-19 vaccines, and continued government

support. The baseline scenario assumptions on a calendar-year basis are included in the table below.

Scenario weights and post-model adjustments

Management applied the following scenario weightings effective from the second quarter of 2021: upside at 5%, baseline at 55%, mild downside at 10% and severe downside at 30%. This compared with a baseline scenario weighting of 60% and a severe downside scenario weighting of 40% applied in the first quarter of 2021. The incorporation of the two new scenarios and the applied weightings did not have a material effect on allowances and provisions.

In addition, more than one year after the exceptional circumstances of the COVID-19 pandemic began, management has released one-third (USD 91 million) of the USD 273 million post-model adjustment for scenario-driven model output effects into profit or loss in the second quarter of 2021, following a portfolio level review, which supported partial overlay releases, particularly in real estate and large corporate segments. This decision was made following a continued positive trend in macroeconomic scenario input data (from the third quarter of 2020 to the second quarter of 2021), as well as positive vaccination developments and gradual lifting of lockdowns in many economies. Two-thirds of the post-model adjustment for scenario-driven model output effects (USD 183 million) was retained, given the heightened level of uncertainty that remains with regard to the ultimate effects of the crisis. This recognizes that new challenges are frequently arising in the context of the pandemic, for example, the spread of new variants of COVID-19, inflationary pressure from supply chain disruption and surging demand, and the risk of potential tail effects as government and central bank support winds down.

Key parameters	Baseline		
	2020	2021	2022
Real GDP growth (annual percentage change)			
United States	(3.6)	6.9	5.9
Eurozone	(7.4)	4.3	5.3
Switzerland	(4.5)	3.3	3.0
Unemployment rate (% , annual average)			
United States	8.1	5.4	4.4
Eurozone	8.5	8.6	8.1
Switzerland	3.2	3.3	3.1
Real estate (annual percentage change, Q4)			
United States	3.4	6.5	2.9
Eurozone	(0.3)	2.9	1.0
Switzerland	4.0	5.0	1.0

Economic scenarios and weights applied

ECL scenario	Assigned weights in %		
	2020	2021	2022
	30.6.21	31.3.21	31.3.20
Upside	5.0	0.0	0.0
Baseline	55.0	60.0	70.0
Mild downside	10.0	0.0	0.0
Severe downside	30.0	40.0	30.0

Note 9 Expected credit loss measurement (continued)

c) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions

The tables below and on the following pages provide information about financial instruments and certain non-financial instruments that are subject to ECL requirements. For amortized-cost instruments, the carrying amount represents the maximum exposure to credit risk, taking into account the allowance for credit losses. Financial assets measured at fair value through other comprehensive income (FVOCI) are also subject to ECL; however, unlike amortized-cost instruments, the allowance for credit losses for FVOCI instruments does not

reduce the carrying amount of these financial assets. Instead, the carrying amount of financial assets measured at FVOCI represents the maximum exposure to credit risk.

In addition to on-balance sheet financial assets, certain off-balance sheet and other credit lines are also subject to ECL. The maximum exposure to credit risk for off-balance sheet financial instruments is calculated based on the maximum contractual amounts.

USD million	30.6.21				ECL allowances / provisions			
	Carrying amount ¹ / Total exposure	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	160,672	160,672	0	0	0	0	0	0
Loans and advances to banks	16,376	16,333	42	0	(8)	(6)	(1)	(1)
Receivables from securities financing transactions	83,494	83,494	0	0	(3)	(3)	0	0
Cash collateral receivables on derivative instruments	29,787	29,787	0	0	0	0	0	0
Loans and advances to customers	391,406	371,090	18,403	1,913	(950)	(124)	(156)	(670)
<i>of which: Private clients with mortgages</i>	147,827	137,851	9,140	836	(139)	(26)	(76)	(37)
<i>of which: Real estate financing</i>	42,627	37,950	4,663	14	(49)	(17)	(32)	0
<i>of which: Large corporate clients</i>	14,294	12,671	1,229	395	(246)	(20)	(19)	(207)
<i>of which: SME clients</i>	14,116	11,753	1,814	549	(291)	(20)	(19)	(253)
<i>of which: Lombard</i>	146,167	146,135	0	32	(35)	(6)	0	(29)
<i>of which: Credit cards</i>	1,611	1,255	327	28	(34)	(9)	(9)	(16)
<i>of which: Commodity trade finance</i>	3,399	3,345	38	16	(103)	(5)	0	(98)
Other financial assets measured at amortized cost	27,201	26,456	436	309	(124)	(30)	(9)	(86)
<i>of which: Loans to financial advisors</i>	2,415	1,924	197	295	(103)	(23)	(6)	(74)
Total financial assets measured at amortized cost	708,937	687,833	18,882	2,222	(1,085)	(163)	(166)	(757)
Financial assets measured at fair value through other comprehensive income	7,775	7,775	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	716,713	695,609	18,882	2,222	(1,085)	(163)	(166)	(757)
Off-balance sheet (in scope of ECL)								
Guarantees	17,457	15,719	1,580	158	(52)	(15)	(9)	(27)
<i>of which: Large corporate clients</i>	3,142	1,995	1,035	112	(13)	(3)	(3)	(7)
<i>of which: SME clients</i>	1,269	1,002	222	46	(13)	(1)	(1)	(12)
<i>of which: Financial intermediaries and hedge funds</i>	7,465	7,257	208	0	(16)	(10)	(5)	0
<i>of which: Lombard</i>	2,166	2,166	0	0	(1)	0	0	(1)
<i>of which: Commodity trade finance</i>	2,372	2,342	30	0	(2)	(1)	0	(1)
Irrevocable loan commitments	37,751	34,505	3,064	181	(118)	(69)	(49)	0
<i>of which: Large corporate clients</i>	22,464	19,621	2,718	125	(103)	(61)	(42)	0
Forward starting reverse repurchase and securities borrowing agreements	8,253	8,253	0	0	0	0	0	0
Committed unconditionally revocable credit lines	40,667	37,072	3,526	68	(36)	(28)	(8)	0
<i>of which: Real estate financing</i>	6,542	6,135	407	0	(5)	(4)	(1)	0
<i>of which: Large corporate clients</i>	4,383	2,924	1,434	25	(7)	(4)	(3)	0
<i>of which: SME clients</i>	5,173	4,498	643	32	(14)	(12)	(2)	0
<i>of which: Lombard</i>	8,632	8,632	0	0	0	0	0	0
<i>of which: Credit cards</i>	9,298	8,825	464	9	(6)	(5)	(2)	0
<i>of which: Commodity trade finance</i>	251	251	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	5,281	5,260	20	1	(3)	(2)	(1)	0
Total off-balance sheet financial instruments and other credit lines	109,409	100,810	8,191	408	(209)	(114)	(67)	(27)
Total allowances and provisions					(1,294)	(277)	(233)	(784)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Expected credit loss measurement (continued)

USD million	31.3.21				ECL allowances / provisions			
	Carrying amount ¹ / Total exposure				Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	158,914	158,914	0	0	0	0	0	0
Loans and advances to banks	18,348	18,287	61	0	(12)	(8)	(3)	(1)
Receivables from securities financing transactions	82,384	82,385	0	0	(3)	(3)	0	0
Cash collateral receivables on derivative instruments	35,050	35,050	0	0	0	0	0	0
Loans and advances to customers	380,141	359,130	18,995	2,016	(993)	(138)	(184)	(671)
<i>of which: Private clients with mortgages</i>	142,611	132,636	9,118	857	(158)	(37)	(86)	(35)
<i>of which: Real estate financing</i>	41,092	36,099	4,979	15	(56)	(15)	(41)	0
<i>of which: Large corporate clients</i>	13,305	11,155	1,673	477	(271)	(28)	(28)	(216)
<i>of which: SME clients</i>	14,034	11,620	1,886	527	(283)	(19)	(19)	(246)
<i>of which: Lombard</i>	141,139	141,112	0	27	(34)	(5)	0	(30)
<i>of which: Credit cards</i>	1,392	1,063	301	28	(33)	(9)	(8)	(16)
<i>of which: Commodity trade finance</i>	3,695	3,663	16	15	(101)	(5)	0	(96)
Other financial assets measured at amortized cost	26,837	26,103	314	420	(125)	(32)	(7)	(86)
<i>of which: Loans to financial advisors</i>	2,473	1,961	107	405	(104)	(26)	(4)	(75)
Total financial assets measured at amortized cost	701,674	679,868	19,371	2,436	(1,133)	(180)	(195)	(758)
Financial assets measured at fair value through other comprehensive income	8,100	8,100	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	709,774	687,967	19,371	2,436	(1,133)	(180)	(195)	(758)
Off-balance sheet (in scope of ECL)								
Guarantees	17,493	15,377	1,952	164	(59)	(15)	(15)	(29)
<i>of which: Large corporate clients</i>	3,425	2,025	1,281	119	(17)	(3)	(5)	(9)
<i>of which: SME clients</i>	1,243	936	262	45	(12)	0	(1)	(11)
<i>of which: Financial intermediaries and hedge funds</i>	7,579	7,304	275	0	(18)	(9)	(9)	0
<i>of which: Lombard</i>	2,136	2,136	0	0	(2)	0	0	(1)
<i>of which: Commodity trade finance</i>	2,057	2,031	26	0	(4)	(1)	0	(3)
Irrevocable loan commitments	38,137	34,312	3,730	95	(138)	(75)	(63)	0
<i>of which: Large corporate clients</i>	22,943	19,600	3,278	65	(121)	(68)	(54)	0
Forward starting reverse repurchase and securities borrowing agreements	5,988	5,988	0	0	0	0	0	0
Committed unconditionally revocable credit lines	39,835	35,722	4,023	89	(45)	(27)	(18)	0
<i>of which: Real estate financing</i>	7,227	6,786	432	9	(11)	(5)	(6)	0
<i>of which: Large corporate clients</i>	4,429	2,713	1,690	25	(9)	(3)	(6)	0
<i>of which: SME clients</i>	5,036	4,120	878	39	(14)	(11)	(3)	0
<i>of which: Lombard</i>	8,566	8,566	0	0	(1)	(1)	0	0
<i>of which: Credit cards</i>	9,175	8,695	469	11	(6)	(5)	(1)	0
<i>of which: Commodity trade finance</i>	322	322	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	5,824	5,785	34	5	(3)	(3)	0	0
Total off-balance sheet financial instruments and other credit lines	107,276	97,184	9,738	354	(245)	(121)	(95)	(29)
Total allowances and provisions					(1,378)	(301)	(290)	(787)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Expected credit loss measurement (continued)

USD million	31.12.20							
	Carrying amount ¹ / Total exposure				ECL allowances / provisions			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	158,231	158,231	0	0	0	0	0	0
Loans and advances to banks	15,344	15,160	184	0	(16)	(9)	(5)	(1)
Receivables from securities financing transactions	74,210	74,210	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	32,737	32,737	0	0	0	0	0	0
Loans and advances to customers	380,977	358,396	20,341	2,240	(1,060)	(142)	(215)	(703)
<i>of which: Private clients with mortgages</i>	148,175	138,769	8,448	959	(166)	(35)	(93)	(39)
<i>of which: Real estate financing</i>	43,429	37,568	5,838	23	(63)	(15)	(44)	(4)
<i>of which: Large corporate clients</i>	15,161	12,658	2,029	474	(279)	(27)	(40)	(212)
<i>of which: SME clients</i>	14,872	11,990	2,254	628	(310)	(19)	(23)	(268)
<i>of which: Lombard</i>	133,850	133,795	0	55	(36)	(5)	0	(31)
<i>of which: Credit cards</i>	1,558	1,198	330	30	(38)	(11)	(11)	(16)
<i>of which: Commodity trade finance</i>	3,269	3,214	43	12	(106)	(5)	0	(101)
Other financial assets measured at amortized cost	27,219	26,401	348	469	(133)	(34)	(9)	(90)
<i>of which: Loans to financial advisors</i>	2,569	1,982	137	450	(108)	(27)	(5)	(76)
Total financial assets measured at amortized cost	688,717	665,135	20,873	2,709	(1,211)	(187)	(229)	(795)
Financial assets measured at fair value through other comprehensive income	8,258	8,258	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	696,976	673,394	20,873	2,709	(1,211)	(187)	(229)	(795)
Off-balance sheet (in scope of ECL)								
Guarantees	17,081	14,687	2,225	170	(63)	(14)	(15)	(34)
<i>of which: Large corporate clients</i>	3,710	2,048	1,549	113	(20)	(4)	(5)	(12)
<i>of which: SME clients</i>	1,310	936	326	48	(13)	(1)	(1)	(11)
<i>of which: Financial intermediaries and hedge funds</i>	7,637	7,413	224	0	(17)	(7)	(9)	0
<i>of which: Lombard</i>	641	633	0	8	(2)	0	0	(2)
<i>of which: Commodity trade finance</i>	1,441	1,416	25	0	(2)	(1)	0	0
Irrevocable loan commitments	41,372	36,894	4,374	104	(142)	(74)	(68)	0
<i>of which: Large corporate clients</i>	24,209	20,195	3,950	64	(121)	(63)	(58)	0
Forward starting reverse repurchase and securities borrowing agreements	3,247	3,247	0	0	0	0	0	0
Committed unconditionally revocable credit lines	42,077	37,176	4,792	108	(50)	(29)	(21)	0
<i>of which: Real estate financing</i>	6,328	5,811	517	0	(12)	(5)	(7)	0
<i>of which: Large corporate clients</i>	4,909	2,783	2,099	27	(9)	(2)	(7)	0
<i>of which: SME clients</i>	5,827	4,596	1,169	63	(16)	(12)	(4)	0
<i>of which: Lombard</i>	9,671	9,671	0	0	0	(1)	0	0
<i>of which: Credit cards</i>	8,661	8,220	430	11	(8)	(6)	(2)	0
<i>of which: Commodity trade finance</i>	242	242	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	3,282	3,277	5	0	(2)	(2)	0	0
Total off-balance sheet financial instruments and other credit lines	107,059	95,281	11,396	382	(257)	(119)	(104)	(34)
Total allowances and provisions					(1,468)	(306)	(333)	(829)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Expected credit loss measurement (continued)

The table below provides information about the ECL gross exposure and the ECL coverage ratio for our core loan portfolios (i.e., *Loans and advances to customers* and *Loans to financial advisors*) and relevant off-balance sheet exposures. *Cash and balances at central banks, Loans and advances to banks, Receivables from securities financing transactions, Cash collateral receivables on derivative instruments* and *Financial assets*

measured at fair value through other comprehensive income are not included in the table below, due to their lower sensitivity to ECL.

