

Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of UBS AG, acting through its London branch, the Certificates, or the Company (as defined below).

**12,000,000 European Style Cash Settled Long Certificates relating to
the ordinary H shares of China Merchants Bank Co., Ltd.
with a Daily Leverage of 5x**

**UBS AG
(Incorporated with limited liability in Switzerland)
acting through its London Branch**

Issue Price: S\$0.30 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by UBS AG (the “**Issuer**”) acting through its London branch, and is supplemental to and should be read in conjunction with a base listing document dated 28 June 2022 (the “**Base Listing Document**”), including its supplements and addenda as executed from time to time, for the purpose of giving information with regard to the Issuer and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer. Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in the United States, the United Kingdom, the European Economic Area, Singapore and Hong Kong (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the

Issuer and/or any of its affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer and/or any of its affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

For the purpose of section 309B(1) of the Securities and Futures Act 2001 of Singapore (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Certificates are classified as capital markets products other than prescribed capital markets products¹ and Specified Investment Products (SIPs)², and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

Prospective purchasers should therefore ensure that they understand the nature of the Certificates and carefully study the risk factors set out in the Base Listing Document and pages 5 to 10 of this document before they invest in the Certificates.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 8 November 2022.

As at the date hereof, the Issuer's long term credit rating by Standard & Poor's Credit Market Services Europe Limited is A+, by Moody's Deutschland GmbH is Aa3 and by Fitch Ratings Limited is AA-.

The Issuer is regulated by, among others, the Swiss Federal Banking Commission. In the United Kingdom, it is authorised by the Prudential Regulatory Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulatory Authority.

7 November 2022

¹ As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

² As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer accepts full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to itself and the Certificates. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which it accepts responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer accepts responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer.

No persons have been authorised to give any information or to make any representation save as contained in this document or otherwise authorised by the Issuer in connection with the Certificates and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or its subsidiaries and associates since the date hereof.

This document does not constitute an offer or solicitation by or on behalf of the Issuer to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer requires persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer and/or any of its affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer and/or any of its affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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RISK FACTORS

The following risk factors are relevant to the Certificates:-

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer will be unable to satisfy its obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute direct, general and unsecured contractual obligations of the Issuer and if you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against any other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against the Company which has issued the Underlying Stock (as defined below). The Issuer has substantially no obligation to a Certificate Holder (as defined in the Conditions) other than to pay amounts in accordance with the terms thereof as set forth herein and in the Base Listing Document. The Issuer does not in any respect underwrite or guarantee the performance of any Certificate. Any profit or loss realised by a Certificate Holder in respect of a Certificate upon exercise or otherwise due to changes in the value of such Certificate or the Underlying Stock is solely for the account of such Certificate Holder. In addition, the Issuer shall have the absolute discretion to put in place any hedging transaction or arrangement which it deems appropriate in connection with any Certificate or the Underlying Stock. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by any one of its rating agencies could result in a reduction in the trading value of the Certificates;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry and the creditworthiness of the Issuer;
- (e) fluctuations in the price of the Underlying Stock will affect the price of the Certificates but not necessarily in the same magnitude and direction, therefore, prospective investors intending to purchase Certificates to hedge their market risk associated with investing in the Underlying Stock which may be specified herein, should recognise the complexities of utilising the Certificates in this manner;
- (f) a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

- (g) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (h) investors should note that the Issuer's obligations to pay amounts in accordance with the terms thereof as set forth herein shall be discharged by delivery of the aggregate Cash Settlement Amount (if positive) to all Certificate Holders in accordance with the agreement with the Warrant Agent;
- (i) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (j) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions;
- (k) the Certificates are only exercisable on the expiry date and may not be exercised by Certificate Holders prior to such expiry date. Accordingly, if on such expiry date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (l) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (m) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and the Rebalancing Cost (as defined below);
- (n) investors should note that there may be an exchange rate risk where the Cash Settlement Amount may be converted from a foreign currency into Singapore dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;
- (o) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (p) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways

trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

- (q) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (r) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (s) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following day (including pre-opening trading session and extended auction hours, if applicable) or (ii) a sharp intraday fall in the Underlying Stock of 20% or greater during the observation period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest new observed price. Investors may refer to pages 41 to 42 of this document for more information;
- (t) certain events may, pursuant to the terms and conditions of the Certificates, trigger (A) the implementation of methods of adjustment or (B) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (A) general market conditions and (B) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to Condition 13 on pages 28 to 29 of this document for more information;
- (u) investors should note that it is not possible to predict the price at which the Certificates will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Certificates of a particular issue are exercised, the number of Certificates of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Certificates of such issue. A decrease in the liquidity of an issue of Certificates may cause, in turn, an increase in the volatility associated with the price of such issue of Certificates. The Issuer may, but is not obligated to, at any time, purchase Certificates at any price in the open market or by tender or private agreement. Any Certificates so purchased may be held or resold or surrendered for cancellation. To the extent that an issue of Certificates becomes illiquid, an investor may have to exercise such Certificates to realise value;
- (v) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

