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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

Date: July 20, 2021

UBS Group AG
Commission File Number: 1-36764

UBS AG
Commission File Number: 1-15060

(Registrants' Name)

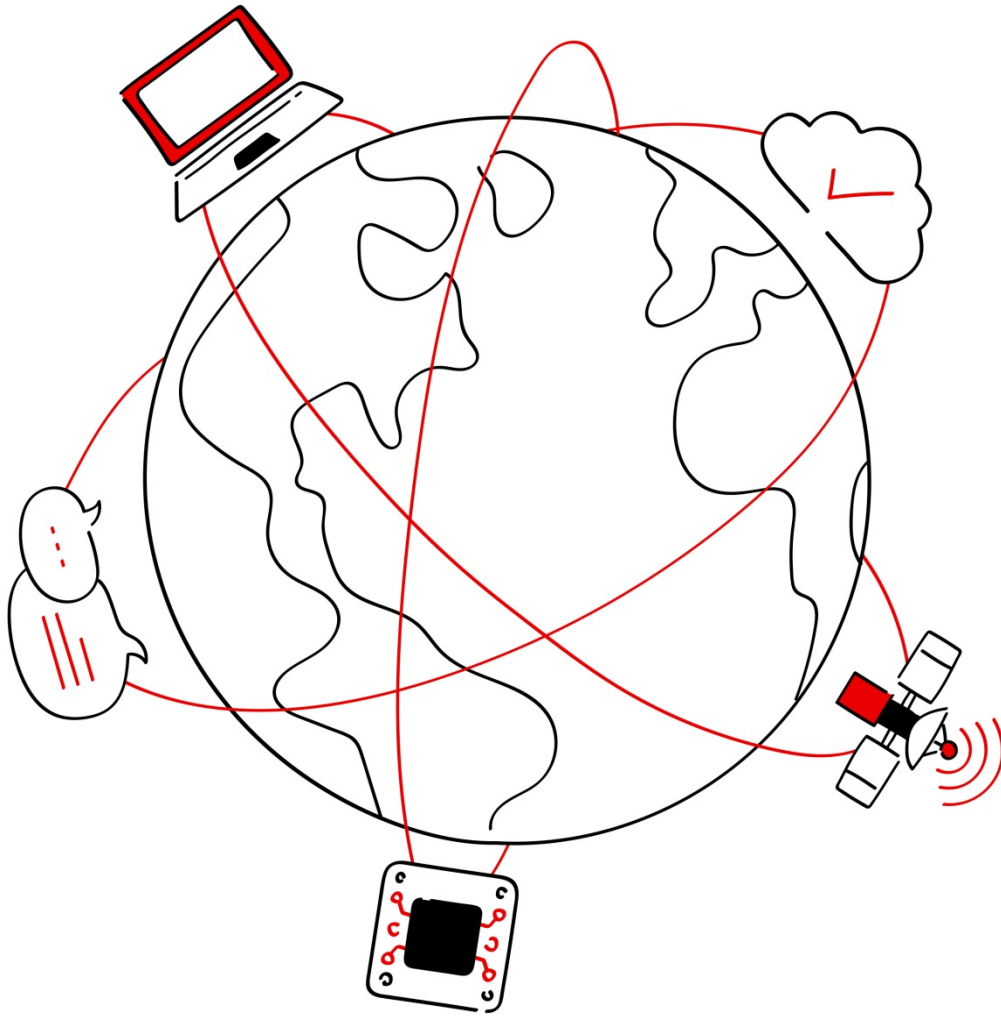
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(Address of principal executive offices)

Indicate by check mark whether the registrants file or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

This Form 6-K consists of the Second Quarter 2021 Report of UBS Group AG, which appears immediately following this page.