ECL coverage ratios are calculated by taking ECL allowances and provisions divided by the gross carrying amount of the exposures.

Coverage ratios for core loan portfolio		30.6.21							
		Gross carrying amount (USD million)				ECL coverage (bps)			
On-balance sheet		Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Private clients with mortgages		147,966	137,877	9,216	874	9	2	82	427
Real estate financing		42,677	37,967	4,696	14	12	4	69	101
Large corporate clients		14,540	12,691	1,247	602	169	16	151	3,446
SME clients		14,407	11,772	1,833	802	202	17	102	3,152
Lombard		146,202	146,141	0	61	2	0	0	4,698
Credit cards		1,644	1,264	336	44	205	72	261	3,608
Commodity trade finance		3,503	3,350	38	114	295	15	2	8,605
Other loans and advances to customers		21,418	20,152	1,193	73	25	11	13	4,051
Loans to financial advisors		2,518	1,946	202	369	408	116	290	2,016
Total¹		394,875	373,161	18,762	2,952	27	4	86	2,521
Off-balance sheet		Gross exposure (USD million)				ECL coverage (bps)			
		Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Private clients with mortgages		8,063	7,809	251	3	4	4	7	349
Real estate financing		8,048	7,596	452	0	9	7	49	0
Large corporate clients		29,990	24,540	5,187	262	41	27	91	278
SME clients		8,273	7,099	1,040	134	43	20	91	878
Lombard		14,736	14,735	0	0	1	0	0	0
Credit cards		9,298	8,825	464	9	7	5	33	0
Commodity trade finance		2,623	2,593	30	0	8	5	50	0
Financial intermediaries and hedge funds		12,447	11,981	466	0	14	10	120	0
Other off-balance sheet commitments		7,678	7,377	301	0	17	8	21	0
Total²		101,155	92,556	8,191	408	21	12	82	671

¹ Includes Loans and advances to customers of USD 392,357 million and Loans to financial advisors of USD 2,518 million, which are presented on the balance sheet line Other assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 9 Expected credit loss measurement (continued)

Coverage ratios for core loan portfolio

31.3.21

On-balance sheet	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Private clients with mortgages	142,770	132,673	9,204	893	11	3	93	396
Real estate financing	41,148	36,113	5,020	15	14	4	81	78
Large corporate clients	13,577	11,184	1,701	692	200	25	162	3,114
SME clients	14,317	11,639	1,905	773	198	16	98	3,179
Lombard	141,173	141,117	0	56	2	0	0	5,260
Credit cards	1,425	1,073	309	44	233	88	266	3,555
Commodity trade finance	3,796	3,668	16	111	267	14	2	8,620
Other loans and advances to customers	22,928	21,801	1,024	103	24	9	26	3,211
Loans to financial advisors	2,578	1,987	111	480	405	131	337	1,558
Total¹	383,711	361,254	19,290	3,167	29	5	97	2,355

Off-balance sheet	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Private clients with mortgages	7,455	7,226	217	13	6	5	16	111
Real estate financing	8,513	8,049	455	9	17	7	192	53
Large corporate clients	30,796	24,339	6,249	209	48	31	102	422
SME clients	8,101	6,626	1,367	108	41	20	70	973
Lombard	14,603	14,603	0	0	2	1	0	0
Credit cards	9,175	8,695	469	11	7	6	30	0
Commodity trade finance	2,379	2,352	26	0	18	5	28	0
Financial intermediaries and hedge funds	11,501	10,879	622	0	18	10	169	0
Other off-balance sheet commitments	8,764	8,428	332	4	14	7	23	0
Total²	101,288	91,196	9,738	354	24	13	98	831

¹ Includes Loans and advances to customers of USD 381,133 million and Loans to financial advisors of USD 2,578 million, which are presented on the balance sheet line Other assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 9 Expected credit loss measurement (continued)

Coverage ratios for core loan portfolio

31.12.20

On-balance sheet	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Private clients with mortgages	148,341	138,803	8,540	998	11	2	108	390
Real estate financing	43,492	37,583	5,883	27	15	4	75	1,414
Large corporate clients	15,440	12,684	2,069	686	181	21	192	3,089
SME clients	15,183	12,010	2,277	896	204	16	101	2,991
Lombard	133,886	133,800	0	86	3	0	0	3,592
Credit cards	1,596	1,209	342	46	240	91	333	3,488
Commodity trade finance	3,375	3,219	43	113	315	16	2	8,939
Other loans and advances to customers	20,722	19,229	1,402	91	29	13	25	3,563
Loans to financial advisors	2,677	2,009	142	526	404	135	351	1,446
Total¹	384,714	360,547	20,697	3,470	30	5	106	2,247

Off-balance sheet	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Private clients with mortgages	6,285	6,083	198	3	7	6	16	197
Real estate financing	7,056	6,576	481	0	21	9	185	0
Large corporate clients	32,828	25,026	7,598	205	46	27	92	565
SME clients	9,121	7,239	1,734	148	40	19	63	779
Lombard	14,178	14,170	0	8	2	1	0	1,941
Credit cards	8,661	8,220	430	11	9	8	44	0
Commodity trade finance	1,683	1,658	25	0	10	8	15	0
Financial intermediaries and hedge funds	7,690	7,270	448	0	26	13	248	166
Other off-balance sheet commitments	16,309	15,792	482	8	12	6	11	0
Total²	103,812	92,034	11,396	382	25	13	91	894

¹ Includes Loans and advances to customers of USD 382,036 million and Loans to financial advisors of USD 2,677 million which are presented on the balance sheet line Other assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 10 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020, which provides more information about valuation principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements, and methods applied to calculate fair values for financial instruments not measured at fair value.

- › Refer to the "Balance sheet and off-balance sheet" section of this report for more information about quarter-on-quarter balance sheet movements

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest-level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Note 10 Fair value measurement (continued)

a) Fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

Determination of fair values from quoted market prices or valuation techniques¹

USD million	30.6.21				31.3.21				31.12.20			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis												
Financial assets at fair value held for trading	103,722	16,782	2,123	122,628	101,907	16,630	2,179	120,717	107,526	15,630	2,337	125,492
<i>of which:</i>												
Equity instruments	86,760	1,336	128	88,224	85,251	736	137	86,124	90,327	1,101	171	91,599
Government bills / bonds	8,123	1,776	10	9,910	8,384	1,890	10	10,284	9,028	2,207	10	11,245
Investment fund units	8,048	1,707	18	9,773	7,400	1,602	31	9,033	7,374	1,794	23	9,192
Corporate and municipal bonds	784	8,524	821	10,129	865	9,926	783	11,575	789	8,432	817	10,038
Loans	0	3,115	1,000	4,114	0	2,234	1,052	3,285	0	1,860	1,134	2,995
Asset-backed securities	7	323	147	478	6	242	166	415	8	236	181	425
Derivative financial instruments	795	119,348	1,479	121,622	1,142	145,508	1,633	148,284	795	157,069	1,754	159,618
<i>of which:</i>												
Foreign exchange contracts	296	49,154	6	49,456	459	70,221	12	70,692	319	68,425	5	68,750
Interest rate contracts	0	38,104	342	38,446	0	39,529	391	39,920	0	50,353	537	50,890
Equity / index contracts	1	28,383	801	29,185	0	31,369	820	32,189	0	33,990	853	34,842
Credit derivative contracts	0	1,739	303	2,043	0	1,914	395	2,309	0	2,008	350	2,358
Commodity contracts	0	1,832	24	1,856	0	2,187	14	2,201	0	2,211	6	2,217
Brokerage receivables	0	23,010	0	23,010	0	24,201	0	24,201	0	24,659	0	24,659
Financial assets at fair value not held for trading	29,125	31,367	4,459	64,952	31,596	32,962	4,206	68,763	40,986	35,110	3,942	80,038
<i>of which:</i>												
Financial assets for unit-linked investment contracts	21,974	9	8	21,991	21,162	0	3	21,166	20,628	101	2	20,731
Corporate and municipal bonds	88	16,009	333	16,430	98	15,114	334	15,547	290	16,957	372	17,619
Government bills / bonds	6,640	3,331	0	9,971	9,985	3,970	0	13,956	19,704	3,593	0	23,297
Loans	0	5,626	1,087	6,712	0	6,900	1,093	7,993	0	7,699	862	8,561
Securities financing transactions	0	6,203	201	6,404	0	6,811	119	6,930	0	6,629	122	6,751
Auction rate securities	0	0	1,563	1,563	0	0	1,587	1,587	0	0	1,527	1,527
Investment fund units	317	172	120	610	263	165	99	528	278	121	105	505
Equity instruments	105	18	594	717	86	0	530	616	86	0	544	631
Other	0	0	554	554	0	0	441	441	0	10	408	418
Financial assets measured at fair value through other comprehensive income on a recurring basis												
Financial assets measured at fair value through other comprehensive income	2,165	5,611	0	7,775	2,154	5,946	0	8,100	1,144	7,114	0	8,258
<i>of which:</i>												
Asset-backed securities	0	5,200	0	5,200	0	5,480	0	5,480	0	6,624	0	6,624
Government bills / bonds	2,121	44	0	2,165	2,115	43	0	2,159	1,103	47	0	1,150
Corporate and municipal bonds	44	367	0	411	38	423	0	461	40	444	0	485
Non-financial assets measured at fair value on a recurring basis												
Precious metals and other physical commodities	5,470	0	0	5,470	5,709	0	0	5,709	6,264	0	0	6,264
Non-financial assets measured at fair value on a non-recurring basis												
Other non-financial assets ²	0	1	67	68	0	1	247	248	0	1	245	246
Total assets measured at fair value	141,277	196,119	8,129	345,525	142,508	225,248	8,266	376,022	156,716	239,583	8,278	404,576

Note 10 Fair value measurement (continued)

Determination of fair values from quoted market prices or valuation techniques (continued)¹

USD million	30.6.21				31.3.21				31.12.20			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value on a recurring basis												
Financial liabilities at fair value held for trading	27,038	6,216	94	33,348	30,888	6,114	61	37,062	26,889	6,652	55	33,595
<i>of which:</i>												
Equity instruments	20,826	387	75	21,288	26,191	151	50	26,392	22,519	425	40	22,985
Corporate and municipal bonds	37	4,592	13	4,642	32	4,718	7	4,757	31	4,048	9	4,089
Government bills / bonds	5,727	620	0	6,347	4,168	807	0	4,975	3,642	1,036	0	4,678
Investment fund units	442	581	6	1,028	492	397	3	891	696	1,127	5	1,828
Derivative financial instruments	754	117,985	2,950	121,688	1,405	141,522	3,114	146,041	746	156,884	3,471	161,102
<i>of which:</i>												
Foreign exchange contracts	280	47,050	59	47,389	541	67,047	54	67,642	316	70,149	61	70,527
Interest rate contracts	0	32,177	526	32,703	0	33,501	546	34,046	0	43,389	527	43,916
Equity / index contracts	9	34,431	1,902	36,342	0	36,614	2,070	38,684	0	38,870	2,306	41,176
Credit derivative contracts	0	2,000	392	2,392	0	2,139	369	2,508	0	2,403	528	2,931
Commodity contracts	0	2,034	51	2,085	0	1,907	59	1,966	0	2,003	24	2,027
Financial liabilities designated at fair value on a recurring basis												
Brokerage payables designated at fair value	0	39,129	0	39,129	0	45,600	0	45,600	0	38,742	0	38,742
Debt issued designated at fair value	0	60,321	12,478	72,799	0	53,900	10,736	64,635	0	50,273	9,595	59,868
Other financial liabilities designated at fair value	0	30,032	2,876	32,908	0	28,317	2,452	30,769	0	29,682	2,091	31,773
<i>of which:</i>												
Financial liabilities related to unit-linked investment contracts	0	22,217	0	22,217	0	21,357	0	21,357	0	20,975	0	20,975
Securities financing transactions	0	6,181	3	6,184	0	5,651	0	5,651	0	7,317	0	7,317
Over-the-counter debt instruments	0	1,550	592	2,142	0	1,261	526	1,787	0	1,363	697	2,060
Total liabilities measured at fair value	27,792	253,682	18,398	299,871	32,293	275,453	16,362	324,108	27,635	282,233	15,212	325,080

¹ Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. ² Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

b) Valuation adjustments and other items

The table below summarizes the valuation adjustment reserves recognized on the balance sheet. Details about each category are provided further below.

