CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

UNAUDITED

UBS Financial Services Inc.
(a Subsidiary of UBS Americas Inc.)
June 30, 2026

UBS Financial Services Inc.

Consolidated Statement of Financial Condition

(Unaudited)

June 30, 2026

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UBS Financial Services Inc.

Consolidated Statement of Financial Condition
(Unaudited)

June 30, 2026
(*Amounts in Thousands of Dollars*)

Assets	
Cash and cash equivalents	$ 1,127,704
Cash and securities segregated and on deposit for federal and other regulations	440,194
Collateralized agreements:	
Securities purchased under agreements to resell	722,724
Securities borrowed	1,126,994
Receivables:	
Customers (net of allowance for doubtful accounts of $6)	533,533
Brokers, dealers and clearing organizations	2,817,887
Dividends and interest	12,594
Fees and other	317,608
Financial instruments owned, at fair value	992,720
Financial assets designated at fair value	5,635,797
Receivables from affiliated companies	655,550
Property, equipment and software (net of accumulated depreciation and amortization of $2,069,614)	1,626,016
Goodwill and intangibles	553,157
Deferred tax asset, net	3,612,349
Income tax receivable	14,811
Other assets	645,850
Total assets	$ 20,835,488
Liabilities and stockholder's equity	
Collateralized agreements:	
Securities loaned	$ 277,106
Payables:	
Customers	962,213
Brokers, dealers and clearing organizations	397,520
Dividends and interest	7,698
Financial instruments sold, not yet purchased, at fair value	111,068
Financial liabilities designated at fair value	6,135,858
Accrued compensation and benefits	2,431,747
Payables to affiliated companies	967,674
Income taxes payable	16,938
Other liabilities and accrued expenses	1,620,643
	12,928,465
Subordinated liabilities	-
Stockholder's equity	7,907,023
Total liabilities and stockholder's equity	$ 20,835,488

See notes to consolidated statement of financial condition.

UBS Financial Services Inc.

Notes to Consolidated Statement of Financial Condition
(Unaudited)

June 30, 2026

(Amounts in Thousands of Dollars)

1. Organization

UBS Financial Services Inc. ("UBSFSI" or the “Company”) is registered as a broker-dealer with the Securities and Exchange Commission ("SEC"), a futures commission merchant with the Commodity Futures Trading Commission ("CFTC") and the National Futures Association and is a member of various exchanges and the Financial Industry Regulatory Authority ("FINRA"). UBSFSI operates as one operating segment which is to provide broker-dealer services to its customers. UBSFSI's business activities include securities and commodities brokerage, investment advisory and asset management services to serve the investment, cash management, financial planning and borrowing needs of individual and institutional customers.

UBSFSI is a wholly owned subsidiary of UBS Americas Inc. ("UBS Americas") which is a wholly owned subsidiary of UBS Americas Holding LLC ("UBSAHL"). UBSAHL was established in order to become the intermediate holding company for all United States subsidiaries of UBS Group AG ("UBS" or "Group") pursuant to the rules enacted for foreign banks in the United States. UBSAHL is a wholly owned subsidiary of UBS AG which is a wholly owned subsidiary of UBS.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated statement of financial condition includes the accounts of UBSFSI and its wholly owned subsidiaries (collectively, the "Company"). All intercompany balances and transactions have been eliminated. U.S. dollar is both the functional and presentation currency for UBSFSI. There are no material subsidiaries with different functional currencies.

UBSFSI consolidates entities in which UBSFSI has a controlling financial interest. UBSFSI determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a variable interest entity ("VIE") or a voting interest entity. As of June 30, 2026 the Company does not have any interests in VIEs.

The consolidated statement of financial condition are prepared in conformity with accounting principles generally accepted (“GAAP”) in the United States, which requires management to make judgments and assumptions that affect the amounts reported in the consolidated statement of financial condition and accompanying notes. Actual results could differ from those estimates. Management makes estimates regarding valuations of certain assets and liabilities, expected credit losses, the outcome of litigation, the carrying amount of goodwill and other intangible assets, certain accruals and other matters that affect the reported amounts and disclosures of contingencies in the Company's consolidated statement of financial condition.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments, with an original maturity of three months or less when purchased. At June 30, 2026, the Company had no cash equivalents.

Financial Instruments

Financial instruments owned and financial instruments sold, not yet purchased, are stated at fair value and recorded on a trade date basis. Fair value is determined by quoted market prices, when available. If quoted market prices are not available, fair value is determined using pricing models which incorporate management’s best estimates of critical assumptions, which take into account time value, volatility and other factors underlying the securities.

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements” ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Valuation techniques, as specified by ASC 820, are used to measure fair value.

The Company's fair value and valuation model governance structure includes numerous controls and procedural safeguards that are intended to maximize the quality of fair value measurements reported in the consolidated statement of financial condition. In carrying out valuation responsibilities, the business is required to consider the availability and quality of external market information and to provide justification and rationale for their fair value estimates. Independent price verification of financial instruments measured at fair value is undertaken by UBS's valuation control group. The objective of the independent price verification process is to independently corroborate the business’s estimates of fair value against observable market information. By benchmarking the business’s fair value estimates with observable market information, the degree of valuation uncertainty embedded in these measurements can be assessed and managed as required in the governance framework. As a result of the valuation controls employed, valuation adjustments may be made to the business's estimate of fair value.

2. Summary of Significant Accounting Policies (continued)

All financial instruments at fair value are categorized into one of three fair value hierarchy levels, based upon the lowest level input that is significant to the financial instrument's fair value measurement in its entirety:

Level 1: Quoted market prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Valuation techniques for which all significant inputs are or are based on observable market data.

Level 3: Valuation techniques which include significant inputs that are not based on observable market data.

The following is a description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value:

U.S. Government securities and agency obligations: U.S. Government securities are generally actively traded and are valued using quoted market prices. Where market prices are not available, these securities are valued against yield curves implied from similar issuances. Agency obligations are comprised of agency-issued debt. Non-callable agency-issued debt securities are generally valued using quoted market prices. Callable agency-issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities.

Equities: Equity securities are primarily traded on public stock exchanges where quoted prices are readily and regularly available. Equity securities not traded on a public stock exchange are valued using observable inputs. These valuations are built using multiples of standard company financial indicators, the multiples being assessed with available data from peer/comparable companies.

Mutual funds: Mutual funds are generally valued using quoted market prices or valuation techniques which use observable inputs if not traded in an active market. In some instances, significant inputs are not based on observable market data.

Corporate debt obligations: Corporate bonds are priced at fair market value, based on recent trades or broker and dealer quotes. In cases where no directly comparable price is available, the bonds are priced against yields derived from other securities by the same issuer or valued using similar securities adjusting for seniority, maturity and liquidity. For illiquid securities, credit modeling

2. Summary of Significant Accounting Policies (continued)

may be used, which considers the features of the security and discounted cash flows using observable or implied credit spreads and prevailing interest rates.

State and municipal obligations: These securities are comprised of bonds issued by states and municipalities. These financial instruments are priced based on recent trades or broker and dealer quotes.

Certificates of deposit and money market funds: These financial instruments have short and long term maturities and carry interest rates that approximate market. We use market data to price these positions.

Mortgage-backed obligations: Mortgage-backed obligations represent agency mortgage pass-through pool securities and collateralized mortgage obligations ("CMO"). Pass-through pools are valued using quoted market prices or prices of comparable securities after considering collateral characteristics, historical performance and also pricing benchmark securities. Agency CMOs are structured deals backed by specific pools of collateral and are valued based on available trades or market comparable securities. Both asset classes require a view around forward interest rates, prepayments and other macro variables.