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

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Imprint

Publisher: UBS Group AG, Zurich, Switzerland | ubs.com
Language: English

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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

| USD million, except where indicated | 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

| <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 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 | 30,621 | 31,321 |
| Secured by commercial / industrial property ¹ | 61,895 | 59,114 |
| Secured by cash | 3,483 | 3,243 |
| Secured by securities | 22,358 | 22,155 |
| Secured by guarantees and other collateral | 117,802 | 112,359 |
| Unsecured loans and advances to customers | 15,266 | 15,564 |
| Total loans and advances to customers, gross | 2,277 | 1,980 |
| Allowances | 223,082 | 214,417 |
| | (173) | (186) |
| Total loans and advances to customers, net of allowances | 149,806 | 149,205 |
| | (601) | (616) |
| | 222,908 | 214,231 |

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 31.3.21 | Currency effects | Methodology and policy changes | Model updates / changes | Regulatory add-ons | Asset size and other ¹ | RWA as of 30.6.21 |
|--|-----------------------------|---------------------|--------------------------------------|-------------------------------|-----------------------|--------------------------------------|-----------------------------|
| Credit and counterparty credit risk ² | 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 |
| <i>of which: due to banks</i> | 14.6 | 12.6 | 1.4 | 1.2 | 0.4 | 0.4 | 0.5 | 0.5 | 0.1 | 0.1 | 0.4 | 0.3 |
| <i>of which: short-term debt issued¹</i> | 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 |
| <i>of which: demand deposits</i> | 244.2 | 232.1 | 23.8 | 22.1 | 8.5 | 7.4 | 7.0 | 7.0 | 4.5 | 4.2 | 3.8 | 3.5 |
| <i>of which: retail savings / deposits</i> | 220.7 | 219.2 | 21.5 | 20.9 | 9.4 | 8.9 | 11.6 | 11.4 | 0.5 | 0.5 | 0.0 | 0.0 |
| <i>of which: time deposits</i> | 32.9 | 36.1 | 3.2 | 3.4 | 2.2 | 2.5 | 0.2 | 0.2 | 0.0 | 0.1 | 0.8 | 0.7 |
| <i>of which: fiduciary deposits</i> | 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 | 4,028 | 14 | 1,260 | | 54,501 | 174 | 54,675 |
| | | | | | (1,008) | | (1,008) |
| | | | | | 52 | | 52 |
| | | | | | 79 | | 79 |
| | | | | | 313 | | 313 |
| | | | | | 13 | | 13 |
| | | | | | (1,308) | (4) | (1,312) |
| 11 | | 0 | 11 | | 0 | | 0 |
| | | | | | (40) | | (40) |
| | | | | | 0 | 0 | 0 |
| 1,860 | 116 | 149 | 1,600 | (4) | 4,402 | 3 | 4,404 |
| | | | | | 2,827 | 6 | 2,833 |
| 1,860 | 116 | 149 | 1,600 | (4) | 1,860 | | 1,860 |
| | | | | | (347) | | (347) |
| | | | | | 62 | | 62 |
| | | | | | 0 | (4) | (4) |
| 7,173 | 4,144 | 163 | 2,871 | (4) | 57,003 | 173 | 57,175 |
| 7,647 | 5,188 | 151 | 2,321 | (13) | 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) | | 0 | (19) | 0 | 0 | | 0 |
| | | | | | 2 | | 2 |
| | | | | | (39) | (42) | (81) |
| (1,537) | (489) | (88) | (937) | (23) | 2,252 | 10 | 2,263 |
| | | | | | 3,830 | 9 | 3,838 |
| (1,537) | (489) | (88) | (937) | (23) | (1,537) | | (1,537) |
| | | | | | (130) | | (130) |
| | | | | | 89 | | 89 |
| | | | | | 0 | 2 | 2 |
| 6,091 | 4,699 | 63 | 1,365 | (36) | 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 |
|---------------------|----------------|----------------|---------------|----------------|----------------|------------------|

| <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 |
|---------------------|----------------|----------------|---------------|----------------|----------------|------------------|

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 |
| of which: equity underwriting fees | 262 | 275 | 123 | 537 | 230 |
| of which: debt underwriting fees | 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 |
| of which: recurring | 3,823 | 3,620 | 2,980 | 7,443 | 6,320 |
| of which: transaction-based | 2,176 | 2,454 | 1,674 | 4,631 | 3,773 |
| of which: performance-based | 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 |
| of which: net brokerage fees | 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 | 30.6.21 | | | | | | | |
|---|-------------------------------------|----------------|---------------|--------------|--------------------|----------|-----------|--------------|
| | 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 | 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 | 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 |

| Coverage ratios for core loan portfolio | 31.3.21 | | | | | | | |
|--|------------------------------|---------------|--------------|------------|--------------------|-----------|-----------|------------|
| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Off-balance sheet | | | | | | | | |
| 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 | 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 | 31.3.21 | | | | | | | |
|---|-------------------------------------|----------------|---------------|--------------|--------------------|----------|-----------|--------------|
| | 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 | 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 | 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 |

| Coverage ratios for core loan portfolio | 31.3.21 | | | | | | | |
|--|------------------------------|---------------|--------------|------------|--------------------|-----------|-----------|------------|
| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Off-balance sheet | | | | | | | | |
| 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 | 11,090 | 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) |
| of which: liquidity | (327) | (356) | (340) |
| of which: model uncertainty | (521) | (511) | (479) |