Valuation adjustment reserves on the balance sheet

	As of		
Life-to-date gain / (loss), USD million	30.6.21	31.3.21	31.12.20
Deferred day-1 profit or loss reserves	405	387	269
Own credit adjustments on financial liabilities designated at fair value	(278)	(400)	(381)
CVA, FVA, DVA and other valuation adjustments	(956)	(977)	(959)

Deferred day-1 profit or loss reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

Deferred day-1 profit or loss reserves

USD million	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Reserve balance at the beginning of the period	387	269	194	269	146
Profit / (loss) deferred on new transactions	97	181	121	278	239
(Profit) / loss recognized in the income statement	(79)	(63)	(72)	(142)	(141)
Foreign currency translation	0	(1)	0	(1)	(1)
Reserve balance at the end of the period	405	387	243	405	243

Note 10 Fair value measurement (continued)

Own credit

The valuation of financial liabilities designated at fair value requires consideration of the own credit component of fair value. Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants. However, own credit risk is not reflected in the valuation of UBS's liabilities that are fully collateralized or for other obligations for which it is established market practice to not include an own credit component.

A description of UBS's methodology to estimate own credit and the related accounting principles is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020.

In the second quarter of 2021, other comprehensive income related to own credit on financial liabilities designated at fair value was positive USD 118 million, primarily due to a widening of UBS's credit spreads.

Own credit adjustments on financial liabilities designated at fair value

USD million	Included in Other comprehensive income				
	For the quarter ended			Year-to-date	
	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
Recognized during the period:					
Realized gain / (loss)	(5)	(6)	8	(11)	9
Unrealized gain / (loss)	123	(23)	(1,103)	100	53
Total gain / (loss), before tax	118	(29)	(1,095)	89	62
		As of			
USD million	30.6.21	31.3.21	30.6.20		
Recognized on the balance sheet as of the end of the period:					
Unrealized life-to-date gain / (loss)	(278)	(400)	(31)		

Credit, funding, debit and other valuation adjustments

A description of UBS's methodology for estimating credit valuation adjustments (CVAs), funding valuation adjustments (FVAs), debit valuation adjustments (DVAs) and other valuation adjustments is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020.

In the second quarter of 2021, other valuation adjustments for liquidity decreased, primarily due to lower observed levels of risk across portfolios during the quarter.

Valuation adjustments on financial instruments

Life-to-date gain / (loss), USD million	As of		
	30.6.21	31.3.21	31.12.20
Credit valuation adjustments¹	(51)	(53)	(66)
Funding valuation adjustments	(58)	(58)	(73)
Debit valuation adjustments	1	1	0
Other valuation adjustments	(848)	(867)	(820)
<i>of which: liquidity</i>	<i>(327)</i>	<i>(356)</i>	<i>(340)</i>
<i>of which: model uncertainty</i>	<i>(521)</i>	<i>(511)</i>	<i>(479)</i>

¹ Amounts do not include reserves against defaulted counterparties.

c) Transfers between Level 1 and Level 2

During the first six months of 2021, assets and liabilities transferred from Level 2 to Level 1, or from Level 1 to Level 2, that were held for the entire reporting period, were not material.

Note 10 Fair value measurement (continued)

d) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 30 June 2021 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of UBS's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by UBS. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance

sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2020.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

	Fair value				Valuation technique(s)	Significant unobservable input(s) ¹	Range of inputs						unit ¹
	Assets		Liabilities				30.6.21			31.12.20			
USD billion	30.6.21	31.12.20	30.6.21	31.12.20			low	high	weighted average ²	low	high	weighted average ²	
Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading													
<i>Corporate and municipal bonds</i>	1.2	1.2	0.0	0.0	Relative value to market comparable	Bond price equivalent	15	143	100	1	143	100	points
					Discounted expected cash flows	Discount margin	358	358		268	268		basis points
<i>Traded loans, loans measured at fair value, loan commitments and guarantees</i>	2.6	2.4	0.0	0.0	Relative value to market comparable	Loan price equivalent	1	101	99	0	101	99	points
					Discounted expected cash flows	Credit spread	180	800		190	800		basis points
					Market comparable and securitization model	Credit spread	28	1,558	228	40	1,858	333	basis points
<i>Auction rate securities</i>	1.6	1.5			Discounted expected cash flows	Credit spread	115	222	162	100	188	140	basis points
<i>Investment fund units³</i>	0.1	0.1	0.0	0.0	Relative value to market comparable	Net asset value							
<i>Equity instruments³</i>	0.7	0.7	0.1	0.0	Relative value to market comparable	Price							
Debt issued designated at fair value⁴			12.5	9.6									
Other financial liabilities designated at fair value			2.9	2.1	Discounted expected cash flows	Funding spread	35	175		42	175		basis points
Derivative financial instruments													
<i>Interest rate contracts</i>	0.3	0.5	0.5	0.5	Option model	Volatility of interest rates	49	73		29	69		basis points
					Discounted expected cash flows	Credit spreads	2	496		1	489		basis points
<i>Credit derivative contracts</i>	0.3	0.3	0.4	0.5		Bond price equivalent	3	102		0	100		points
<i>Equity / index contracts</i>	0.8	0.9	1.9	2.3	Option model	Equity dividend yields	0	11		0	13		%
						Volatility of equity stocks, equity and other indices	4	99		4	100		%
						Equity-to-FX correlation	(30)	70		(34)	65		%
						Equity-to-equity correlation	(25)	99		(16)	100		%

¹ The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). ² Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts, as this would not be meaningful. ³ The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. ⁴ Debt issued designated at fair value is composed primarily of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

Note 10 Fair value measurement (continued)

e) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof. The table presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported together with the equivalent derivative or securities financing instrument.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

Sensitivity of fair value measurements to changes in unobservable input assumptions

USD million	30.6.21		31.3.21		31.12.20	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans designated at fair value, loan commitments and guarantees	22	(13)	26	(21)	29	(28)
Securities financing transactions	69	(68)	71	(51)	40	(52)
Auction rate securities	114	(114)	88	(88)	105	(105)
Asset-backed securities	48	(34)	50	(40)	41	(41)
Equity instruments	150	(120)	127	(99)	129	(96)
Interest rate derivative contracts, net	25	(14)	38	(23)	11	(16)
Credit derivative contracts, net	8	(10)	10	(10)	10	(14)
Foreign exchange derivative contracts, net	15	(9)	17	(11)	20	(15)
Equity / index derivative contracts, net	344	(324)	358	(344)	318	(294)
Other	58	(77)	77	(92)	91	(107)
Total	852	(782)	861	(779)	794	(768)

f) Level 3 instruments: movements during the period

Significant changes in Level 3 instruments

The table on the following pages presents additional information about material Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and

unrealized gains and losses presented in the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Note 10 Fair value measurement (continued)

Movements of Level 3 instruments

USD billion	Balance as of 31 December 2019	Total gains / losses included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 June 2020
		Net gains / losses included in income ¹	of which: related to Level 3 instruments held at the end of the reporting period								
Financial assets at fair value held for trading	1.8	(0.1)	0.0	0.3	(1.0)	1.4	0.0	0.3	0.0	0.0	2.7
<i>of which:</i>											
Investment fund units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate and municipal bonds	0.5	0.0	0.0	0.2	(0.2)	0.0	0.0	0.2	0.0	0.0	0.8
Loans	0.8	0.0	0.0	0.0	(0.6)	1.4	0.0	0.0	0.0	0.0	1.6
Other	0.4	0.0	0.0	0.0	(0.2)	0.0	0.0	0.1	0.0	0.0	0.3
Derivative financial instruments – assets	1.3	0.3	0.4	0.0	0.0	0.5	(0.5)	0.0	(0.1)	0.0	1.5
<i>of which:</i>											
Interest rate contracts	0.3	0.2	0.2	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.3
Equity / index contracts	0.6	0.0	0.1	0.0	0.0	0.5	(0.2)	0.0	(0.1)	0.0	0.8
Credit derivative contracts	0.4	0.1	0.1	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value not held for trading	4.0	(0.1)	(0.1)	0.5	(0.6)	0.0	0.0	0.1	0.0	0.0	3.7
<i>of which:</i>											
Loans	1.2	0.0	0.0	0.4	(0.5)	0.0	0.0	0.0	0.0	0.0	1.0
Auction rate securities	1.5	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Equity instruments	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.5
Other	0.7	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.8
Derivative financial instruments – liabilities	2.0	1.2	1.1	0.0	0.0	0.5	(0.8)	0.6	(0.3)	0.0	3.3
<i>of which:</i>											
Interest rate contracts	0.1	0.7	0.7	0.0	0.0	0.0	(0.3)	0.3	0.0	0.0	0.8
Equity / index contracts	1.3	0.2	0.2	0.0	0.0	0.5	(0.4)	0.0	(0.2)	0.0	1.4
Credit derivative contracts	0.5	0.3	0.3	0.0	0.0	0.1	(0.1)	0.3	(0.1)	0.0	0.9
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Debt issued designated at fair value	9.6	0.1	0.2	0.0	0.0	2.9	(3.5)	0.4	(1.0)	0.0	8.5
Other financial liabilities designated at fair value	1.0	0.1	0.1	0.0	0.0	1.5	(0.3)	0.0	0.0	0.0	2.4

¹ Net gains / losses included in comprehensive income are composed of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. ² Total Level 3 assets as of 30 June 2021 were USD 8.1 billion (31 December 2020: USD 8.3 billion). Total Level 3 liabilities as of 30 June 2021 were USD 18.4 billion (31 December 2020: USD 15.2 billion).

Note 10 Fair value measurement (continued)

Balance as of 31 December 2020 ²	Net gains / losses included in income ¹	Total gains / losses included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 June 2021 ²
		<i>of which: related to Level 3 instruments held at the end of the reporting period</i>									
2.3	0.0	0.0	0.3	(0.8)	0.4	0.0	0.2	(0.2)	0.0	2.1	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0.8	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.8	
1.1	0.0	0.0	0.1	(0.5)	0.4	0.0	0.0	(0.2)	0.0	1.0	
0.4	(0.1)	(0.1)	0.0	(0.2)	0.0	0.0	0.1	0.0	0.0	0.3	
1.8	(0.2)	(0.1)	0.0	0.0	0.5	(0.4)	0.0	(0.1)	0.0	1.5	
0.5	(0.1)	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.3	
0.9	0.1	0.1	0.0	0.0	0.3	(0.4)	0.0	(0.1)	0.0	0.8	
0.3	(0.1)	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.3	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3.9	0.1	0.1	0.7	(0.3)	0.0	0.0	0.1	0.0	0.0	4.5	
0.9	0.0	0.0	0.4	(0.1)	0.0	0.0	0.0	0.0	0.0	1.1	
1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	
0.5	0.1	0.1	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.6	
1.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.2	
3.5	0.2	0.0	0.0	0.0	0.7	(1.2)	0.0	(0.2)	0.0	2.9	
0.5	(0.1)	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.5	
2.3	0.4	0.2	0.0	0.0	0.5	(1.1)	0.0	(0.2)	0.0	1.9	
0.5	(0.2)	(0.2)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.4	
0.1	0.1	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.1	
9.6	0.3	0.2	0.0	0.0	6.3	(2.9)	0.1	(0.8)	(0.2)	12.5	
2.1	0.0	0.0	0.0	0.0	1.0	(0.2)	0.0	0.0	0.0	2.9	

Note 10 Fair value measurement (continued)

g) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

<i>USD billion</i>	30.6.21		31.3.21		31.12.20	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash and balances at central banks	160.7	160.7	158.9	158.9	158.2	158.2
Loans and advances to banks	16.4	16.4	18.3	18.3	15.3	15.3
Receivables from securities financing transactions	83.5	83.5	82.4	82.4	74.2	74.2
Cash collateral receivables on derivative instruments	29.8	29.8	35.0	35.0	32.7	32.7
Loans and advances to customers	391.4	391.0	380.1	380.1	381.0	382.3
Other financial assets measured at amortized cost	27.2	27.7	26.8	27.3	27.2	28.0
Liabilities						
Amounts due to banks	14.6	14.6	12.6	12.6	11.0	11.1
Payables from securities financing transactions	6.0	6.0	6.7	6.7	6.3	6.3
Cash collateral payables on derivative instruments	32.2	32.2	36.6	36.6	37.3	37.3
Customer deposits	517.5	517.5	508.9	509.0	527.9	528.0
Funding from UBS Group AG	55.9	57.5	57.7	59.2	54.0	55.6
Debt issued measured at amortized cost	84.5	85.4	87.5	88.3	85.4	86.3
Other financial liabilities measured at amortized cost ¹	7.0	7.0	6.0	6.0	6.6	6.7

¹ Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions relate only to UBS's financial instruments not otherwise measured at fair value. Other institutions may use

different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 11 Derivative instruments

a) Derivative instruments

	Derivative financial assets	Notional values related to derivative financial assets ¹	Derivative financial liabilities	Notional values related to derivative financial liabilities ¹	Other notional values ²
<i>As of 30.6.21, USD billion</i>					
Derivative financial instruments					
Interest rate contracts	38.4	995	32.7	912	9,918
Credit derivative contracts	2.0	54	2.4	54	0
Foreign exchange contracts	49.5	3,074	47.4	2,869	2
Equity / index contracts	29.2	458	36.3	615	90
Commodity contracts	1.9	59	2.1	58	15
Loan commitments measured at FVTPL	0.0	1	0.0	11	
Unsettled purchases of non-derivative financial instruments ³	0.3	29	0.3	26	
Unsettled sales of non-derivative financial instruments ³	0.3	39	0.4	23	
Total derivative financial instruments, based on IFRS netting⁴	121.6	4,708	121.7	4,569	10,024
Further netting potential not recognized on the balance sheet ⁵	(107.5)		(106.8)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(86.8)</i>		<i>(86.8)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(20.6)</i>		<i>(20.0)</i>		
Total derivative financial instruments, after consideration of further netting potential	14.2		14.9		