Brokerage receivables and payables: These assets and liabilities represent callable, on demand balances whereby the fair value is determined based on the value of the underlying balance due (refer to Note 5).

Collateralized Agreements

Securities purchased under agreements to resell (“resale agreements”) are generally collateralized by U.S. government securities. They are accounted for as financing transactions at their contractual amounts, plus accrued interest which represents amounts at which the securities will be subsequently resold.

For resale agreements, it is Company policy to obtain collateral in the form of securities, with fair value in excess of the original principal amount loaned. The risk related to a decline in the market value of collateral (received) is managed by setting appropriate market-based haircuts. On a daily basis, the Company monitors the fair value of the securities purchased under these agreements. Should the fair value of the securities purchased decline, additional collateral is requested or excess collateral is returned when deemed appropriate to maintain contractual margin protection.

2. Summary of Significant Accounting Policies (continued)

The Company manages credit exposure arising from resale agreements by, in appropriate circumstances, entering into master netting agreements and collateral agreements with counterparties that provide the Company, in the event of a counterparty default (such as bankruptcy or a counterparty's failure to pay or perform), with the right to net a counterparty's rights and obligations under such agreement and liquidate and set off collateral held by the Company against the net amount owed by the counterparty.

Securities borrowed and securities loaned transactions are recorded at the amount of cash advanced or received in connection with the transaction. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. With respect to securities loaned, the Company receives collateral, principally cash. The initial collateral advanced or received has a fair value equal to or greater than the fair value of the securities borrowed or loaned. The Company monitors the fair value of the securities borrowed and loaned on a daily basis and requests additional collateral or returns excess collateral, as appropriate. Accrued interest income and expense on these transactions are reflected in dividends and interest receivable and payable on the consolidated statement of financial condition.

Principal Transactions

When acting as a principal, the Company enters a transaction in its own name and for its own account. As a principal, the Company has beneficial ownership of and legal title to the assets. Transactions in which securities flow through the Company's inventory are considered principal transactions. The Company assumes both credit risk and market risk from the inception of the transaction. Amounts receivable and payable for principal transactions that have not reached their contractual settlement date are recorded as receivables from and payables to brokers, dealers and clearing organizations in the consolidated statement of financial condition.

Leases

The Company predominantly enters into operating lease contracts, or contracts that include lease components, as a lessee of real estate, including operations offices and sales offices. At June 30, 2026, the Company has no finance leases. The Company identifies non-lease components of a contract and accounts for them separately from lease components.

When the Company enters into an operating lease arrangement it recognizes a lease liability and corresponding right-of-use ("RoU") asset at the commencement of the lease, the point at which the Company acquires control of the physical use of the asset. Lease liabilities are presented within other liabilities and accrued expenses and RoU assets are presented within property, equipment

2. Summary of Significant Accounting Policies (continued)

and software in the consolidated statement of financial condition. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using Company's unsecured borrowing rate given the rate implicit in a lease is generally not observable to the lessee.

The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset or lease incentives received.

The lease liability is accreted over the lease term using the effective interest method based on the unsecured borrowing rate at commencement. The RoU asset is adjusted for the difference between the straight-line amortization cost for the period (including amortization of initial direct costs) and the periodic accretion of the lease liability.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or termination option that the Company considers reasonably certain to be exercised, the expected rental payments or costs of termination are included within the lease payments used to measure the lease liability. The Company does not typically enter into leases with purchase options or residual value guarantees.

Credit Losses

The current expected credit losses ("CECL") model requires the measurement of expected credit losses for financial assets measured at amortized cost, net investments in leases, and certain off-balance-sheet credit exposures based on historical experience, current conditions and reasonable and supportable forecasts over the remaining contractual life of the financial assets, considering expected prepayments as appropriate. The overall estimate of the allowance for credit losses is based on both quantitative and qualitative considerations.

The Company applies the practical expedient provided in ASC 326, "Financial Instruments – Credit Losses" ("ASC 326") to collateralized agreements secured by collateral maintenance provisions. Entities may apply this practical expedient for assets secured by collateral if they reasonably expect the borrower or the counterparty to continue to replenish the collateral to meet the requirements of the contracts. As such, under the practical expedient, entities may elect to measure the allowance for expected credit losses by comparing the amortized cost basis of the financial asset with the fair value of collateral at the measurement date. This approach may result in an estimate of zero expected credit losses. If the fair value of the collateral, however, falls below the amortized cost of the loan, the allowance for credit losses is limited to the difference between the fair value of the collateral and the amortized cost of the loan at the reporting date.

2. Summary of Significant Accounting Policies (continued)

For certain financial assets measured at amortized cost (e.g., cash equivalents and receivables from brokers, dealers and clearing organizations), the Company has concluded that there are de minimus expected credit losses based on the nature and contractual life or expected life of the financial assets and immaterial historic and expected losses.

The Company issues loans to certain new and active financial advisors, which are included in other assets in the consolidated statement of financial condition (see Note 16 for a detailed description of these loans). Where financial assets are determined to share similar risk characteristics, the methodology applied under CECL calculates an individual probability-weighted expected credit loss. This approach is primarily applicable to the Company's portfolio of loans to its financial advisors. Credit risk for this portfolio of loans is dependent on whether the financial advisor terminates employment with the Company. Therefore, the principal factors applied are: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and discounting of cash flows to the reporting date.

- The PD represents the likelihood of termination over the remaining life of the loan and inability of the financial advisors to repay when terminated.

- The LGD represents an estimate of the loss at the time of a potential termination occurring during the life of the loan.

- The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of the loan.

PDs and LGDs used in the CECL calculation consider a range of scenarios (upside, baseline, mild, downside) to capture material non-linearity and asymmetries, and scenario weights are applied to reflect a likelihood of their occurrence. CECL is measured over the contractual life, considering expected prepayments where appropriate. The significant macroeconomic variables leveraged by the CECL model for financial advisor loans are the S&P 500 and the CBOE Volatility Index ("VIX"), which is a measure of expected price fluctuations in the S&P 500 Index options over the next 30 days. In combination, these two macroeconomic variables are considered to be significant in the determination of the financial performance of the advisor and, therefore, provide an indication of the ability to repay the obligation in accordance with its contractual terms.

Where it is determined that a financial asset does not share similar risk characteristics with any other financial assets, including when it is probable that the Company will be unable to collect the full payment of principal and interest on the instrument when due, CECL is measured on an individual basis using a discounted cash flow approach.

2. Summary of Significant Accounting Policies (continued)

The following table provides a reconciliation of the beginning and ending balances of the allowance for credit losses during the period:

	Loans
Beginning balance January 1, 2026	$ 2,954
Provision for credit losses	2,165
Charge-offs	(844)
Recoveries	-
Ending balance June 30, 2026	$ 4,275

Depreciation and Amortization

The Company depreciates office equipment and software using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining term of the lease. At June 30, 2026, property, equipment and software include $24,494 related to internally generated computer software which are under development and not ready to use.

Income Taxes

The Company is included in the consolidated federal income tax return and certain combined state and local tax returns of UBS Americas Inc. In addition, the Company files stand alone returns in other state, local and foreign jurisdictions. Federal, state, local and foreign taxes are provided for on a separate return basis.

In accordance with the provisions of ASC 740 – "Income Taxes" ("ASC 740"), deferred tax assets and liabilities are recognized for the future tax effect of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect during the year in which the basis differences reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. In the event it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is recorded.

ASC 740 also sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized.

2. Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortized but is tested, at least annually, for impairment in accordance with ASC 350, "Intangibles – Goodwill and Other" ("ASC 350"). The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after the qualitative assessment the Company determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is not required. However, if the Company concludes otherwise, then it is required to perform the first step of the two-step impairment test. The Company has an unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two- step goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period. The first step, used to identify potential impairment, involves comparing each reporting unit's fair value to its carrying value including goodwill and intangible assets. If the fair value of a reporting unit exceeds its carrying value, applicable goodwill and intangible assets is considered not to be impaired. If the carrying value exceeds fair value, there is an indication of impairment and the second step is performed to measure the amount of impairment.

At June 30, 2026, the Company's goodwill of $553,157 primarily relates to the acquisitions of Piper Jaffrey Companies and McDonald Investments in September 2006 and February 2007, respectively.

There was no goodwill impairment recognized for the year ended June 30, 2026.

Share-based and Other Deferred Compensation Plans

UBS has established several share-based compensation plans that are settled in UBS's equity instruments or an amount that is based on the value of such instruments. These awards are generally subject to conditions that require employees to complete a specified period of service and, for performance shares, to satisfy specified performance conditions. For equity-settled instruments, fair value is determined at the date of grant and is not re-measured unless its terms are modified such that the fair value immediately after modification exceeds the fair value immediately prior to modification. For cash-settled awards, fair value is re-measured at each reporting date such that the cumulative expense recognized equals the cash distributed.

2. Summary of Significant Accounting Policies (continued)

UBS has established deferred compensation plans that are settled in cash or financial instruments other than UBS equity instruments, the amount of which may be fixed or may vary based on the achievement of specified performance conditions or the value of specified underlying assets.

Receivables from Customers and Allowance for Loan Losses

Receivables from customers consist of non-purpose loans ("Loans") (see Note 7). The Company reports loans due from customers at the outstanding principal amount adjusted for any charge offs or allowances for credit losses.

Loans are generally placed on non-accrual status at the point when a maintenance call is not satisfied by the borrower. Any accrued interest receivable related to a Loan that is placed on non-accrual status is added to the principal amount due. Payments received while a Loan is on non-accrual status are recorded as a reduction of principal. Income on non-accrual Loans is recognized only to the extent that cash payments are in excess of the carrying value of the Loan. If the borrower has demonstrated over a period of time, the ability to make periodic interest and principal payments as scheduled, the Loan will be returned to accrual status.

See Credit Losses section above, for details on measurement of allowance for credit losses.

Accounting Developments

Adopted in 2026

In September 2025, the FASB issued ASU 2025-06, “Intangibles–Goodwill and Other–Internal-Use Software” (“ASU 2025-06”). The guidance modernizes and clarifies the threshold for when an entity is required to start capitalizing software costs and is based on when (i) management has authorized and committed to funding the software project and (ii) it is probable that the project will be completed and the software will be used to perform the function intended.

The amendments in ASU 2025-06 are effective for fiscal years beginning after December 15, 2027, and interim reporting periods, with early adoption permitted.

The Company early adopted ASU 2025-06 on January 1, 2026. The adoption of this ASU did not have a material impact on its consolidated statement of financial condition.

In September 2025, the FASB issued ASU 2025-07, “Derivatives and Hedging (“ASC 815”) and Revenue from Contracts with Customers (“ASC 606”): Derivatives Scope Refinements and Scope

2. Summary of Significant Accounting Policies (continued)

Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract" ("ASU 2025-07"). ASU 2025-07 adds a new scope exception to derivative accounting guidance for non-exchange traded contracts with underlyings based on operations or activities specific to one of the parties to the contract. The ASU also clarifies that an entity should apply the guidance from revenue from contracts with customers, including the noncash consideration guidance therein, to a contract with share-based non-cash consideration from a customer for the transfer of goods or services unless and until the entity's right to receive or retain the share-based noncash consideration is unconditional.

The amendments in ASU 2025-07 are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted.

The Company early adopted ASU 2025-07 on January 1, 2026. The adoption of this ASU did not have a material impact on its consolidated statement of financial condition.

Pending Adoptions

In April 2025, the FASB issued ASU 2025-03, "Business Combinations ("ASC 805") and Consolidation ("ASC 810"): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity" ("ASU 2025-03"). The amendment require an entity involved in an acquisition transaction effected primarily by exchanging equity interests when the legal acquiree is a VIE that meets the definition of a business to consider the factors in paragraphs 805-10-55-12 through 55-15 to determine which entity is the accounting acquirer.

The amendments in ASU 2025-03 are effective for fiscal years beginning after December 15, 2026, and interim reporting periods, with early adoption permitted.

The adoption of this ASU 2025-03 is not expected to have a material impact on the Company's consolidated statement of financial condition.

In April 2025, the FASB issued ASU 2025-04, "Compensation—Stock Compensation ("ASC 718") and Revenue from Contracts with Customers ("ASC 606"): Clarifications to Share-Based Consideration Payable to a Customer" ("ASU 2025-04"). The amendment reduces diversity in practice and improves the decision usefulness and operability of the guidance for share-based consideration payable to a customer in conjunction with selling goods or services.

The amendments in ASU 2025-04 are effective for fiscal years beginning after December 15, 2026, and interim reporting periods, with early adoption permitted.

2. Summary of Significant Accounting Policies (continued)

The adoption of this ASU 2025-04 is not expected to have a material impact on the Company's consolidated statement of financial condition.

In December 2025, The FASB issued ASU 2025-11, "Interim Reporting ("ASC 270"): Narrow-Scope Improvements" ("ASU 2025-11"). ASU 2025-11 clarifies that an entity is subject to ASC 270 if it provides "interim financial statements and notes in accordance with GAAP." The ASU also addresses the form and content of such financial statements, adds lists to ASC 270 of the interim disclosures required by all other Codification topics, and establishes a principle under which an entity must "disclose events since the end of the last annual reporting period that have a material impact on the entity." The amendments are not intended to change the fundamental nature of interim reporting or expand or reduce current interim disclosure requirements.

The amendments in ASU 2025-11 are effective for interim reporting periods within annual reporting periods beginning after December 15, 2027.

The Company is currently evaluating the impact that this guidance will have on its consolidated statement of financial condition.

In December 2025, The FASB issued ASU 2025-12, "Codification Improvements" ("ASU 2025-12"). ASU 2025-12 aims to clarify, correct errors in and make improvements to several codification topics including amendments to: clarify the determination of the effect of potential common shares on the diluted earnings per share computation; clarify that lease receivables arising from sales-type leases or direct financing leases should be excluded from the disclosure requirements for certain loan modifications to borrowers experiencing financial difficulty; revise the calculation of the reference amount description for beneficial interests, and clarify the calculation of interest income; explicitly permit the excess of repurchase price over par or stated value to be deducted from additional paid-in capital, as long as APIC does not become negative; and clarify that the transfer of receivables from contracts with customers that meets the definition of a financial asset is subject to the requirements of ASC 860.

The amendments are part of an ongoing FASB project to make non-substantive technical corrections, clarifications, and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities.

The amendments in ASU 2025-12 are effective for fiscal years beginning after December 15, 2026, and interim reporting periods, with early adoption permitted.

The Company is currently evaluating the impact that this guidance will have on its consolidated statement of financial condition.