- (w) investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors should refer to the Taxation Section in the Base Listing Document;
- (x) investors should note that the Issuer may enter into discount, commission or fee arrangements with brokers and/or any of its subsidiaries or affiliates with respect to the primary or secondary market in the Certificates. The arrangements may result in the benefit to investors in Certificates buying and selling Certificates through nominated brokers by reducing or eliminating the commission payable by such Certificate Holders. In the event that the commission payable by Certificate Holders is eliminated, fee arrangements between the Issuer and brokers and/or any of its subsidiaries or affiliates will continue to apply. Investors in the Certificates should note that any brokers with whom the Issuer has a commission arrangement does not, and cannot be expected to, deal exclusively in the Certificates, therefore any broker and/or any of its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Stock and/or structured products of other issuers over the Underlying Stock as the Certificates for their proprietary accounts and/or accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Certificates and present certain conflicts of interests;
- (y) various potential and actual conflicts of interest may arise from the overall activities of the Issuer and any of its subsidiaries and affiliates.

The Issuer and any of its subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer and any of its subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer and any of its subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer and any of its subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (z) in the ordinary course of their business, including without limitation in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer and any of its respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock and/or related derivatives. In addition, in connection with the offering of any Certificates, the Issuer and any of its respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock and/or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading

activities by the Issuer and any of its respective subsidiaries and its affiliates, the Issuer and any of its respective subsidiaries and affiliates may enter into transactions in the Underlying Stock and/or related derivatives which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

- (aa) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;
- (bb) certain risks relating to the Issuer's operating environment and strategy, including those as set out in Appendix 2 of the Base Listing Document, may impact the Issuer's ability to execute its strategy and directly affect its business activities, financial condition, results of operations and prospects. As a broad-based international financial services firm, the Issuer is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which it is not presently aware or which it currently does not consider to be material could also materially affect its business activities, financial condition, results of operations and prospects. The sequence in which the risk factors are set out in Appendix 2 of the Base Listing Document is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences;
- (cc) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):-
 - (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
 - (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;
 - (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
 - (iv) notices to such Certificate Holders will be published on the website of the SGX-ST. Investors will need to check the website of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (dd) Generally, investing in the Certificates may involve risks related to the discontinuance, changes or adjustments to benchmarks generally

Discontinuance of, or changes to, benchmarks may require adjustments to the Issuer's agreements, systems and processes. The interbank offered rate(s) and other interest rate, equity, commodity, foreign exchange and other types of indices which are deemed to be "benchmarks", are the subject of national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be or may be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks or any of the international or national reforms in making any investment decision with respect to any Certificates referencing a benchmark; and

(ee) Specifically, the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate (“**HIBOR**”) benchmark is referenced in the Leverage Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	12,000,000 European Style Cash Settled Long Certificates relating to the ordinary H shares of China Merchants Bank Co., Ltd. (the “ Underlying Stock ” or the “ Underlying ”)
ISIN:	CH1169124539
Company:	China Merchants Bank Co., Ltd. (RIC: 3968.HK)
Underlying Price ³ and Source:	HK\$30.3 (Bloomberg)
Calculation Agent:	UBS AG acting through its London Branch
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.30
Management Fee (p.a.) ⁴ :	0.40%
Gap Premium (p.a.) ⁵ :	6.00%, is a hedging cost against extreme market movements overnight.
Funding Cost ⁶ :	The annualised costs of funding, referencing a publically published interbank offered rate plus spread.
Rebalancing Cost ⁶ :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	31 October 2022
Closing Date:	7 November 2022

³ These figures are calculated as at, and based on information available to the Issuer on or about 7 November 2022. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 7 November 2022.

⁴ Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

⁵ Please note that the Gap Premium is calculated on a 360-day basis.

⁶ These costs are embedded within the Leverage Strategy.

Expected Listing Date:	8 November 2022
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 24 October 2025
Expiry Date:	31 October 2025 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	30 October 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	<p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p>
Cash Settlement Amount:	<p>In respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 33 to 47 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for t from Expected Listing Date to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, where:</p> <p>“t” refers to “Observation Date” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and</p>

including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 33 to 47 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 15 to 19 below.