As of 31.3.21, USD billion

Derivative financial instruments					
Interest rate contracts	39.9	991	34.0	901	11,707
Credit derivative contracts	2.3	65	2.5	62	0
Foreign exchange contracts	70.7	3,283	67.6	3,067	2
Equity / index contracts	32.2	468	38.7	599	97
Commodity contracts	2.2	62	2.0	54	12
Loan commitments measured at FVTPL	0.0	1	0.0	9	
Unsettled purchases of non-derivative financial instruments ³	0.6	26	0.3	32	
Unsettled sales of non-derivative financial instruments ³	0.4	42	0.8	21	
Total derivative financial instruments, based on IFRS netting⁴	148.3	4,938	146.0	4,745	11,817
Further netting potential not recognized on the balance sheet ⁵	(130.1)		(127.5)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(105.1)</i>		<i>(105.1)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(25.0)</i>		<i>(22.5)</i>		
Total derivative financial instruments, after consideration of further netting potential	18.2		18.5		

As of 31.12.20, USD billion

Derivative financial instruments					
Interest rate contracts	50.9	928	43.9	880	11,292
Credit derivative contracts	2.4	58	2.9	65	0
Foreign exchange contracts	68.7	2,951	70.5	2,820	1
Equity / index contracts	34.8	450	41.2	581	91
Commodity contracts	2.2	58	2.0	50	10
Loan commitments measured at FVTPL			0.0	10	
Unsettled purchases of non-derivative financial instruments ³	0.3	18	0.2	10	
Unsettled sales of non-derivative financial instruments ³	0.2	17	0.3	13	
Total derivative financial instruments, based on IFRS netting⁴	159.6	4,480	161.1	4,430	11,394
Further netting potential not recognized on the balance sheet ⁵	(144.4)		(141.2)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(117.2)</i>		<i>(117.2)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(27.2)</i>		<i>(23.9)</i>		
Total derivative financial instruments, after consideration of further netting potential	15.2		19.9		

¹ In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. Notional amounts of exchange-traded agency transactions and OTC-cleared transactions entered into on behalf of clients are not disclosed, as they have a significantly different risk profile. ² Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. ³ Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. ⁴ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ⁵ Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2020 for more information.

Note 11 Derivative instruments (continued)

b) Cash collateral on derivative instruments

<i>USD billion</i>	Receivables 30.6.21	Payables 30.6.21	Receivables 31.3.21	Payables 31.3.21	Receivables 31.12.20	Payables 31.12.20
Cash collateral on derivative instruments, based on IFRS netting ¹	29.8	32.2	35.0	36.6	32.7	37.3
Further netting potential not recognized on the balance sheet ²	(18.3)	(16.9)	(21.1)	(20.7)	(21.1)	(21.6)
<i>of which: netting of recognized financial liabilities / assets</i>	(15.9)	(14.4)	(18.2)	(18.3)	(19.6)	(19.6)
<i>of which: netting with collateral received / pledged</i>	(2.4)	(2.5)	(2.9)	(2.3)	(1.5)	(2.1)
Cash collateral on derivative instruments, after consideration of further netting potential	11.5	15.3	14.0	15.9	11.6	15.7

¹ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ² Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2020 for more information.

Note 12 Other assets and liabilities

a) Other financial assets measured at amortized cost

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Debt securities	18,484	18,533	18,801
<i>of which: government bills / bonds</i>	9,531	9,664	9,789
Loans to financial advisors	2,415	2,473	2,569
Fee- and commission-related receivables	1,980	2,069	2,014
Finance lease receivables	1,363	1,344	1,447
Settlement and clearing accounts	1,225	564	614
Accrued interest income	532	522	592
Other	1,202	1,333	1,182
Total other financial assets measured at amortized cost	27,201	26,837	27,219

b) Other non-financial assets

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Precious metals and other physical commodities	5,470	5,709	6,264
Bail deposit ¹	1,382	1,364	1,418
Prepaid expenses	746	743	731
VAT and other tax receivables	395	317	392
Properties and other non-current assets held for sale	68	248	246
Other	542	372	323
Total other non-financial assets	8,603	8,755	9,374

¹ Refer to item 1 in Note 16b for more information.

Note 12 Other assets and liabilities (continued)

c) Other financial liabilities measured at amortized cost

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Other accrued expenses	1,549	1,544	1,508
Accrued interest expenses	1,050	946	1,382
Settlement and clearing accounts	2,151	1,268	1,181
Lease liabilities	3,634	3,667	3,821
Other	2,288	2,200	2,530
Total other financial liabilities measured at amortized cost	10,671	9,624	10,421

d) Other financial liabilities designated at fair value

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Financial liabilities related to unit-linked investment contracts	22,217	21,357	20,975
Securities financing transactions	6,184	5,651	7,317
Over-the-counter debt instruments	2,142	1,787	2,060
Funding from UBS Group AG	2,266	1,907	1,375
Other	99	68	46
Total other financial liabilities designated at fair value	32,908	30,769	31,773
<i>of which: life-to-date own credit (gain) / loss</i>	<i>115</i>	<i>208</i>	<i>148</i>

e) Other non-financial liabilities

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Compensation-related liabilities	3,771	2,969	4,776
<i>of which: financial advisor compensation plans</i>	<i>1,313</i>	<i>1,200</i>	<i>1,497</i>
<i>of which: other compensation plans</i>	<i>1,287</i>	<i>704</i>	<i>2,034</i>
<i>of which: net defined benefit liability</i>	<i>652</i>	<i>642</i>	<i>711</i>
<i>of which: other compensation-related liabilities¹</i>	<i>518</i>	<i>422</i>	<i>534</i>
Deferred tax liabilities	382	321	558
Current tax liabilities	1,186	1,058	943
VAT and other tax payables	540	504	470
Deferred income	246	209	212
Other	116	111	61
Total other non-financial liabilities	6,241	5,171	7,018

¹ Includes liabilities for payroll taxes and untaken vacation.

Note 13 Debt issued designated at fair value

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Issued debt instruments			
Equity-linked ¹	49,157	44,615	41,069
Rates-linked	16,397	12,668	11,038
Credit-linked	1,826	1,804	1,933
Fixed-rate	2,883	3,343	3,604
Commodity-linked	1,961	1,564	1,497
Other	575	640	726
Total debt issued designated at fair value	72,799	64,635	59,868
<i>of which: issued by UBS AG with original maturity greater than one year²</i>	<i>51,830</i>	<i>47,348</i>	<i>46,427</i>
<i>of which: life-to-date own credit (gain) / loss</i>	<i>164</i>	<i>193</i>	<i>233</i>

¹ Includes investment fund unit-linked instruments issued. ² Issued by the legal entity UBS AG. Based on original contractual maturity without considering any early redemption features. As of 30 June 2021, more than 99% of the balance was unsecured (31 March 2021: 100%; 31 December 2020: 100%).

Note 14 Debt issued measured at amortized cost

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Certificates of deposit	12,193	14,723	15,680
Commercial paper	25,304	26,591	25,472
Other short-term debt	5,219	6,080	5,515
Short-term debt¹	42,716	47,394	46,666
Senior unsecured debt	26,130	23,330	18,483
<i>of which: issued by UBS AG with original maturity greater than one year²</i>	<i>26,109</i>	<i>23,309</i>	<i>18,464</i>
Covered bonds	1,449	2,606	2,796
Subordinated debt	5,232	5,253	7,744
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	<i>4,686</i>	<i>4,709</i>	<i>7,201</i>
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	<i>547</i>	<i>544</i>	<i>543</i>
Debt issued through the Swiss central mortgage institutions	8,963	8,911	9,660
Other long-term debt	0	2	3
Long-term debt³	41,775	40,101	38,685
Total debt issued measured at amortized cost⁴	84,491	87,495	85,351

¹ Debt with an original contractual maturity of less than one year. ² Issued by the legal entity UBS AG. Based on original contractual maturity without considering any early redemption features. As of 30 June 2021, 100% of the balance was unsecured (31 March 2021: 100%; 31 December 2020: 100%). ³ Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. ⁴ Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

Note 15 Interest rate benchmark reform

Background

A market-wide reform of major interest rate benchmarks is being undertaken globally, with the Financial Conduct Authority (the FCA) announcing in March 2021 that the publication of London Interbank Offered Rates (LIBORs) will cease for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR, after 31 December 2021. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

The majority of UBS AG's Interbank Offered Rate (IBOR) exposure is to CHF LIBOR and USD LIBOR. The alternative reference rate (ARR) for CHF LIBOR is the Swiss Average Rate Overnight (SARON). The ARR for USD LIBOR is the Secured Overnight Financing Rate (SOFR); in addition, there are recommended ARRs for GBP LIBOR, JPY LIBOR and EUR LIBOR. For certain products in the US, UBS AG is considering the use of credit-sensitive rates as an alternative to SOFR.

As of 30 June 2021, transition uncertainty with respect to significant interest rate benchmarks remains, with the exception of the Euro Interbank Offered Rate (Euribor). The reform of Euribor is now complete and consisted of a change in the underlying calculation method.

The transition to ARRs includes a number of active steps that will also benefit from the support of associated regulatory activities. There may be some contracts, known as "tough legacy contracts," that cannot be practically transitioned or amended from IBORs to ARRs. The FCA continues to consult market participants about requiring the ICE Benchmark Administration to continue publishing certain LIBOR settings (i.e., one-, three- and six-month settings for the GBP, JPY and USD LIBORs) on a "synthetic" basis, which are not representative of the underlying financial markets, for a certain duration after 31 December 2021. However, these synthetic LIBORs will not be available for use in new contracts, given that they are non-representative, and are instead intended to help reduce disruption where resolution has not been agreed for certain tough legacy contracts. Furthermore, in February 2021, the EU Benchmarks Regulation was amended to enable the European Commission to designate a statutory replacement rate for tough legacy LIBOR contracts that are governed by the laws of EU Member States and remain outstanding after LIBOR cessation. On 6 April 2021, New York State LIBOR legislation was enacted with the intention of minimizing legal uncertainty and adverse economic effects associated with USD LIBOR transition for tough legacy contracts governed by New York law. For USD LIBOR contracts not governed by New York law, a bill has been introduced in Congress with similar objectives.

In October 2020, the International Swaps and Derivatives Association (ISDA) released the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, amending ISDA standard definitions for interest-rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs. The changes came into effect on 25 January 2021 and, from that date, all newly cleared and non-cleared derivatives between adhering parties that reference ISDA standard definitions now include these fallbacks. UBS AG adhered to the protocol in November 2020.

UBS AG is focused on transitioning existing contracts via bi-lateral and multi-lateral agreements, leveraging industry solutions (e.g., the use of fallback provisions) and through third-party actions (clearing houses, agents, etc.). Furthermore, in line with regulatory guidance UBS AG has implemented a framework to limit entry into new contracts referencing IBORs.

Governance over the transition to alternative benchmark rates

UBS AG has established a global cross-divisional, cross-functional governance structure and change program to address the scale and complexity of the transition. This global program is sponsored by the Group CFO and led by senior representatives from the business divisions and UBS AG's control and support functions. The program includes governance and execution structures within each business division, together with cross-divisional teams from each control and support function. Progress is overseen centrally via a monthly operating committee and a monthly steering committee, as well as quarterly updates to the joint Audit and Risk committees.

Risks

A core part of UBS AG's change program is the identification, management and monitoring of the risks associated with IBOR reform and transition. These risks include, but are not limited to, the following:

- economic risks to UBS AG and its clients, through the repricing of existing contracts, reduced transparency and / or liquidity of pricing information, market uncertainty or disruption;
- accounting risks, where the transition affects the accounting treatment, including hedge accounting and consequential income statement volatility;
- valuation risks arising from the variation between benchmarks that will cease and ARRs, affecting the risk profile of financial instruments;
- operational risks arising from changes to UBS AG's front-to-back processes and systems to accommodate the transition, as well as the revision of operational controls related to the reform; and
- legal and conduct risks relating to UBS AG's engagement with clients and market counterparties around new benchmark products and amendments required for existing contracts referencing benchmarks that will cease.

Note 15 Interest rate benchmark reform (continued)

In some cases, contracts may contain provisions intended to provide a fallback interest rate in the event of a brief unavailability of the relevant IBOR. These provisions may not be effective or may produce arbitrary results in the event of a permanent cessation of the relevant IBOR. While efforts to transition outstanding transactions from IBORs to ARR's have made substantial progress, including through industry-wide protocols, such as the ISDA IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, there are still substantial volumes of transactions that require modification to effectivly transition to ARR's.

UBS AG remains confident that it has the transparency, oversight and operational preparedness to progress with the IBOR transition consistent with market timelines. UBS AG does not expect changes to its risk management approach and strategy as a result of interest rate benchmark reform.