3. Fair Value Measurement

At June 30, 2026, the fair value hierarchy classification of financial assets and liabilities measured at fair value is summarized below:

	Level 1	Level 2	Level 3	Total
Financial instruments owned, at fair value				
U.S. Government securities and agency obligations	$ 913	$ 261	$ -	$ 1,174
Equities	58	13,437	38,435	51,930
Mutual funds	538,716	-	6,236	544,952
Corporate debt obligations	-	614	-	614
State and municipal obligations	-	391,817	-	391,817
Certificates of deposit and money market funds	-	-	-	-
Mortgage-backed obligations	-	2,233	-	2,233
Total	$ 539,687	$ 408,362	$ 44,671	$ 992,720

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value				
Brokerage receivables	$ -	$ 5,635,797	$ -	$ 5,635,797

	Level 1	Level 2	Level 3	Total
Financial instruments sold, not yet purchased, at fair value				
U.S. Government securities and agency obligations	$ 108,729	$ -	$ -	$ 108,729
Equities	-	189	-	189
Corporate debt obligations	-	526	-	526
State and municipal obligations	-	1,085	-	1,085
Certificates of deposit and money market funds	-	-	-	-
Mortgage-backed obligations	-	539	-	539
Total	$ 108,729	$ 2,339	$ -	$ 111,068

	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value				
Brokerage payables	$ -	$ 6,135,858	$ -	$ 6,135,858

Fair value of the brokerage receivables and brokerage payables (Note 5) approximate amortized cost which generally represents the balance due or balance owed. Due to the on-demand nature of its underlying, these receivables and payables are designated as Level 2.

Financial instruments sold, not yet purchased, at fair value represents obligations of the Company to deliver the specified securities at contracted prices and, thereby, requires the Company to purchase the securities in the market at prevailing prices. The Company's ultimate obligation to

3. Fair Value Measurement (continued)

satisfy the sale of securities sold, not yet purchased may exceed the amount reflected in the consolidated statement of financial condition.

During the half year ended June 30, 2026, the Company did not transfer any financial assets or liabilities between Levels in the fair value hierarchy.

The Company is the primary liquidity provider in the market for a number of closed-end mutual funds (the "Funds") invested in Puerto Rico municipal securities. Since 2013, the Puerto Rico market has experienced a downturn and liquidity issues became prevalent with the Funds. The Company also holds equity investments in privately held companies to facilitate its business activities. The fair value of these Funds and equity investments is based on valuation techniques for which significant inputs are not based on observable market data.

The following table provides a reconciliation of the beginning and ending balances for the various classes of assets measured at fair value using unobservable inputs categorized as Level 3.

	Financial Instruments Owned		
	Mutual Funds	**Equities**	**Total**
Beginning balance	$ 6,633	$ 33,111	$ 39,744
Purchases	8	404	412
Sales	(8)	-	(8)
Return of capital	(703)	-	(703)
Net unrealized gain (loss)	306	4,920	5,226
Ending balance	$ 6,236	$ 38,435	$ 44,671

The following table provides information on the valuation techniques, significant unobservable inputs and the range of values for those inputs for financial instruments owned, at fair value, categorized as Level 3 in the fair value hierarchy at June 30, 2026.

The range of values presented in the below table is representative of the lowest level of input that is significant to the financial instruments' fair value. The disclosure below also includes qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs. Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments.

3. Fair Value Measurement (continued)

	Financial Instruments Owned	Valuation Technique	Significant Unobservable Inputs	Range of Input Values (Weighted Average)
Mutual funds	$6,236	Internally developed model	Discount rates	29% - 90%
Equities	$38,435	Relative value to market comparable	Price	

Financial assets and liabilities not measured at fair value

Other financial assets and liabilities are recorded by the Company at their contract values and include cash and cash equivalents, cash and securities segregated and on deposit for federal and other regulations, resale agreements, securities borrowed and securities loaned, receivables from and payables to (i) customers, (ii) brokers, dealers and clearing organizations, (iii) affiliated companies, (iv) dividend and interest, (v) fees and other receivables, and (vi) subordinated debt.

All financial assets and liabilities carried at contract amounts either have short-term maturities (one year or less) or are carried at amounts that approximate fair value. The carrying value of loans included in receivable from customers approximate fair value as these loans re-price daily and there is no stated maturity date nor any historical losses.

The following table represents the carrying value, fair value, and fair value hierarchy category of financial assets and liabilities that are not recorded at fair value in the Company's consolidated statement of financial condition. The following table excludes all non-financial assets and liabilities.

3. Fair Value Measurement (continued)

	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and cash equivalents	$ 1,127,704	1,127,704	$ 1,127,704	$ -	$ -
Cash and securities segregated and on deposit for federal and other regulations	440,194	440,194	420,194	20,000	-
Securities purchased under agreements to resell	722,724	722,724	-	722,724	-
Securities borrowed	1,126,994	1,126,994	-	1,126,994	-
Receivables from customers	533,533	533,533	-	533,533	-
Receivables - Brokers, dealers and clearing organizations	2,817,887	2,817,887	-	2,817,887	-
Receivables - Dividends and interest	12,594	12,594	-	12,594	-
Receivables - Fees and other	317,608	317,608	-	317,608	-
Receivables from affiliated companies	655,550	655,550	-	655,550	-

Financial Liabilities:	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
Securities loaned	277,106	277,106	-	277,106	-
Payables to customers	962,213	962,213	-	962,213	-
Payables - Brokers, dealers and clearing organizations	397,520	397,520	-	397,520	-
Payables- Dividends and interest	7,698	7,698	-	7,698	-
Payables to affiliated companies	967,674	967,674	-	967,674	-

4. Collateralized Agreements

The Company enters into securities purchased under agreements to resell, securities borrowed and securities loaned transactions to, among other things, facilitate the Company's financing transactions and acquire securities to cover short positions and settle other securities obligations.

Secured Financing Transactions-Maturities and Collateral Pledged

The following tables present gross obligations, prior to any netting as shown below, for securities loaned transactions by remaining contractual maturity and class of collateral pledged as of June 30, 2026.

	Remaining Contractual Maturity				
	Overnight and Open	Less than 30 days	30-90 days	Over 90 days	Total
Securities loaned	$ 277,106	$ -	$ -	$ -	$ 277,106
Total	$ 277,106	$ -	$ -	$ -	$ 277,106

Secured Financing by the Class of Collateral Pledged

Securities loaned	
Equities	$ 277,106
Total	$ 277,106

4. Collateralized Agreements (continued)

The Company does not have any transactions accounted for as a sale that results in the Company retaining substantially all of the exposure to the economic returns of the transferred asset.

Offsetting of Collateral Agreements

The Company manages credit risk by entering into netting agreements with counterparties. These netting agreements generally enable the counterparties to offset liabilities against assets received in the event that the counterparty to the transaction is unable to fulfill its contractual obligation. The Company offsets these financial assets and financial liabilities on the consolidated statement of financial condition only when it has an enforceable legal right to offset the respective recognized amounts and intends to settle on a net basis.

The following table presents information regarding the offsetting of financial assets and liabilities.

	Gross Amounts	Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Cash or Financial Instruments Amounts not offset in the Statement of Financial Condition[2][3]	Net Amount
Financial assets					
Securities borrowed	$ 1,126,994	$ -	$ 1,126,994	$ (1,110,210)	$ 16,784
Securities purchased under agreements to resell [1]	722,724	-	722,724	$ (714,925)	7,799
Financial liabilities					
Securities loaned	$ 277,106	$ -	$ 277,106	$ (277,057)	$ 49

(1) Balance excludes $20,000 in securities purchased under agreements to resell that are segregated pursuant to the Customer Protection Rule and are included in cash and securities segregated and on deposit for federal and other regulations on the consolidated statement of financial condition.

(2) Amounts relate to master netting agreements and collateral agreements which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are not met in accordance with applicable offsetting account guidance ASC 210-20-45-11.

(3) The total amount reported is limited to the related amount presented on the statement of financial condition to not include any over-collateralization of these positions.

In the normal course of business, the Company receives margin securities and obtains securities under agreements to resell and securities borrowed on terms which permit it to pledge or resell the securities to others. At June 30, 2026, the Company obtained and had available securities with a fair value of approximately $6,853,603, of which approximately $3,008,062 have been either pledged or otherwise transferred to others in connection with the Company's financing activities,

4. Collateralized Agreements (continued)

such as securities loaned as well as to cover short sales and to satisfy customer margin requirements at the Options Clearing Corporation.