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 | | | |
| USD billion | 30.6.21 | 31.12.20 | 30.6.21 | 31.12.20 | | low | high | weighted average ² | low | high | weighted average ² | unit ¹ | |
| 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 | | | 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> | | | | | | | | | | | |
| 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 | (0.1) | 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 | 9.9 | 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 |
|---|--|---|------------|--------------|--------------|------------|--------------|------------------------|--------------------------|------------------------------|---|
| | | <i>of which: related to Level 3 instruments held at the end of the reporting period</i> | | | | | | | | | |
| 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 | 0.0 | 0.5 | (0.4) | 0.0 | (0.1) | 0.0 | 1.5 |
| 0.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | 0.3 |
| 0.9 | 0.1 | 0.1 | 0.0 | 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 | 0.0 | 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 | 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 | 0.0 | 0.7 | (1.2) | 0.0 | (0.2) | 0.0 | 2.9 |
| 0.5 | (0.1) | (0.1) | 0.0 | 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 | 0.0 | 0.5 | (1.1) | 0.0 | (0.2) | 0.0 | 1.9 |
| 0.5 | (0.2) | (0.2) | 0.0 | 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 | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | 0.1 |
| 11.0 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 | 7.2 | (2.9) | 0.2 | (0.8) | (0.2) | 14.7 |
| 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | (0.2) | 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

| <i>As of 31.3.21, 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 | 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

| <i>As of 31.12.20, 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 | 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> | <i>(15.9)</i> | <i>(14.4)</i> | <i>(18.2)</i> | <i>(18.3)</i> | <i>(19.6)</i> | <i>(19.6)</i> |
| <i>of which: netting with collateral received / pledged</i> | <i>(2.4)</i> | <i>(2.5)</i> | <i>(2.9)</i> | <i>(2.3)</i> | <i>(1.5)</i> | <i>(2.1)</i> |
| 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> | <i>9,531</i> | <i>9,664</i> | <i>9,789</i> |
| 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 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 ARRs.

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 | 31.3.21 | Swiss GAAP Swiss SRB rules | 31.3.21 | IFRS EU regulatory rules | 31.3.21 ¹ | US GAAP US Basel III rules | 31.3.21 |
| Financial and regulatory requirements 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 |
| | | 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.

UBS Group AG
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This Form 6-K is hereby incorporated by reference into (1) each of the registration statements of UBS AG on Form F-3 (Registration Number 333-253432), and of UBS Group AG on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; and 333-249143), and into each prospectus outstanding under any of the foregoing registration statements, (2) any outstanding offering circular or similar document issued or authorized by UBS AG that incorporates by reference any Form 6-K's of UBS AG that are incorporated into its registration statements filed with the SEC, and (3) the base prospectus of Corporate Asset Backed Corporation ("CABCO") dated June 23, 2004 (Registration Number 333-111572), the Form 8-K of CABCO filed and dated June 23, 2004 (SEC File Number 001-13444), and the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated May 10, 2004 and May 17, 2004 (Registration Number 033-91744 and 033-91744-05).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

UBS Group AG

By: /s/ Ralph Hamers
Name: Ralph Hamers
Title: Group Chief Executive Officer

By: /s/ Kirt Gardner
Name: Kirt Gardner
Title: Group Chief Financial Officer

By: /s/ Christopher Castello
Name: Christopher Castello
Title: Group Controller and
Chief Accounting Officer

UBS AG

By: /s/ Ralph Hamers
Name: Ralph Hamers
Title: President of the Executive Board

By: /s/ Kirt Gardner
Name: Kirt Gardner
Title: Chief Financial Officer

By: /s/ Christopher Castello
Name: Christopher Castello
Title: Controller and Chief Accounting Officer

Date: July 20, 2021