Progress made during 2020 and the first half of 2021

Approaches to transition vary by product type. During 2020, UBS AG transitioned most of its CHF LIBOR-linked deposits to SARON and launched SARON-based mortgages and corporate loans based on all major ARR's in the Swiss market, as well as SOFR-based mortgages in the US market. By the end of the second quarter of 2021, UBS AG had successfully transitioned its GBP LIBOR- and EUR LIBOR-based private and commercial real estate mortgages in the UK and Monaco to the Sterling Overnight Index Average (SONIA) and Euribor, respectively. UBS AG has detailed plans in place to deliver the required changes for all other IBOR exposures, predominantly during 2021.

Financial instruments yet to transition to alternative benchmarks

The amounts included in the table below relate to financial instrument contracts across UBS AG's business divisions where

UBS AG has material exposures subject to IBOR reform that have not yet transitioned to ARR's, and that:

- contractually reference an interest rate benchmark that will transition to an alternative benchmark; and
- have a contractual maturity date (including open-ended contracts) after the agreed cessation dates.

Contracts where penalty terms reference IBORs, or where exposure to an IBOR is not the primary purpose of the contract, have not been included, as these contracts do not have a material impact on the transition process. In addition, contracts that have been changed to incorporate ARR-based interest rates before the relevant cessation date have been excluded from the table below, because UBS AG expects no further transition work to implement the reform.

In line with information provided to management and external parties monitoring UBS AG's transition progress, the table below includes the following financial metrics for instruments subject to interest rate benchmark reform:

- gross carrying value / exposure for non-derivative financial instruments; and
- total trade count for derivative financial instruments.

The exposures included in the table below represent the maximum IBOR exposure, with the actual IBOR exposure being dependent upon client preferences and investment decisions. Overall, the effort required to transition is affected by multiple factors, including whether negotiations need to take place with multiple stakeholders (as is the case for syndicated loans or certain listed securities), market readiness – such as liquidity in ARR equivalent products – and a client's technical readiness to handle ARR market conventions.

As significant IBOR exposures transition to ARR's during 2021, the values and trade count disclosed are expected to decrease.

		30.6.21					
		LIBOR benchmark rates ¹					
Measure		CHF	USD	GBP	EUR ²	JPY	XCCY
Carrying value of non-derivative financial instruments							
Total non-derivative financial assets	USD million	31,423	77,502	1,829	6,587	3,070	3,796 ³
Total non-derivative financial liabilities	USD million	2,029	9,834	566	1,919	1,060	0
Trade count of derivative financial instruments							
Total derivative financial instruments	Trade count	9,519	42,566	12,513	9,626	4,247	5,948 ⁴
Off-balance sheet exposures							
Total irrevocable loan commitments	USD million	1	4,433	0	0	0	15,767 ⁵

		31.3.21					
		LIBOR benchmark rates ¹					
Measure		CHF	USD	GBP	EUR ²	JPY	XCCY
Carrying value of non-derivative financial instruments							
Total non-derivative financial assets	USD million	36,046	72,185	5,399	8,253	3,060	4,469 ³
Total non-derivative financial liabilities	USD million	2,612	13,142	1,429	2,252	1,460	0
Trade count of derivative financial instruments							
Total derivative financial instruments	Trade count	9,749	40,080	13,006	9,613	3,961	5,206 ⁴
Off-balance sheet exposures							
Total irrevocable loan commitments	USD million	106	4,656	167	0	0	15,188 ⁵

¹ Contracts have been disclosed without regard to early termination rights. Instead, it is assumed that such contracts will transition away from IBORs without such rights being exercised. ² Includes primarily EUR LIBOR positions. ³ Includes loans related to revolving multi-currency credit lines. ⁴ Includes cross-currency swaps where either leg or both legs are indexed to an IBOR. ⁵ Includes loan commitments that can be drawn in different currencies at the client's discretion.

Note 15 Interest rate benchmark reform (continued)

Non-derivative instruments

UBS AG's significant non-derivative IBOR exposures primarily relate to brokerage receivable and payable balances, corporate and private loans, and mortgages, linked to CHF and USD LIBORs.

In March 2021, following the FCA announcement regarding the cessation timelines for IBORs, UBS AG started a centralized communication initiative for private mortgages linked to CHF LIBOR, with the objective of transitioning these exposures either through the activation of existing fallbacks or the amendment of contractual terms, where such fallbacks do not exist. During the second quarter of 2021, mortgages that were linked to CHF LIBOR have been reduced by approximately USD 2 billion and the remaining USD 3 billion of mortgages linked to GBP LIBOR as of 31 March 2021 have successfully transitioned. US mortgages linked to USD LIBOR are planned to transition to SOFR from 2022–2023. US securities-based lending increased by approximately USD 4 billion in the second quarter of 2021, with agreements expected to switch to an alternative benchmark from the fourth quarter of 2021.

UBS AG is also proactively discussing transition mechanisms with many of its brokerage and corporate clients in order to transition their exposures throughout 2021 from CHF LIBOR, EUR LIBOR and GBP LIBOR. During the second quarter of 2021, the gross carrying amount of IBOR-indexed non-derivative financial assets and liabilities related to brokerage accounts, predominantly linked to GBP and USD LIBOR, was reduced by approximately USD 8 billion in aggregate as a result of successful transitions.

For certain non-derivative financial assets and financial liabilities, in particular bonds issued by third parties, UBS AG is dependent on the participation and engagement of others in effecting the transition from IBORs. UBS AG is actively monitoring such exposures and is in discussions with clients.

As presented in the table on the previous page, UBS AG had approximately USD 16 billion (31 March 2021, USD 15 billion) of irrevocable commitments as of 30 June 2021 that can be drawn down in different currencies with IBOR-based interest rates, primarily USD LIBOR and Euribor, and that expire after the relevant benchmark cessation dates. Related drawn-down amounts under these commitments were USD 4 billion (31 March 2021, USD 4 billion).

In addition, UBS AG had approximately USD 10 billion (31 March 2021, USD 16 billion) of committed revocable credit lines outstanding that allow clients to draw down a number of IBOR-linked products. UBS AG is in discussions with impacted clients, with plans in place to have all contracts amended by the relevant cessation dates.

Derivative instruments

UBS AG holds derivatives for trading and hedging purposes, including those designated in hedge accounting relationships. A significant number of interest rate and cross-currency swaps have floating legs that reference various benchmarks that will cease.

The majority of derivatives are transacted with clearing houses where UBS AG is dependent upon industry-wide compression activities to reduce exposure and clearing house actions to convert any remaining derivatives nearer the cessation dates. London Clearing House (LCH), which is the clearing house for a significant number of UBS AG's IRS derivatives, has confirmed that a standardized transition will be undertaken in December 2021 to transition IBOR-based derivatives to respective ARRs. UBS AG expects derivative volumes to fluctuate in line with business activity until such clearing house actions are taken.

For derivatives not transacted with clearing houses, as previously noted, UBS AG adhered to the ISDA IBOR Fallback Protocol in November 2020, although its preferred approach, in line with regulatory expectations, is to actively switch to ARRs before the relevant cessation dates or to bilaterally compress where feasible. UBS AG has begun a series of outreach activities to understand counterparties' intentions regarding whether they seek to adhere to the protocol or will actively switch.

In order to minimize the operational risk of converting high volumes of transactions at the time of cessation, UBS AG is making progress with its preparations to convert derivative instruments in bulk to ARR equivalents.

Note 16 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

<i>USD million</i>	30.6.21	31.3.21	31.12.20
Provisions other than provisions for expected credit losses	2,583	2,448	2,534
Provisions for expected credit losses	209	245	257
Total provisions	2,792	2,693	2,791

The following table presents additional information for provisions other than provisions for expected credit losses.

<i>USD million</i>	Litigation, regulatory and similar matters ¹	Restructuring ²	Other ³	Total
Balance as of 31 December 2020	2,135	67	332	2,534
Balance as of 31 March 2021	2,072	58	318	2,448
Increase in provisions recognized in the income statement	87	114	31	233
Release of provisions recognized in the income statement	(24)	(5)	(4)	(33)
Provisions used in conformity with designated purpose	(27)	(20)	(31)	(78)
Capitalized reinstatement costs	0	0	(1)	(1)
Reclassifications	0	1	(1)	0
Foreign currency translation / unwind of discount	11	(1)	4	13
Balance as of 30 June 2021	2,119	148	317	2,583

¹ Comprises provisions for losses resulting from legal, liability and compliance risks. ² Includes personnel-related restructuring provisions of USD 104 million as of 30 June 2021 (31 March 2021: USD 9 million; 31 December 2020: USD 13 million) and provisions for onerous contracts of USD 40 million as of 30 June 2021 (31 March 2021: USD 44 million; 31 December 2020: USD 49 million). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short time period but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS AG is committed to pay for

non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 16b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past

events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Note 16 Provisions and contingent liabilities (continued)

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either: (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 16a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement UBS entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and was subject to probation, which ended in January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group second quarter 2021 report.

Provisions for litigation, regulatory and similar matters by business division and in Group Functions¹

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Balance as of 31 December 2020	861	115	0	227	932	2,135
Balance as of 31 March 2021	810	109	1	217	935	2,072
Increase in provisions recognized in the income statement	20	0	0	66	1	87
Release of provisions recognized in the income statement	(11)	(11)	0	(2)	0	(24)
Provisions used in conformity with designated purpose	(27)	0	0	0	0	(27)
Foreign currency translation / unwind of discount	8	2	0	1	0	11
Balance as of 30 June 2021	800	100	1	282	936	2,119

¹ Provisions, if any, for matters described in this Note are recorded in Global Wealth Management (item 3 and item 4) and Group Functions (item 2). Provisions, if any, for the matters described in items 1 and 6 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this Note in item 5 are allocated between the Investment Bank and Group Functions.

Note 16 Provisions and contingent liabilities (continued)

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("*caution*") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The trial in the Court of

Appeal took place between 8-24 March 2021. At the conclusion of the trial, the prosecutor asserted that the maximum penalty was EUR 2.2 billion and requested the court to award a penalty of at least EUR 2 billion. The French state asked for civil damages of EUR 1 billion. The judgment on the merits of the case is currently set for 27 September 2021. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, our balance sheet at 30 June 2021 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 534 million at 30 June 2021). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on our balance sheet at 30 June 2021 reflects our best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("*inculpé*") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud.

Our balance sheet at 30 June 2021 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 16 Provisions and contingent liabilities (continued)

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages.

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019. On 10 December 2019, the district court denied UBS's motion to dismiss.

Our balance sheet at 30 June 2021 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans seeking aggregate damages of USD 3.4 billion, of which USD 2.9 billion have been resolved through settlements, arbitration or withdrawal of claims.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Note 16 Provisions and contingent liabilities (continued)

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. In June 2021 the court in the first of the three cases denied defendants' motion to dismiss; defendants are seeking leave to appeal that decision. In July 2021, the court in another of these cases granted defendants' motion to dismiss. A motion to dismiss is pending in the remaining case.

Our balance sheet at 30 June 2021 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

5. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with the UK Financial Conduct Authority (FCA), the US Commodity Futures Trading Commission (CFTC), FINMA, the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking, the DOJ's Criminal Division and the European Commission. UBS has ongoing obligations under the Cease and Desist Order of the Federal Reserve Board and the Office of the Comptroller of the

Currency (as successor to the Connecticut Department of Banking), and to cooperate with relevant authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS has ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

Note 16 Provisions and contingent liabilities (continued)

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received final court approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In December 2019, UBS entered into an agreement with representatives of the class of USD lenders to settle their USD LIBOR class action. The agreement has received final court approval. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards.

Other benchmark class actions in the US: In 2014, 2015 and 2017, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly

extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint. Defendants moved to dismiss the amended complaint in October 2020. In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs have appealed. Also in 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint moved to dismiss. In February 2020, the court in the BBSW action granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings. The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint was granted on 31 March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007-2011 relating to European government bonds. The European Commission fined UBS EUR 172 million. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 30 June 2021 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 16 Provisions and contingent liabilities (continued)

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence

of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 30 June 2021 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 17 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

	Closing exchange rate				Average rate ¹				
	As of				For the quarter ended			Year-to-date	
	30.6.21	31.3.21	31.12.20	30.6.20	30.6.21	31.3.21	30.6.20	30.6.21	30.6.20
1 CHF	1.08	1.06	1.13	1.06	1.10	1.09	1.04	1.09	1.04
1 EUR	1.19	1.17	1.22	1.12	1.20	1.20	1.11	1.20	1.11
1 GBP	1.38	1.38	1.37	1.24	1.39	1.38	1.24	1.39	1.26
100 JPY	0.90	0.90	0.97	0.93	0.91	0.93	0.93	0.92	0.93

¹ Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all operations of UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

Note 18 Supplemental guarantor information required under SEC regulations

Joint liability of UBS Switzerland AG

In 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 terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for contractual obligations of UBS AG existing on the asset transfer date, including the full and unconditional

guarantee of certain registered debt securities issued by UBS AG. To reflect this joint liability, UBS Switzerland AG is presented in a separate column as a subsidiary co-guarantor.

The joint liability of UBS Switzerland AG for contractual obligations of UBS AG decreased by USD 2.5 billion in the first half of 2021 to USD 7.6 billion as of 30 June 2021, mainly related to derivative financial instruments.