5. Financial Assets and Financial Liabilities Designated at Fair Value

Financial assets and financial liabilities designated at fair value consist of brokerage receivables and payables. These assets and liabilities represent customer activities recorded on a settlement date basis including callable, on-demand margin loans ("Margin Loans"), free cash credits and secured credits (sale of securities not yet purchased). The balances are an aggregation of cash receivables and payables that form a single unit of account at the customer level. The business model for these accounts is similar to any current or on-demand accounts, with customers using the account to house subscriptions, redemptions and billed amounts. See Note 3 for fair value measurement on brokerage receivables and payables.

The Company's customer activities involve the execution, settlement and financing of various securities transactions. These activities are transacted on either a cash or margin basis. In issuing Margin Loans, the Company extends credit to customers, which is collateralized by cash and/or securities in the customer's account. The Company seeks to control risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin level daily and pursuant to such guidelines, requires the customer to deposit additional collateral or reduce positions, when necessary.

Such transactions may expose the Company to credit risk in the event that margin requirements are not sufficient to fully cover losses that customers may incur. If the customer fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at prevailing market prices in order to fulfill the customer's obligations.

Securities owned by customers, including those that collateralize margin loans or similar transactions, are not reflected on the consolidated statement of financial condition.

6. Cash and Securities Segregated and on Deposit for Federal and Other Regulations

The Company is required to segregate cash in a special reserve bank account for the exclusive benefit of customers under SEC Rule 15c3-3 (the "Customer Protection Rule"). The Company also performs a separate computation for assets in the proprietary accounts of broker-dealers ("PAB") in accordance with the Customer Protection Rule. At June 30, 2026, the Company included $420,194 in cash and $20,000 of qualified securities in cash and securities segregated and on deposit for federal and other regulations.

6. Cash and Securities Segregated and on Deposit for Federal and Other Regulations (continued)

Included in receivable from brokers, dealers and clearing organizations on the consolidated statement of financial condition is $60,660 in net liquidating equity segregated pursuant to Section 4d(a)(2) of the Commodity Exchange Act and CFTC Regulation 1.20 and 30.7.

7. Receivables from and Payables to Customers

The Company provides securities-based lending that allows customers to borrow against the value of qualifying securities for any suitable purpose other than purchasing, trading, or carrying securities ("Loans"). As of June 30, 2026, the Company recognized Loans in the amount of $533,533. Loans are subject to the same collateral requirements as Margin Loans (refer to Note 5). Payables to customers in the amount of $962,213 consist of deposits in foreign currency.

8. Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations at June 30, 2026, consist of the following:

Receivables from brokers, dealers and clearing organizations:	
Securities failed to deliver	$ 113,238
Receivables related to cash clearing activity	2,225,722
Receivables related to commodities clearing activity	119,552
Deposits with clearing organizations	345,892
Others	13,483
Total	$ 2,817,887
Payables to brokers, dealers and clearing organizations:	
Securities failed to receive	$ 379,714
Pending trades and other	17,806
Total	$ 397,520

9. Related-Party Transactions

In the normal course of business, the Company enters into transactions with affiliated companies. At June 30, 2026, the consolidated statement of financial condition included the following balances with affiliates:

9. Related-Party Transactions (continued)

Assets		
Cash and cash equivalents	$	694,705
Cash and securities segregated and on deposit for federal and other regulations		41,060
Securities purchased under agreements to resell		722,724
Securities borrowed		1,126,994
Receivables from brokers, dealers and clearing organizations		31,508
Receivables from affiliated companies		655,550
Liabilities		
Securities loaned	$	277,106
Payables to brokers, dealers and clearing organizations		130,869
Accrued compensation and benefits		153,200
Payables to affiliated companies		967,674
Other liabilities and accrued expense		77,379

Cash and securities segregated and on deposit for federal and other regulations includes a resale agreement with an affiliated counterparty in the amount of $20,000 which the Company has deposited with a third party.

The Company exchanges cash balances in a foreign currency, originating from customer deposits, to UBS Americas Inc. in exchange for U.S. dollars, creating a receivable and a payable, respectively. The U.S. dollars the Company receives in this transaction is used to meet its customer requirement, pursuant to SEA 15c3-3, that arise from the foreign currency deposits made by the Company's customers. The balances related to these transactions with UBS Americas Inc., at June 30, 2026, were $638,365 included in receivables from affiliated companies and $635,000 in payables to affiliated companies in consolidated statement of financial condition.

Payables to affiliated companies include a short-term funding facility with UBSAHL. The balance at June 30, 2026 was $0.

Service Level Agreements

Pursuant to service level arrangements, the Company receives services from and provides services to affiliates (i.e., operational, administrative, securities research, premises). The significant arrangements where the Company receives or provides such support services include arrangements with UBS Bank USA ("BUSA"), UBS Business Solutions LLC ("UBS BS"), UBS Business

9. Related-Party Transactions (continued)

Solutions AG (“UBS BS AG”), UBS Securities LLC ("UBSS LLC"), UBS Business Solutions UK ("UBS UK"), UBS AG Stamford branch ("Stamford branch") and UBS Asset Management Inc. (“UBS AM”).

In addition, the Company receives services from Group related to the administration of certain compensation plans.

In the normal course of business, the Company enters into resale agreements and securities lending transactions with UBSS LLC in order to facilitate customer transactions and to meet its short-term financing needs. Additionally, the Company enters into stock borrow and stock loan transactions with UBSS LLC.

10. Subordinated Liabilities

At June 30, 2026, the Company did not have any outstanding subordinated borrowings.

11. Risk Management

The Company's risk management policies and related procedures are aligned with those of the Group. The Company's risk governance framework operates along three lines of defense. The first line of defense, business and Group functions management, owns its risks and is accountable for maintaining effective processes and systems to manage them in compliance with applicable laws, rules and regulations as well as internal standards, including identifying control weaknesses and inadequate processes. The second line of defense, control functions, is separate from the business and reports directly to the Group Chief Executive Officer (“the Group CEO”). Control functions provide independent oversight of risks, challenge financial and non-financial risks arising from the Company’s business activities, and establish independent frameworks for risk assessment, measurement, aggregation, control and reporting, protecting against non-compliance with applicable laws, rules and regulations. Our third line of defense, Group Internal Audit, reports to the Chairman and to the Audit Committee. This function assesses the design and operating effectiveness and sustainability of processes to define risk appetite, governance, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal governance standards.

The key roles and responsibilities of the Company's risk management and control are as follows:

- Protection of financial strength: Protecting the financial strength of the Company by controlling risk exposures and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate Company level across all risk types.
- Protection of reputation: Protecting the Company's reputation through a sound risk culture

11. Risk Management (continued)

characterized by a holistic and integrated view of risk, performance and reward, and through full compliance with the Company's standards and principles, particularly the Company's Code of Business Conduct and Ethics.

- Business management accountability: Maintaining management accountability, whereby business management owns all risks assumed throughout the Company and is responsible for the continuous and active management of all risk exposures to ensure that risk and return are balanced.
- Independent controls: Independent control functions which monitor the effectiveness of the business's risk management and oversee risk-taking activities.
- Risk disclosure: Disclosure of risks to senior management, the Board of Directors, investors, regulators, credit rating agencies and other stakeholders with an appropriate level of comprehensiveness and transparency.

Market Risk

Market risk is the risk of loss from changes in market variables. There are two broad categories of changes: general market risk factors driven by macroeconomic, geopolitical and other market-wide considerations and market risk factors that are specific to individual companies or entities.