Supplemental guarantor consolidated income statement

<i>USD million</i>	UBS AG (standalone) ¹	UBS Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2021					
Operating income					
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,521	1,812	1,228	(356)	4,205
Interest expense from financial instruments measured at amortized cost	(1,441)	(276)	(517)	515	(1,719)
Net interest income from financial instruments measured at fair value through profit or loss	619	114	110	(133)	710
Net interest income	699	1,650	820	26	3,196
Other net income from financial instruments measured at fair value through profit or loss	1,757	417	720	(109)	2,785
Credit loss (expense) / release	47	80	3	(23)	108
Fee and commission income	2,064	2,571	7,996	(387)	12,244
Fee and commission expense	(412)	(239)	(690)	380	(962)
Net fee and commission income	1,652	2,331	7,306	(7)	11,282
Other income	3,231	118	519	(3,333)	535
Total operating income	7,387	4,596	9,367	(3,445)	17,906
Operating expenses					
Personnel expenses	1,915	1,116	5,125	1	8,158
General and administrative expenses	1,722	1,710	2,152	(1,373)	4,211
Depreciation and impairment of property, equipment and software	453	141	351	(58)	887
Amortization and impairment of goodwill and intangible assets	4	0	13	0	17
Total operating expenses	4,095	2,967	7,641	(1,429)	13,274
Operating profit / (loss) before tax	3,293	1,629	1,726	(2,016)	4,632
Tax expense / (benefit)	222	299	493	(13)	1,001
Net profit / (loss)	3,070	1,331	1,233	(2,003)	3,631
Net profit / (loss) attributable to non-controlling interests	0	0	9	0	9
Net profit / (loss) attributable to shareholders	3,070	1,331	1,224	(2,003)	3,623

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of comprehensive income

<i>USD million</i>	UBS AG (standalone) ¹	UBS Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2021					
Comprehensive income attributable to shareholders					
Net profit / (loss)	3,070	1,331	1,224	(2,003)	3,623
Other comprehensive income					
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation, net of tax	(38)	(641)	(287)	515	(452)
Financial assets measured at fair value through other comprehensive income, net of tax	0	0	(88)	0	(88)
Cash flow hedges, net of tax	(662)	(159)	(110)	(5)	(937)
Cost of hedging, net of tax	(23)				(23)
Total other comprehensive income that may be reclassified to the income statement, net of tax	(723)	(801)	(485)	509	(1,500)
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans, net of tax	41	(123)	50	0	(31)
Own credit on financial liabilities designated at fair value, net of tax	89				89
Total other comprehensive income that will not be reclassified to the income statement, net of tax	131	(123)	50	0	58
Total other comprehensive income	(592)	(924)	(435)	509	(1,442)
Total comprehensive income attributable to shareholders	2,478	407	790	(1,494)	2,181
Total comprehensive income attributable to non-controlling interests			10		10
Total comprehensive income	2,478	407	800	(1,494)	2,192

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated balance sheet

USD million	UBS AG (standalone) ¹	UBS Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
As of 30 June 2021					
Assets					
Cash and balances at central banks	42,807	88,250	29,616		160,672
Loans and advances to banks	38,654	6,427	20,083	(48,788)	16,376
Receivables from securities financing transactions	60,265	8,701	50,113	(35,584)	83,494
Cash collateral receivables on derivative instruments	30,817	886	12,064	(13,980)	29,787
Loans and advances to customers	105,202	225,329	85,489	(24,613)	391,406
Other financial assets measured at amortized cost	8,767	7,428	12,979	(1,974)	27,201
Total financial assets measured at amortized cost	286,512	337,020	210,343	(124,938)	708,937
Financial assets at fair value held for trading	107,827	56	17,728	(2,983)	122,628
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>	<i>52,493</i>	<i>0</i>	<i>6,835</i>	<i>(14,995)</i>	<i>44,333</i>
Derivative financial instruments	117,032	5,172	36,950	(37,532)	121,622
Brokerage receivables	14,497		8,516	(3)	23,010
Financial assets at fair value not held for trading	39,698	7,741	35,237	(17,724)	64,952
Total financial assets measured at fair value through profit or loss	279,053	12,970	98,431	(58,242)	332,211
Financial assets measured at fair value through other comprehensive income	135		7,641		7,775
Investments in subsidiaries and associates	53,492	37	54	(52,384)	1,198
Property, equipment and software	6,703	1,378	3,963	(312)	11,732
Goodwill and intangible assets	214		6,211	28	6,452
Deferred tax assets	835		8,116		8,951
Other non-financial assets	5,813	1,935	858	(3)	8,603
Total assets	632,757	353,339	335,616	(235,852)	1,085,861
Liabilities					
Amounts due to banks	33,193	32,461	47,086	(98,126)	14,615
Payables from securities financing transactions	17,503	849	23,265	(35,645)	5,972
Cash collateral payables on derivative instruments	31,481	536	14,095	(13,919)	32,193
Customer deposits	99,713	286,370	119,737	11,642	517,462
Funding from UBS Group AG	55,907				55,907
Debt issued measured at amortized cost	75,543	8,976	1	(29)	84,491
Other financial liabilities measured at amortized cost	4,915	3,019	5,012	(2,274)	10,671
Total financial liabilities measured at amortized cost	318,256	332,211	209,195	(138,351)	721,311
Financial liabilities at fair value held for trading	28,822	482	6,850	(2,806)	33,348
Derivative financial instruments	117,636	4,460	37,131	(37,539)	121,688
Brokerage payables designated at fair value	26,521		12,613	(5)	39,129
Debt issued designated at fair value	72,034		860	(95)	72,799
Other financial liabilities designated at fair value	11,054		26,164	(4,311)	32,908
Total financial liabilities measured at fair value through profit or loss	256,068	4,942	83,618	(44,756)	299,871
Provisions	1,337	289	1,170	(3)	2,792
Other non-financial liabilities	1,858	1,076	3,370	(63)	6,241
Total liabilities	577,518	338,517	297,354	(183,174)	1,030,216
Equity attributable to shareholders	55,239	14,822	37,978	(52,678)	55,361
Equity attributable to non-controlling interests			284		284
Total equity	55,239	14,822	38,262	(52,678)	55,645
Total liabilities and equity	632,757	353,339	335,616	(235,852)	1,085,861

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of cash flows

<i>USD million</i>				
For the six months ended 30 June 2021	UBS AG ¹	UBS Switzerland AG ¹	Other subsidiaries ¹	UBS AG (consolidated)
Net cash flow from / (used in) operating activities	(3,264)	1,407	445	(1,413)
Cash flow from / (used in) investing activities				
Purchase of subsidiaries, associates and intangible assets	0	(1)	0	(1)
Disposal of subsidiaries, associates and intangible assets ²	16	0	421	437
Purchase of property, equipment and software	(313)	(134)	(310)	(757)
Disposal of property, equipment and software	264	0	1	264
Purchase of financial assets measured at fair value through other comprehensive income	(11)	0	(1,939)	(1,950)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	11	0	2,313	2,324
Net (purchase) / redemption of debt securities measured at amortized cost	273	293	(449)	116
Net cash flow from / (used in) investing activities	239	158	36	434
Cash flow from / (used in) financing activities				
Net short-term debt issued / (repaid)	(3,863)	(14)	0	(3,877)
Distributions paid on UBS shares	(4,539)	0	0	(4,539)
Repayment of lease liabilities	(143)	0	(130)	(274)
Issuance of debt designated at fair value and long-term debt measured at amortized cost ³	63,422	289	134	63,845
Repayment of debt designated at fair value and long-term debt measured at amortized cost ³	(44,428)	(570)	(246)	(45,244)
Net changes in non-controlling interests	0	0	(4)	(4)
Net activity related to group internal capital transactions and dividends	2,224	(537)	(1,687)	0
Net cash flow from / (used in) financing activities	12,673	(833)	(1,932)	9,908
Total cash flow				
Cash and cash equivalents at the beginning of the year	39,400	93,342	40,689	173,430
Net cash flow from / (used in) operating, investing and financing activities	9,648	732	(1,451)	8,929
Effects of exchange rate differences on cash and cash equivalents	(945)	(3,926)	(518)	(5,389)
Cash and cash equivalents at the end of the period⁴	48,103	90,148	38,721	176,971
<i>of which: cash and balances at central banks</i>	<i>42,676</i>	<i>88,250</i>	<i>29,616</i>	<i>160,541</i>
<i>of which: loans and advances to banks</i>	<i>4,655</i>	<i>1,610</i>	<i>8,735</i>	<i>15,001</i>
<i>of which: money market paper</i>	<i>772</i>	<i>288</i>	<i>369</i>	<i>1,428</i>

¹ Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. ² Includes cash proceeds from the sale of UBS's minority investment in Clearstream Fund Centre and dividends received from associates. ³ Includes funding from UBS Group AG to UBS AG. ⁴ Comprises balances with an original maturity of three months or less. USD 3,432 million of cash and cash equivalents were restricted.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated income statement

<i>USD million</i>	UBS				
For the six months ended 30 June 2020	UBS AG (standalone) ¹	Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
Operating income					
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,813	1,821	1,439	(481)	4,591
Interest expense from financial instruments measured at amortized cost	(2,152)	(258)	(759)	651	(2,519)
Net interest income from financial instruments measured at fair value through profit or loss	507	83	175	(149)	616
Net interest income	169	1,645	854	20	2,689
Other net income from financial instruments measured at fair value through profit or loss	2,570	435	386	329	3,719
Credit loss (expense) / release	(239)	(218)	(83)	0	(540)
Fee and commission income	1,855	2,293	6,581	(518)	10,211
Fee and commission expense	(307)	(454)	(623)	509	(875)
Net fee and commission income	1,548	1,839	5,958	(8)	9,336
Other income	2,207	135	831	(2,857)	317
Total operating income	6,255	3,836	7,947	(2,517)	15,521
Operating expenses					
Personnel expenses	1,713	1,027	4,651	0	7,391
General and administrative expenses	1,619	1,568	1,983	(1,210)	3,960
Depreciation and impairment of property, equipment and software	430	122	320	(57)	814
Amortization and impairment of goodwill and intangible assets	2	0	30	0	32
Total operating expenses	3,764	2,716	6,983	(1,267)	12,197
Operating profit / (loss) before tax	2,490	1,120	964	(1,250)	3,324
Tax expense / (benefit)	138	215	266	83	703
Net profit / (loss)	2,352	904	698	(1,333)	2,621
Net profit / (loss) attributable to non-controlling interests	0	0	6	0	6
Net profit / (loss) attributable to shareholders	2,352	904	691	(1,333)	2,615

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of comprehensive income

<i>USD million</i>	UBS AG (standalone) ¹	UBS Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2020					
Comprehensive income attributable to shareholders					
Net profit / (loss)	2,352	904	691	(1,333)	2,615
Other comprehensive income					
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation, net of tax	7	278	(111)	(72)	103
Financial assets measured at fair value through other comprehensive income, net of tax	0	0	149	0	149
Cash flow hedges, net of tax	1,348	84	176	(8)	1,600
Cost of hedging, net of tax	9	0	(13)	0	(4)
Total other comprehensive income that may be reclassified to the income statement, net of tax	1,364	362	201	(80)	1,847
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans, net of tax	(131)	(97)	(42)	0	(270)
Own credit on financial liabilities designated at fair value, net of tax	62				62
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(69)	(97)	(42)	0	(208)
Total other comprehensive income	1,295	265	160	(80)	1,639
Total comprehensive income attributable to shareholders	3,647	1,169	851	(1,413)	4,254
Total comprehensive income attributable to non-controlling interests			3		3
Total comprehensive income	3,647	1,169	854	(1,413)	4,256

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated balance sheet

<i>USD million</i>	UBS				
As of 31 December 2020	UBS AG (standalone) ¹	Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
Assets					
Cash and balances at central banks	34,426	91,638	32,167		158,231
Loans and advances to banks	40,171	6,385	19,465	(50,678)	15,344
Receivables from securities financing transactions	56,568	4,026	43,350	(29,735)	74,210
Cash collateral receivables on derivative instruments	32,771	1,543	10,093	(11,671)	32,737
Loans and advances to customers	99,952	228,279	73,513	(20,767)	380,977
Other financial assets measured at amortized cost	8,411	8,084	13,368	(2,644)	27,219
Total financial assets measured at amortized cost	272,299	339,956	191,957	(115,495)	688,717
Financial assets at fair value held for trading	110,812	55	16,260	(1,634)	125,492
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>	<i>54,468</i>	<i>1</i>	<i>6,247</i>	<i>(13,617)</i>	<i>47,098</i>
Derivative financial instruments	154,313	6,342	44,005	(45,041)	159,618
Brokerage receivables	16,898		7,763	(2)	24,659
Financial assets at fair value not held for trading	46,198	13,068	36,444	(15,672)	80,038
Total financial assets measured at fair value through profit or loss	328,221	19,464	104,473	(62,350)	389,808
Financial assets measured at fair value through other comprehensive income	187		8,072		8,258
Investments in subsidiaries and associates	53,606	38	439	(52,526)	1,557
Property, equipment and software	6,999	1,335	3,975	(350)	11,958
Goodwill and intangible assets	217		6,234	28	6,480
Deferred tax assets	840	1	8,334	(1)	9,174
Other non-financial assets	6,641	2,063	854	(183)	9,374
Total assets	669,010	362,857	324,337	(230,878)	1,125,327
Liabilities					
Amounts due to banks	41,414	34,096	43,066	(107,527)	11,050
Payables from securities financing transactions	17,247	566	18,407	(29,899)	6,321
Cash collateral payables on derivative instruments	35,875	561	12,495	(11,618)	37,313
Customer deposits	98,441	293,371	112,372	23,745	527,929
Funding from UBS Group AG	53,979				53,979
Debt issued measured at amortized cost	75,658	9,687	3	3	85,351
Other financial liabilities measured at amortized cost	5,285	2,567	5,745	(3,175)	10,421
Total financial liabilities measured at amortized cost	327,898	340,848	192,088	(128,470)	732,364
Financial liabilities at fair value held for trading	28,800	335	5,989	(1,529)	33,595
Derivative financial instruments	156,192	5,593	44,359	(45,043)	161,102
Brokerage payables designated at fair value	25,045		13,704	(7)	38,742
Debt issued designated at fair value	58,986		935	(54)	59,868
Other financial liabilities designated at fair value	11,255		23,445	(2,927)	31,773
Total financial liabilities measured at fair value through profit or loss	280,279	5,927	88,433	(49,559)	325,080
Provisions	1,293	301	1,197		2,791
Other non-financial liabilities	2,173	987	3,907	(49)	7,018
Total liabilities	611,643	348,063	285,625	(178,078)	1,067,254
Equity attributable to shareholders	57,367	14,794	38,393	(52,800)	57,754
Equity attributable to non-controlling interests			319		319
Total equity	57,367	14,794	38,712	(52,800)	58,073
Total liabilities and equity	669,010	362,857	324,337	(230,878)	1,125,327