General market risk factors include interest rates, level of equity market indices, credit spreads, foreign currency exchange rates and other factors. Market risk factors that are specific to individual companies or entities cannot be explained by general market moves. In the normal course of business the Company is exposed to general and specific market risks related to its trading activities and some non-trading businesses are also subject to market risk.

The Company has two major portfolio measures to monitor market risk: Value at Risk and Liquidity Adjusted Stress. These measures are complemented by concentration and other supplementary limits on portfolios, sub-portfolios or asset classes covering both general and specific market risk factors. The senior management of each relevant business area is responsible for reviewing trading and non-trading positions, exposures, profits and losses, and trading strategies. The Company has a risk control group which reviews the Company’s risk profile and independently monitors development in trading and non-trading portfolios according to established limits. The market risk team within the risk control group also reviews trading positions and economic hedging strategies, performs market risk modeling and aids in setting risk policies of the Company.

Non-Financial Risk

Non-financial risk ("NFR") is an inherent part of the Company’s business activities. It is the risk of undue monetary loss and / or non-monetary adverse consequences to the Company, its clients or markets, resulting from:

11. Risk Management (continued)

- Compliance risk: failure to comply with laws, rules and regulations, internal policies and procedures, and the Company's code of conduct and ethics.
- Financial crime risk: failure to prevent financial crime.
- Operational risk: inadequate or failed internal processes, people, systems, or from external events.

The Group-wide Non-financial Risk Framework ("NFRF") outlines the key components of the NFRF. The elements of the NFRF (compliance, financial crime and operational risk) are viewed from an inherent risk, control environment and residual risk perspective:

- Inherent risk is the risk associated with an activity, assuming no controls are in place.
- Control environment includes, but is not limited to, policies, procedures, systems, processes, governance, training and culture, in addition to developing a minimum set of internal controls sufficient to sustainably mitigate key NFR to be within the Company's risk appetite.
- Residual risk is the risk remaining after taking the effectiveness of the control environment into account.

The Company's overall objective is to manage its businesses and associated NFR, balancing the interests of its clients, employees, suppliers, communities and investors, and protecting the safety and soundness, including the financial position and reputation of the Company.

The NFR Framework establishes the requirements for the management and control of NFR and consists of the following components:

- Risk culture: The NFRF is built on the solid foundation of the Company's risk culture, which is characterized by the three keys to success: our Pillars, Principles and Behaviors.
- NFR governance: Governance includes the definition of NFR, its systematic categorization (NFR taxonomy), setting the acceptable NFR exposure (NFR appetite) and defining roles & responsibilities.
- NFR controls and assurance: NFR controls are designed to prevent NFR from materializing, ensure the company is operating within risk appetite and are regularly assessed for design and operating effectiveness. If the Company operates beyond risk appetite or NFR materializes (NFR event), the Company must take risk mitigating measures. These can include remediating missing/deficient controls (NFR issues), adjusting risk tolerance or the Company's risk profile, or risk acceptance. Independent assurance is aimed at timely identification of ineffective control design and operation.

  NFR assessment and measurement: NFR assessments include the 1LoD-led Risk Appetite Assessment ("RAA") and Risk Control Self-Assessment ("RCSA"), and the 2LoD-led Dynamic Risk Assessment ("DRA"), which are reported to the Group Executive Board

11. Risk Management (continued)

("GEB") and Board of Directors ("BoD"). The RAA acts as an early-warning system to timely identify heightened risk. The RCSA identifies Inherent Risks ("IR"), evaluates the Control Environment ("CE"), concludes on Residual Risk ("RR") across all NFR and contributes to business strategy planning, alignment of priorities and resources, and mitigation of identified risk. The DRA is a top-down and bottom-up independent assessment by Group Compliance and Operational Risk Control ("GCORC") to timely identify areas of heightened and emerging risk in order to derive and prioritize 2LoD activities. NFR assessment components are used as inputs into regulatory and economic capital, NFR scenario analysis, and NFR risk identification (NFR measurement frameworks).

- NFR tools and automation: NFR data is captured, stored and reported in dedicated tools which are used to automate, streamline and bring consistency across NFR processes. Dashboards are used to organize, manage and assess NFR information.
- NFR reporting: NFR is reported to the GEB and BoD regularly including the Group Risk Report ("GRR") that summarizes key changes to the Company's risk profile, and the Annual NFR Report ("ANFiR") that highlights the key risk themes and related actions, identified by the 2LoD.

Credit Risk

Credit risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Company. This can be caused by factors directly related to the counterparty or from failures in the settlement process. It can also be triggered by economic or political factors in the country in which the counterparty is based or where it has substantial assets. Risk is further mitigated as clients or counterparties are primarily domestic. Counterparties to the Company's financing activities are primarily affiliates, other financial institutions, including banks, brokers and dealers, investment funds and insurance companies, individuals and non-financial operating entities. Credit losses could arise should counterparties fail to perform and the value of any collateral held prove inadequate due to market conditions.

The Company manages credit risk by monitoring net exposure to individual counterparties on a daily basis, monitoring credit limits and requiring additional collateral where appropriate.

Client transactions are entered on either a cash or margin basis. In a margin transaction, the Company extends credit to a client, using the securities purchased and/or other securities held on behalf of the client, as collateral for amounts loaned. Amounts loaned are limited by margin regulations of the Federal Reserve Board and other regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Market declines could, however,

11. Risk Management (continued)

reduce the value of any collateral below the principal amount loaned, plus accrued interest, before the collateral can be sold.

Client transactions include positions in written options, financial instruments sold, not yet purchased and commodities and financial futures. The risk to the Company's customers in these transactions can be substantial, principally due to price volatility which can reduce the customers' ability to meet their obligations. To the extent customers are unable to meet their commitments to the Company and margin deposits are insufficient to cover outstanding liabilities, the Company may take action as appropriate.

Client trades are recorded on a settlement date basis. Should either the client or broker fail to perform, the Company may be required to complete the transaction at prevailing market prices. Trades pending at June 30, 2026 were settled without material adverse effect on the consolidated statement of financial condition, taken as a whole.

Receivables and payables with brokers and dealers, agreements to resell and securities borrowed and loaned are generally collateralized by cash, U.S. Government and agency securities.

Additional collateral is requested when considered necessary. The Company may pledge customers' margin securities as collateral in support of securities loaned and bank loans, as well as to satisfy margin requirements at clearing organizations. For margin loans, the amounts loaned or pledged are limited to the extent permitted by applicable margin regulations. Should the counterparty fail to return the customers' securities, the Company may be required to replace them at prevailing market prices. At June 30, 2026, the market value of securities loaned to other brokers approximated the amounts due or collateral obtained.

12. Leases

The Company is a lessee in a number of leases, primarily of real estate, including offices and sales offices. All of these leases are classified as operating leases.

Rentals are subject to periodic escalation charges and do not include amounts payable for insurance, taxes and maintenance.

The table below shows figures related to leases as of June 30, 2026:

Right of use assets, net of accumulated depreciation of $591,407	$	528,241
Lease liabilities		(712,334)
Weighted Average:		
Remaining lease term, in years		8 Years
Discount rates		4.29%

12. Leases (continued)

The right of use assets, net of depreciation is disclosed in the Property, equipment and software in the statement of financial condition.