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of cash flows

<i>USD million</i>				
For the six months ended 30 June 2020	UBS AG ¹	UBS Switzerland AG ¹	Other subsidiaries ¹	UBS AG (consolidated)
Net cash flow from / (used in) operating activities	7,484	16,765	16,811	41,060
Cash flow from / (used in) investing activities				
Purchase of subsidiaries, associates and intangible assets	0	(1)	0	(1)
Disposal of subsidiaries, associates and intangible assets	14	0	0	14
Purchase of property, equipment and software	(277)	(139)	(309)	(725)
Disposal of property, equipment and software	1	0	3	4
Purchase of financial assets measured at fair value through other comprehensive income	(77)	0	(4,055)	(4,132)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	27	0	1,917	1,944
Net (purchase) / redemption of debt securities measured at amortized cost	(3,126)	(373)	(1,318)	(4,817)
Net cash flow from / (used in) investing activities	(3,437)	(513)	(3,762)	(7,713)
Cash flow from / (used in) financing activities				
Net short-term debt issued / (repaid)	14,916	(3)	(1)	14,912
Distributions paid on UBS shares	(2,550)	0	0	(2,550)
Repayment of lease liabilities	(133)	0	(129)	(262)
Issuance of debt designated at fair value and long-term debt measured at amortized cost ²	45,597	336	68	46,001
Repayment of debt designated at fair value and long-term debt measured at amortized cost ²	(45,770)	(306)	(62)	(46,137)
Net changes in non-controlling interests	0	0	(4)	(4)
Net activity related to group internal capital transactions and dividends	1,513	(749)	(763)	0
Net cash flow from / (used in) financing activities	13,573	(723)	(890)	11,960
Total cash flow				
Cash and cash equivalents at the beginning of the year	39,598	62,551	17,655	119,804
Net cash flow from / (used in) operating, investing and financing activities	17,620	15,529	12,160	45,308
Effects of exchange rate differences on cash and cash equivalents	48	1,549	(30)	1,567
Cash and cash equivalents at the end of the period³	57,266	79,629	29,784	166,679
<i>of which: cash and balances at central banks</i>	<i>51,139</i>	<i>77,212</i>	<i>21,078</i>	<i>149,430</i>
<i>of which: loans and advances to banks</i>	<i>4,492</i>	<i>1,979</i>	<i>7,867</i>	<i>14,339</i>
<i>of which: money market paper</i>	<i>1,635</i>	<i>437</i>	<i>839</i>	<i>2,911</i>

¹ Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. ² Includes funding from UBS Group AG to UBS AG. ³ Comprises balances with an original maturity of three months or less. USD 5,393 million of cash and cash equivalents were restricted.

UBS AG standalone financial information

Unaudited

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UBS AG interim standalone financial information (unaudited)

Income statement

	USD million		CHF million	
	Year-to-date	30.6.20	Year-to-date	30.6.20
	30.6.21	30.6.20	30.6.21	30.6.20
Interest and discount income ¹	2,039	2,619	1,865	2,518
Interest and dividend income from trading portfolio	1,332	1,192	1,221	1,145
Interest and dividend income from financial investments	51	169	46	162
Interest expense ²	(2,582)	(3,478)	(2,361)	(3,344)
Gross interest income	839	501	772	481
Credit loss (expense) / release	60	(121)	55	(116)
Net interest income	898	381	828	365
Fee and commission income from securities and investment business and other fee and commission income	1,985	1,791	1,814	1,720
Credit-related fees and commissions	64	122	59	118
Fee and commission expense	(412)	(307)	(376)	(295)
Net fee and commission income	1,637	1,606	1,497	1,542
Net trading income	1,544	2,439	1,383	2,343
Net income from disposal of financial investments	54	74	50	71
Dividend income from investments in subsidiaries and other participations	2,358	1,602	2,181	1,541
Income from real estate holdings	259	256	237	246
Sundry ordinary income	701	607	642	583
Sundry ordinary expenses	(167)	(193)	(150)	(185)
Other income from ordinary activities	3,205	2,346	2,959	2,256
Total operating income	7,284	6,771	6,667	6,506
Personnel expenses	1,881	1,862	1,713	1,789
General and administrative expenses	1,788	1,726	1,634	1,659
Subtotal operating expenses	3,669	3,588	3,347	3,448
Impairment of investments in subsidiaries and other participations	39	86	37	84
Depreciation, amortization and impairment of property, equipment, software, goodwill and intangible assets	391	350	358	336
Changes in provisions and other allowances and losses	74	15	68	15
Total operating expenses	4,173	4,040	3,811	3,883
Operating profit	3,111	2,731	2,856	2,623
Extraordinary income	136	98	126	94
Extraordinary expenses	1	0	1	0
Tax expense / (benefit)	202	182	183	174
Net profit / (loss) for the period	3,045	2,647	2,797	2,542

¹ Interest and discount income includes negative interest income on financial assets of approximately USD 0.2 billion (CHF 0.2 billion) and approximately USD 0.2 billion (CHF 0.2 billion) for the periods ended 30 June 2021 and 30 June 2020, respectively. ² Includes negative interest expense on financial liabilities of approximately USD 0.2 billion (CHF 0.2 billion) and approximately USD 0.1 billion (CHF 0.1 billion) for the periods ended 30 June 2021 and 30 June 2020, respectively.

Balance sheet

	USD million		CHF million	
	30.6.21	31.12.20	30.6.21	31.12.20
Assets				
Cash and balances at central banks	42,734	34,148	39,529	30,239
Due from banks	36,114	38,357	33,405	33,966
Receivables from securities financing transactions	67,067	63,305	62,038	56,058
Due from customers	126,688	124,596	117,188	110,334
Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity ¹	26,995	26,354	24,972	23,337
Mortgage loans	5,389	5,406	4,985	4,787
Trading portfolio assets	111,525	115,164	103,163	101,981
Derivative financial instruments	16,160	17,203	14,949	15,234
Financial investments	17,932	23,852	16,588	21,122
Accrued income and prepaid expenses	1,388	1,414	1,284	1,253
Investments in subsidiaries and other participations	50,801	50,444	46,992	44,670
Property, equipment and software	5,693	6,091	5,266	5,394
Other assets	3,488	2,690	3,225	2,381
Total assets	511,973	509,024	473,583	450,756
<i>of which: subordinated assets</i>	<i>19,308</i>	<i>19,999</i>	<i>17,860</i>	<i>17,710</i>
<i>of which: subject to mandatory conversion and / or debt waiver</i>	<i>17,576</i>	<i>18,067</i>	<i>16,259</i>	<i>15,998</i>
Liabilities				
Due to banks	41,083	49,655	38,003	43,971
Payables from securities financing transactions	23,635	24,407	21,863	21,613
Due to customers	136,036	132,747	125,835	117,553
Funding received from UBS Group AG eligible as total loss-absorbing capacity at UBS AG level measured at amortized cost ¹	55,011	53,585	50,887	47,451
Trading portfolio liabilities	28,822	28,806	26,660	25,509
Derivative financial instruments	17,343	21,918	16,043	19,409
Financial liabilities designated at fair value	74,331	58,737	68,758	52,014
<i>of which: funding received from UBS Group AG eligible as total loss-absorbing capacity at UBS AG level¹</i>	<i>2,112</i>	<i>0</i>	<i>1,954</i>	<i>0</i>
Bonds issued	76,266	76,490	70,547	67,734
<i>of which: total loss-absorbing capacity eligible at UBS AG level¹</i>	<i>5,044</i>	<i>7,480</i>	<i>4,666</i>	<i>6,624</i>
Accrued expenses and deferred income	2,692	3,282	2,490	2,906
Other liabilities	4,391	5,591	4,061	4,951
Provisions	1,461	1,411	1,351	1,250
Total liabilities	461,071	456,628	426,498	404,359
Equity				
Share capital	393	393	386	386
General reserve	36,326	36,326	35,649	35,649
<i>of which: statutory capital reserve</i>	<i>36,326</i>	<i>36,326</i>	<i>35,649</i>	<i>35,649</i>
<i>of which: capital contribution reserve</i>	<i>36,326</i>	<i>36,326</i>	<i>35,649</i>	<i>35,649</i>
Voluntary earnings reserve	11,138	11,138	8,253	6,098
Net profit / (loss) for the period	3,045	4,539	2,797	4,265
Total equity	50,902	52,396	47,085	46,397
Total liabilities and equity	511,973	509,024	473,583	450,756
<i>of which: subordinated liabilities</i>	<i>63,019</i>	<i>62,053</i>	<i>58,294</i>	<i>54,950</i>
<i>of which: subject to mandatory conversion and / or debt waiver</i>	<i>62,448</i>	<i>61,486</i>	<i>57,766</i>	<i>54,448</i>

¹ Represents the Swiss GAAP carrying amount of instruments qualifying as total loss-absorbing capital.

Basis of accounting and items impacting comparability

UBS AG standalone financial statements are prepared in accordance with Swiss GAAP (the FINMA Accounting Ordinance, FINMA Circular 2020/1 "Accounting – banks" and the Banking Ordinance).

The accounting policies are principally the same as the IFRS-based accounting policies for the consolidated financial statements outlined in Note 1 to the consolidated financial statements of UBS AG included in the UBS Group AG and UBS AG Annual Report 2020. Major differences between the Swiss GAAP requirements and International Financial Reporting Standards are described in Note 35 to the consolidated financial statements of UBS AG. Further information on the accounting policies applied for the standalone financial statements of UBS AG is provided in Note 2 to the UBS AG standalone financial statements as of 31 December 2020.

In preparing the interim financial information for UBS AG, the same accounting policies and methods of computation have

been applied as in the annual standalone financial statements as of 31 December 2020.

This interim financial information is unaudited and should be read in conjunction with the audited 2020 standalone financial statements of UBS AG, available under "Holding company and significant regulated subsidiaries and sub-groups" under complementary financial information at ubs.com/investors.

In the fourth quarter of 2020, UBS decided not to proceed with the transfer of a portion of the Global Wealth Management business booked in Switzerland from UBS Switzerland AG to UBS AG. As a result of this decision, the beneficial ownership of that business was re-transferred from UBS AG to UBS Switzerland AG with effective date 31 December 2020. UBS AG's share of the profits for the first six months of 2020 of USD 221 million (CHF 213 million) is reflected in *Fee and commission income from securities and investment business and other fee and commission income*.

Alternative performance measures

Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in our external reports (annual, quarterly and other reports). We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented in the table below. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

APM label	Calculation	Information content
Invested assets (USD and CHF) – GWM, P&C, AM	Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts.	This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.
Client assets (USD and CHF) – GWM, P&C	Calculated as the sum of invested assets and other assets held purely for transactional purposes or custody only.	This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes, including other assets held purely for transactional purposes or custody only.
Recurring net fee income (USD and CHF) – GWM, P&C	Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts (as well as credit card fees for GWM).	This measure provides information about the amount of recurring net fee income.
Transaction-based income (USD and CHF) – GWM, P&C	Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, as well as fees for payment and foreign exchange transactions (and credit card fees for P&C), together with other net income from financial instruments measured at fair value through profit or loss.	This measure provides information about the amount of the non-recurring portion of net fee and commission income.
Cost / income ratio (%)	Calculated as operating expenses divided by operating income before credit loss expense or release.	This measure provides information about the efficiency of the business by comparing operating expenses with gross income.
Gross margin on invested assets (bps) – AM	Calculated as operating income before credit loss expense or release (annualized as applicable) divided by average invested assets.	This measure provides information about the operating income before credit loss expense or release of the business in relation to invested assets.
Net interest margin (bps) – P&C	Calculated as net interest income (annualized as applicable) divided by average loans.	This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value.
Net margin on invested assets (bps) – AM	Calculated as operating profit before tax (annualized as applicable) divided by average invested assets.	This measure provides information about the operating profit before tax of the business in relation to invested assets.
Business volume for Personal Banking (CHF and USD) – P&C	Calculated as the sum of client assets and loans.	This measure provides information about the volume of client assets and loans.
Net new business volume for Personal Banking (CHF and USD) – P&C	Calculated as the sum of net inflows and outflows of client assets and loans during a specific period (annualized as applicable).	This measure provides information about the business volume as a result of net new business volume flows during a specific period.
Net new business volume growth for Personal Banking (%) – P&C	Calculated as the sum of net inflows and outflows of client assets and loans during a specific period (annualized as applicable) divided by total business volume / client assets at the beginning of the period.	This measure provides information about the growth of the business volume as a result of net new business volume flows during a specific period.