Lease Liabilities as of June 30, 2026

The lease payments for the half year ended June 30, 2026 were $57,295. The aggregate minimum future payments required by operating leases with initial or remaining lease terms exceeding one year, were as follows:

	Total Rent Payments
2026	$ 61,608
2027	122,555
2028	115,860
2029	104,936
2030	95,328
2031 and thereafter	348,540
Total undiscounted cash flows	$ 848,827
Difference between undiscounted and discounted cash flows	136,493
Amount on other liabilities and accrued expenses on consolidated statement of financial condition	$ 712,334

13. Commitments and Contingencies

Legal Proceedings

The Company operates in a legal and regulatory environment that exposes it to significant litigation risks and similar risks arising from disputes and regulatory proceedings. As a result, the Company 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 timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Company 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 Company 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 Company makes provisions for matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required,

13. Commitments and Contingencies (continued)

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 Company, but are nevertheless expected to be, based on the Company's experience with similar asserted claims. Such provisions would be included in the other liabilities and accrued expenses on the consolidated statement of financial condition. If any of those conditions are 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.

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 the Company to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which 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 the Company therefore cannot provide a numerical estimate of the future losses that could arise from the class of litigation, regulatory and similar matters, the Company believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

In the matters disclosed below, the Company does not state whether a provision has been established. Either a) the Company has not established a provision and the matter is treated as a contingent liability under the applicable accounting standard or b) the Company has established a provision but expects disclosure of that fact would prejudice seriously the Company's position with other parties in that matter because it would reveal the fact that the Company believes an outflow of resources to be probable and reliably estimable. In addition to the matters mentioned below, the Company is involved in litigation as well as regulatory matters arising in the normal course of business.

Foreign Currency Wires Matter

Since 2021, the Company has been responding to inquiries from regulators including FINRA, the SEC, the Financial Crimes Enforcement Network (“FinCEN”) and the CFTC regarding the Company’s anti-money laundering transaction monitoring of foreign currency wires in connection with retail customer accounts and certain aspects of its customer due diligence program. On August 3, 2026, the regulators announced resolutions of these matters. Pursuant to settlement agreements entered into with the regulators, the Company agreed to pay an aggregate monetary penalty of $125,000.

13. Commitments and Contingencies (continued)

Cash Sweep Matters

The Company has been named in purported securities class action complaints pending in the Southern District of New York ("SDNY") and the Northern District of Georgia ("NDGA"). These complaints, filed on behalf of current and former clients of the Company, allege that the Company breached contractual and/or fiduciary duties, among others, by underpaying interest in connection with its cash sweep programs. In February 2025, plaintiff in the NDGA action filed a notice of voluntary dismissal without prejudice. The two actions in the SDNY have been consolidated and, in March 2026, the Court denied in part the Company's motion to dismiss the consolidated amended complaint. The Company has received requests for documents and information from regulatory and governmental agencies in connection with inquiries, investigations and/or actions relating to these matters. In March 2025, the SEC notified the Company that it was closing its investigation without taking any action against the Company. The Company is cooperating with the authorities in these matters.

Other Litigation Matters

An award was issued against the Company in a FINRA arbitration in which certain customers alleged that the Company had provided unsuitable investment recommendations. In April 2026 UBS's motion to vacate the award was denied by a U.S. federal district court. UBS has filed a notice of intent to appeal that decision.

Guarantees

The Company is a member of various exchanges and clearinghouses that trade and clear securities and/or derivative contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange or the clearinghouse. While the rules governing different exchange or clearinghouse members vary, in general, the Company's guarantee obligations would arise only if the exchange or clearinghouse had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in its consolidated statement of financial condition for the agreements and believes that any potential requirement to make payments under these agreements is remote.

Other Commitments and Contingencies

In meeting the financing needs of certain customers, the Company issues standby letters of credit, which are fully collateralized by customer margin securities. At June 30, 2026, the Company had outstanding $36,510 of such standby letters of credit.

13. Commitments and Contingencies (continued)

In the normal course of business, the Company enters into underwriting commitments. Settlement of these transactions after June 30, 2026 did not have a material impact on the consolidated statement of financial condition, taken as a whole.

14. Consolidated Subsidiaries

The following is a summary of certain financial information of the Company's consolidated subsidiaries at June 30, 2026:

	UBSFSI per FOCUS (unaudited)	Other Subsidiaries	Eliminations/ Other	UBSFSI Consolidated
Total assets	$ 20,832,769	$ 6,726	$ (4,007)	$ 20,835,488
Total liabilities	$ 12,925,746	$ 6,378	$ (3,659)	$ 12,928,465
Total stockholder's equity	$ 7,907,023	$ 348	$ (348)	$ 7,907,023

The Company prepares Part II of Form X-17A-5 using the flow-through method allowed pursuant to Appendix C of 17 CFR 240.15c3-1 ("the Net Capital Rule"). See Note 15 Net Capital Requirements.

15. Net Capital Requirements

As a registered broker-dealer with the SEC, the Company is subject to the SEC's Net Capital Rule ("SEA Rule 15c3-1"). The Company computes its net capital requirement under the alternative method provided for in SEA Rule 15c3-1 which requires the Company maintain net capital no less than the excess margin collected on resale agreements plus the greater of 2% of combined aggregate debit items arising from its customer reserve computation, as per SEA Rule 15c3-3, or the risk-based capital requirement under Regulation 1.17 of the Commodity Exchange Act. At June 30, 2026, the Company had net capital of $1,689,693 which was $1,523,848 in excess of the required net capital of $165,845. The Company's ratio of net capital to aggregate debit items was 20.38%.

16. Equity Participation and Other Compensation Plans

UBS has several equity participation and other compensation plans to align the interests of executives, managers and staff with the interests of shareholders while continuously meeting regulatory requirements.

16. Equity Participation and Other Compensation Plans (continued)

Equity Plus Plan

Equity Plus is a voluntary share-based compensation plan that provides eligible employees with the opportunity to purchase shares of UBS at market value (not subject to vesting) and receive one notional UBS share for every three shares purchased, up to a maximum annual limit. Share purchases may be made annually from the performance award and/or monthly through regular deductions from salary. If the shares purchased are held for three years and, in general, if the employee remains in employment, the notional shares vest. For notional shares granted, employees are entitled to receive a dividend equivalent which may be paid in notional shares and/or cash.

Voluntary Investment Plan

The Voluntary Investment Plan offers a select group of senior management employees an opportunity to defer their income, the length of the deferral is generally at the discretion of the employee. Each year the employees eligible to participate in the Plan, may elect to defer the desired percentage of compensation into the Plan, tax free where allowable. Deferrals are fully vested and not subject to forfeiture. There are no Company contributions.

Financial Advisor Compensation

The compensation for financial advisors is based on production payout and deferred compensation awards. Production payout, paid monthly in the form of non-deferred cash payments, is primarily based on compensable revenue generated by financial advisors. Financial advisors may also qualify for supplemental compensation in the form of deferred compensation awards, which vest over various time periods of up to ten years depending on the type of award. Production payout rates and deferred compensation awards may be reduced for, among other things, negligence or carelessness, or a failure to comply with the firm's rules, standards, practices and policies or applicable laws and regulations.

The most significant deferred compensation plans for financial advisors are described below.

Year-End Awards are deferred compensation awards based on strategic performance measures. These awards are granted in the form of both deferred share-based and deferred cash-based awards with a vesting period of up to six years.

The Growth Award is a cash-based award introduced in 2025 and is available to FAs hired before January 1, 2023. The award consists of three independently achievable components: Net New Money Growth Rate, Qualified New Relationships, and Return on Assets Growth. Each component has specific thresholds that determine award rates.

The Company also offers the Aspiring Legacy Financial Advisors program (ALFA) to eligible Financial Advisors, when they transition their relationships to other Financial Advisors (receiving

16. Equity Participation and Other Compensation Plans (continued)

FAs) as they leave the Financial Services industry. This program provides an opportunity to Financial Advisors to earn up to 300% of their production over the course of the program.

The Company also enters into compensatory arrangements with certain new financial advisors primarily as a recruitment incentive. The compensation may be earned and paid to the financial advisor during a period of continued employment and may be forfeited under certain circumstances.

In addition to these compensation arrangements, the Company may issue loans to certain new and active financial advisors. As of June 30, 2026, the Company issued loans to financial advisors of $108,195 (net of an allowance for credit losses of $4,269), which are included in other assets in the consolidated statement of financial condition.

17. Pension and Other Post-Employment Benefit Plans

Eligible employees of the Company were included in the UBS FSI Pension Plan (the "Plan"), i.e., a defined benefit pension plan which was closed to new entrants in 1998.

The following table shows the changes in the projected benefit obligation and fair value of Plan assets during the first half of year 2026, as well as the overfunded status of the Plan which was included in other assets on the Company's consolidated statement of financial condition at June 30, 2026:

Consolidated Statement of Financial Condition:

Projected benefit obligation at June 30, 2026	$	488,085
Fair value of plan assets at June 30, 2026		544,525
June 30, 2026 status: overfunded	$	(56,440)

The measurement date was June 30, 2026. The accumulated benefit obligation for the half year ended June 30, 2026 was $488,085. Fair value of plan assets and funded status surplus, at June 30, 2026 were $544,525 and $56,440, respectively.

17. Pension and Other Post-Employment Benefit Plans (continued)

For June 30, 2026, the benefit obligation and benefit cost for the Plan were determined using the following rates:

	Benefit Obligation	Benefit Cost
Discount Rate	5.24%	4.95%
Average rate of compensation increase	N/A	N/A
Interest crediting rates	N/A	N/A

The weighted average of the expected returns for each asset class used in determining the expected long-term rate of return on Plan asset was 5.51% for 2026.

The compensation increase assumption is no longer applicable as all of the grandfathered active participants are at or above age 70 and are assumed to retire immediately.

As per plan rules the plan does not credit any interest.

Investment Policies and Strategies

The Plan's long-term asset allocation target consists of 5% equity securities, 87% debt securities and 8% cash. The debt securities are invested in a blend of short and long duration US corporate bonds and long term US government bonds. The equity securities are invested in a diversified portfolio of global investments with allocations to US, international and emerging market investments.

Basis Used to Determine the Expected Long-Term Return on Plan Assets Assumption

A weighted average of the expected returns for each asset class was used in determining the expected long-term rate of return on Plan assets. The expected returns are based on a capital markets model developed by the Plan's investment consultant.

Contributions

No contributions were made to the Plan for the half year ended June 30, 2026. The future contributions to the Plan will be evaluated at least annually by the Company.

17. Pension and Other Post-Employment Benefit Plans (continued)

Post-Retirement Medical and Life Plan

As of June 30, 2026, a net liability of $17 was recognized for post-employment medical plan.

Defined Contribution Plan

Employees of the Company are eligible to participate in the UBS 401(k) Plan (plan sponsor UBS AG) or UBS Financial Services Inc. Puerto Rico Savings Plus Plan (plan Sponsor UBSFSI), both of which are defined contribution retirement plans.

Other Benefits

The Company also provides certain life insurance and health care benefits to employees of the Company. No assets have been segregated and restricted to provide for plan benefits.

18. Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to be in effect during the year in which the basis differences reverse.

The Company recognizes deferred tax assets to the extent it is more likely than not to be realized. In making such a determination, Management considers all available positive and negative evidence, including history of earnings, future reversals of existing taxable temporary differences and future taxable income, supported through detailed profit projections.

After consideration of all relevant evidence, UBSFSI believes that it is more likely than not that a benefit will be realized for federal, state, and local deferred tax assets and accordingly, no valuation allowance was recorded against these assets.

After consideration of all relevant evidence, UBSFSI believes that it is more likely than not that a benefit will not be realized for its foreign deferred tax assets and accordingly, a valuation allowance of $401,915 has been recorded. Since December 31, 2025, the valuation allowance related to foreign deferred tax assets decreased by $6,813.

18. Income Taxes (continued)

The components of the Company's deferred tax assets and liabilities as of June 30, 2026 were as follows:

Deferred tax assets:		
Capitalized expenditures	$	2,764,110
Employee benefits		869,362
Net operating loss carryforwards		460,420
Accelerated income and deferred deductions		20,465
Book over tax depreciation		119,045
Lease liability		196,197
Partnership investments		6,506
		4,436,105
Valuation allowance		(401,915)
Total deferred tax assets	$	4,034,190
Deferred tax liabilities:		
Accelerated deductions and deferred income	$	249,054
Right-of-use asset		145,323
Unrealized gains on equity investments		27,464
Total deferred tax liabilities	$	421,841
Net deferred tax assets	$	3,612,349

At June 30, 2026, the Company has federal net operating loss carryforwards of $256,109 with no expiration date, state and local net operating loss carryforwards of $250,280 that will begin to expire in 2036, and foreign net operating loss carryforwards of $1,052,731 with expiration dates starting in 2026. The state and local net operating loss carryforwards are primarily related to California, Connecticut, New York State and New York City.

UBSFSI is included in the consolidated federal income tax return and certain combined state and local income tax returns of UBS Americas. UBSFSI also files stand-alone returns in various state and local jurisdictions. As of June 30, 2026, the consolidated group is under examination by the Internal Revenue Service ("IRS") for tax years 2015 through 2018. Tax years 2019 through 2024 are open for examination. There are various state and local jurisdictions currently under audit for tax years 2009 through 2023 and tax years beginning in 2024 are open for examination. UBSFSI files income tax returns with the commonwealth of Puerto Rico, for which tax years 2021 through 2024 are open for examination.

In the next twelve months the Company believes that unrecognized tax benefits will decrease by $3,677.

19. Other Assets and Other Liabilities and Accrued Expenses

The below table includes a breakdown of Other assets presented in the consolidated statement of financial condition:

Settlement, clearing and suspense	280,504
Various prepaid expense	159,032
Loans to Financial Advisors	108,195
Net defined pension assets	56,440
Landlord incentive receivable	39,958
Other assets	1,721
	$ 645,850

The below table includes a breakdown of Other liabilities and accrued expenses presented in the consolidated statement of financial condition:

Lease liabilities	$ 712,334
Settlement, clearing and suspense	245,321
Unpresented checks	196,444
Provision on legal and regulatory matters	145,143
Accrued expenses related to third party billing, broker/exchange and other	118,432
Overdrafts	77,065
Provision on exiting office locations	42,857
Other liabilities	83,047
	$ 1,620,643

20. Reportable Segment

The Company operates as a single reportable segment, which is to provide broker-dealer services to its customers. The Company's revenue is primarily generated from business activities including securities and commodities brokerage, investment advisory and asset management services to serve the investment, cash management, financial planning and borrowing needs of individual and institutional customers.

The Company's Chief Operating Decision Maker ("CODM") is the Board of Directors which includes President, Chief Financial Officer and Director. The CODM uses net income to evaluate the results of the business, predominantly in the forecasting process, to manage the Company. Additionally, the CODM uses excess net capital (Note 15), which is not a measure of profit and

20. Reportable Segment (continued)

loss, to make operational decisions while maintaining capital adequacy, such as whether to reinvest profits or pay dividends. The CODM manages the business activities using information of the Company as a whole.

The accounting policies of the segment are the same as those described in the summary of significant accounting policies (Note 2). The CODM reviews the information as presented in the consolidated statement of financial condition.

21. Subsequent Events

The Company has evaluated its subsequent event disclosure through August 28, 2026, There have been no subsequent events that occurred, except for any updates, if applicable, disclosed under legal proceedings (Note 13), that would impact the unaudited consolidated statement of financial condition or disclosure as of June 30, 2026.