APM label	Calculation	Information content
Net profit growth (%)	Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period.	This measure provides information about profit growth in comparison with the prior period.
Pre-tax profit growth (%)	Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period.	This measure provides information about pre-tax profit growth in comparison with the prior period.
Return on common equity tier 1 capital (%)	Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital.	This measure provides information about the profitability of the business in relation to common equity tier 1 capital.
Return on equity (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders.	This measure provides information about the profitability of the business in relation to equity.
Return on attributed equity (%)	Calculated as annualized business division operating profit before tax divided by average attributed equity.	This measure provides information about the profitability of the business divisions in relation to attributed equity.
Return on leverage ratio denominator, gross (%)	Calculated as annualized operating income before credit loss expense or release divided by average leverage ratio denominator.	This measure provides information about the revenues of the business in relation to leverage ratio denominator.
Return on risk-weighted assets, gross (%)	Calculated as annualized operating income before credit loss expense or release divided by average risk-weighted assets.	This measure provides information about the revenues of the business in relation to risk-weighted assets.
Return on tangible equity (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets.	This measure provides information about the profitability of the business in relation to tangible equity.
Total book value per share (USD and CHF¹)	Calculated as equity attributable to shareholders divided by the number of shares outstanding.	This measure provides information about net assets on a per-share basis.
Tangible book value per share (USD and CHF¹)	Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding.	This measure provides information about tangible net assets on a per-share basis.
Loan penetration (%) – GWM	Calculated as loans divided by invested assets.	This measure provides information about the loan volume in relation to invested assets.
Net new money (USD) – AM	Calculated as the sum of the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period.	This measure provides information about the development of invested assets during a specific period as a result of net new money flows and excludes movements due to market performance, foreign exchange translation, dividends, interest and fees.
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) – GWM, P&C	Calculated as impaired loan portfolio divided by total gross loan portfolio.	This measure provides information about the proportion of impaired loan portfolio in the total gross loan portfolio.
Secured loan portfolio as a percentage of total loan portfolio, gross (%) – P&C	Calculated as secured loan portfolio divided by total gross loan portfolio.	This measure provides information about the proportion of secured loan portfolio in the total gross loan portfolio.
Active Digital Banking clients in Personal Banking (%) – P&C	Calculated as the number of clients (within the meaning of numbers of unique business relationships operated by Personal Banking), excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland, and clients who have defaulted on loans or credit facilities, who have logged on at least once within the past month divided by the total number of clients (within the aforementioned meaning).	This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking.

APM label	Calculation	Information content
Active Digital Banking clients in Corporate & Institutional Clients (%) – P&C	Calculated as the number of clients (within the meaning of numbers of unique business relationships or legal entities operated by Corporate & Institutional Clients), excluding clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities, which have logged on at least once within the past month divided by the total number of clients (within the aforementioned meaning).	This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) which are serviced by Corporate & Institutional Clients.
Mobile Banking log-in share in Personal Banking (%) – P&C	Calculated as the number of Mobile Banking app log-ins divided by total log-ins via E-Banking and the Mobile Banking app in Personal Banking.	This measure provides information about the proportion of Mobile Banking app log-ins in the total number of log-ins via E-Banking and the Mobile Banking app in Personal Banking.
Fee-generating assets (USD) – GWM	Calculated as the sum of discretionary and non-discretionary wealth management portfolios (mandate volume) and assets where generated revenues are predominantly of a recurring nature, i.e., mainly investment and mutual funds, including hedge funds and private markets, where we have a distribution agreement.	This measure provides information about the volume of invested assets that create a revenue stream, whether as a result of the nature of the contractual relationship with clients or through the fee structure of the asset. An increase in the level of fee-generating assets results in an increase in the associated revenue stream.
Net new fee-generating assets (USD) – GWM	Calculated as the sum of the net amount of fee-generating assets inflows and outflows, including dividend and interest inflows into mandates and outflows from mandate fees paid by clients, during a specific period.	This measure provides information about the development of fee-generating assets during a specific period as a result of net flows and excludes movements due to market performance and foreign exchange translation.
Fee-generating asset margin (bps) – GWM	Calculated as revenues from fee-generating assets (a portion of which is included in recurring fee income and a portion of which is included in transaction-based income, annualized as applicable) divided by average fee-generating assets for the relevant mandate fee billing period.	This measure provides information about the revenues from fee-generating assets in relation to their average volume during the relevant mandate fee billing period.

† Total book value per share and tangible book value per share in Swiss francs are calculated based on a translation of equity under our US dollar presentation currency.

Abbreviations frequently used in our financial reports

A		CEM	current exposure method	EPS	earnings per share
ABS	asset-backed securities	CEO	Chief Executive Officer	ESG	environmental, social and governance
AEI	automatic exchange of information	CET1	common equity tier 1	ETD	exchange-traded derivatives
AGM	Annual General Meeting of shareholders	CFO	Chief Financial Officer	ETF	exchange-traded fund
A-IRB	advanced internal ratings-based	CFTC	US Commodity Futures Trading Commission	EU	European Union
AIV	alternative investment vehicle	CHF	Swiss franc	EUR	euro
ALCO	Asset and Liability Committee	CIC	Corporate & Institutional Clients	Euribor	Euro Interbank Offered Rate
AMA	advanced measurement approach	CIO	Chief Investment Office	EVE	economic value of equity
AML	anti-money laundering	CLS	Continuous Linked Settlement	EY	Ernst & Young (Ltd)
AoA	Articles of Association	CMBS	commercial mortgage-backed security	F	
APAC	Asia Pacific	C&ORC	Compliance & Operational Risk Control	FA	financial advisor
APM	alternative performance measure	CRD IV	EU Capital Requirements Directive of 2013	FCA	UK Financial Conduct Authority
ARR	alternative reference rate	CRM	credit risk mitigation (credit risk) or comprehensive risk measure (market risk)	FCT	foreign currency translation
ARS	auction rate securities	CRR	Capital Requirements Regulation	FINMA	Swiss Financial Market Supervisory Authority
ASF	available stable funding	CST	combined stress test	FMIA	Swiss Financial Market Infrastructure Act
AT1	additional tier 1	CVA	credit valuation adjustment	FSB	Financial Stability Board
AuM	assets under management			FTA	Swiss Federal Tax Administration
B				FVA	funding valuation adjustment
BCBS	Basel Committee on Banking Supervision	D		FVOCI	fair value through other comprehensive income
BEAT	base erosion and anti-abuse tax	DBO	defined benefit obligation	FVTPL	fair value through profit or loss
BIS	Bank for International Settlements	DCCP	Deferred Contingent Capital Plan	FX	foreign exchange
BoD	Board of Directors	DJSI	Dow Jones Sustainability Indices	G	
BVG	Swiss occupational pension plan	DM	discount margin	GAAP	generally accepted accounting principles
C		DOJ	US Department of Justice	GBP	pound sterling
CAO	Capital Adequacy Ordinance	D-SIB	domestic systemically important bank	GDP	gross domestic product
CCAR	Comprehensive Capital Analysis and Review	DTA	deferred tax asset	GEB	Group Executive Board
CCF	credit conversion factor	DVA	debit valuation adjustment	GIA	Group Internal Audit
CCP	central counterparty	E		GIIPS	Greece, Italy, Ireland, Portugal and Spain
CCR	counterparty credit risk	EAD	exposure at default	GMD	Group Managing Director
CCRC	Corporate Culture and Responsibility Committee	EB	Executive Board	GRI	Global Reporting Initiative
CCyB	countercyclical buffer	EBA	European Banking Authority	GSE	government sponsored entities
CDO	collateralized debt obligation	EC	European Commission	G-SIB	global systemically important bank
CDS	credit default swap	ECB	European Central Bank	H	
CEA	Commodity Exchange Act	ECL	expected credit loss	HQLA	high-quality liquid assets
		EIR	effective interest rate	HR	human resources
		EL	expected loss		
		EMEA	Europe, Middle East and Africa		
		EOP	Equity Ownership Plan		
		EPE	expected positive exposure		

Abbreviations frequently used in our financial reports (continued)

I		NII	net interest income	SAR	stock appreciation right or
IAA	internal assessment approach	NRV	negative replacement value		Special Administrative Region
IAS	International Accounting Standards	NSFR	net stable funding ratio	SBC	Swiss Bank Corporation
IASB	International Accounting Standards Board	NYSE	New York Stock Exchange	SDG	Sustainable Development Goal
IBOR	Interbank Offered Rate	O		SE	structured entity
IFRIC	International Financial Reporting Interpretations Committee	OCA	own credit adjustment	SEC	US Securities and Exchange Commission
		OCI	other comprehensive income	SEEOP	Senior Executive Equity Ownership Plan
IFRS	International Financial Reporting Standards	OTC	over-the-counter	SFT	securities financing transaction
IHC	intermediate holding company	P		SI	sustainable investing
IMA	internal models approach	PD	probability of default	SICR	significant increase in credit risk
IMM	internal model method	PFE	potential future exposure	SIX	SIX Swiss Exchange
IRB	internal ratings-based	PIT	point in time	SME	small and medium-sized entity
IRC	incremental risk charge	P&L	profit or loss	SMF	Senior Management Function
IRRBB	interest rate risk in the banking book	POCI	purchased or originated credit-impaired	SNB	Swiss National Bank
ISDA	International Swaps and Derivatives Association	PRA	UK Prudential Regulation Authority	SPPI	solely payments of principal and interest
		PRV	positive replacement value	SRB	systemically relevant bank
K		Q		SRM	specific risk measure
KRT	Key Risk Taker	QCCP	qualifying central counterparty	SVaR	stressed value-at-risk
		QRRE	qualifying revolving retail exposures		
L		R		T	
LAS	liquidity-adjusted stress	RBA	role-based allowances	TBTF	too big to fail
LCR	liquidity coverage ratio	RBC	risk-based capital	TCJA	US Tax Cuts and Jobs Act
LGD	loss given default	RbM	risk-based monitoring	TLAC	total loss-absorbing capacity
LIBOR	London Interbank Offered Rate	RMBS	residential mortgage-backed securities	TTC	through-the-cycle
LLC	limited liability company	RniV	risks not in VaR	U	
LRD	leverage ratio denominator	RoAE	return on attributed equity	UBS RESI	UBS Real Estate Securities Inc.
LTIP	Long-Term Incentive Plan	RoCET1	return on CET1 capital	UoM	units of measure
LTV	loan-to-value	RoTE	return on tangible equity	USD	US dollar
M		RoU	right-of-use	V	
M&A	mergers and acquisitions	RV	replacement value	VaR	value-at-risk
MiFID II	Markets in Financial Instruments Directive II	RW	risk weight	VAT	value added tax
MRT	Material Risk Taker	RWA	risk-weighted assets		
		S		W	
N		SA	standardized approach	WEKO	Swiss Competition Commission
NAV	net asset value	SA-CCR	standardized approach for counterparty credit risk		
NCL	Non-core and Legacy Portfolio				

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

Information sources

Reporting publications

Annual publications

Annual Report (SAP No. 80531): Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Group Functions; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.

Geschäftsbericht (SAP No. 80531): This publication provides a German translation of selected sections of our Annual Report.

Annual Review (SAP No. 80530): This booklet contains key information about our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian.

Compensation Report (SAP No. 82307): This report discusses our compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

Quarterly publications

The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

How to order publications

The annual and quarterly publications are available in .pdf format at ubs.com/investors, under "Financial information," and printed copies can be requested from UBS free of charge. For annual publications, refer to the "Investor services" section at ubs.com/investors. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

Website

The "Investor Relations" website at ubs.com/investors provides the following information about UBS: news releases; financial information, including results-related filings with the US Securities and Exchange Commission; information for shareholders, including UBS share price charts, as well as data and dividend information, and for bondholders; the UBS corporate calendar; and presentations by management for investors and financial analysts. Information is available online in English, with some information also available in German.

Results presentations

Our quarterly results presentations are webcast live. Recordings of most presentations can be downloaded from ubs.com/presentations.

Messaging service

Email alerts to news about UBS can be subscribed for under "UBS News Alert" at ubs.com/global/en/investor-relations/contact/investor-services.html. Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (the SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wrap-around document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG annual report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC's website: sec.gov. Refer to ubs.com/investors for more information.

Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS’s judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. The outbreak of COVID-19 and the measures taken in response to the pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase credit loss expense and credit impairments. In addition, we face heightened operational risks due to remote working arrangements, including risks to supervisory and surveillance controls, as well as increased fraud and data security risks. The unprecedented scale of the measures taken to respond to the pandemic as well as the uncertainty surrounding vaccine supply, distribution, and efficacy against mutated virus strains create significantly greater uncertainty about forward-looking statements. Factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (vii) UBS’s ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments; (viii) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (ix) the uncertainty arising from the UK’s exit from the EU; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xiv) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others to achieve goals relating to climate, environmental and social matters as well as the evolving nature of underlying science and industry and governmental standards; and (xxii) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2020 and UBS’s First Quarter 2021 Report on Form 6K. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes disclosed in text and tables are calculated on the basis of unrounded figures. Absolute changes between reporting periods disclosed in the text, which can be derived from numbers presented in related tables, are calculated on a rounded basis.

Tables | Within tables, blank fields generally indicate non-applicability or that presentation of any content would not be 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. Values that are zero on a rounded basis can be either negative or positive on an actual basis.

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