Initial Exchange Rate³: 0.1789652032

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

Air Bag Mechanism: The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes of continuous trading after the Air Bag is triggered. The resumption of trading is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

The Leverage Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the "Air Bag Mechanism" section on page 19 below and the "Description of Air Bag Mechanism" section on pages 39 to 40 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar (" HKD ")
Settlement Currency:	Singapore Dollar (" SGD ")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (" SGX-ST ")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange Business Day:	<p>A "Business Day" is a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.</p> <p>An "Exchange Business Day" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.</p>
Warrant Agent:	The Central Depository (Pte) Limited (" CDP ")
Clearing System:	CDP

Fees and Charges: Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and the Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.

Further Information: Please refer to the website at <http://dlc.ubs.com> for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Strategy

Description of the Leverage Strategy

The Leverage Strategy is designed to track a 5 times daily leveraged exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Strategy Formula

LSL_t means, the Leverage Strategy Level as at the Leverage Reset Time (t), calculated in accordance with the following formulae:

On Leverage Reset Time (1):

$$LSL_1 = 1000$$

On each subsequent Leverage Reset Time (t):

$$LSL_t = \text{Max}\left[LSL_{r(t)} \times \left(1 + LR_{r(t),t} - FC_{r(t),t} - RC_{r(t),t}\right), 0\right]$$

Leverage Reset Time (t)	<p>means</p> <p>1) the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date; and</p> <p>2) end of any Intraday Restrike Event Observation Period.</p> <p>Leverage Reset Time (1) is the scheduled close for the Relevant Stock Exchange for the Underlying Stock on Issue Date.</p>
Leverage Reset Time r(t)	<p>means the Leverage Reset Time immediately preceding the Leverage Reset Time (t).</p>
LR_{r(t),t}	<p>means the Leveraged Return of the Underlying Stock between Leverage Reset Time r(t) and Leverage Reset Time (t), calculated as follows:</p> $LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right)$
FC_{r(t),t}	<p>means, the Funding Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:</p> <p>If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,</p> $FC_{r(t),t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{r(t)} \times \text{ACT}(r(t), t)}{\text{DayCountBasisRate}}$ <p>Otherwise, $FC_{r(t),t} = 0$</p>
RC_{r(t),t}	<p>means the Rebalancing Cost of the Leverage Strategy as at Leverage Reset Time (t), calculated as follows:</p> $RC_{r(t),t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left \frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right \right) \times \text{TC}$
TC	<p>means the Transaction Costs applicable as determined by the Calculation Agent (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to :</p> <p>0.13%</p> <p>“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.</p>
Leverage	5

S_t means the Underlying Stock Price as of Leverage Reset Time (t) computed as follows, subject to the adjustments and provisions of the Conditions:

If the Leverage Reset Time (t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

S_t is the Closing Price of the Underlying Stock as of such Observation Date.

Otherwise,

S_t is the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period.

$Rfactor_t$ means an amount determined by the Calculation Agent, according to the following formula, subject to the adjustments and provisions of the Conditions:

If in respect of the Leverage Reset Time (t), the immediately preceding Leverage Reset Time $r(t)$ is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

$$Rfactor_t = 1 - \frac{Div_t}{S_{r(t)}}$$

Otherwise,

$$Rfactor_t = 1$$

Where

Div_t is the dividend to be paid out in respect of the Underlying Stock on the Observation Date of the Leverage Reset Time (t) if such Observation Date is an ex-dividend date, otherwise is zero. The dividend shall be considered net of any applicable withholding taxes.

$Rate_t$ means, in respect of the Observation Date of Leverage Reset Time (t), a rate calculated as of such day in accordance with the following formula:

$$Rate_t = CashRate_t + \%SpreadLevel_t$$

$CashRate_t$ means, in respect of the Observation Date of the Leverage Reset Time (t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Benchmark Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

%SpreadLevel_t means, in respect of the Observation Date of the Leverage Reset Time (t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HHHKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HHHKDOND=or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Benchmark Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, **%SpreadLevel_t** should be 0%.

Benchmark Event means:

- (a) the relevant reference rate has ceased to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or
- (b) a public statement by the administrator of the relevant reference rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such reference rate) it has ceased publishing such reference rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or
- (c) a public statement by the supervisor of the administrator of the relevant reference rate that such reference rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the relevant reference rate as a consequence of which Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used, or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Certificates; or
- (e) a public statement by the supervisor of the administrator of the relevant reference rate that, in the view of such supervisor, such reference rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or the methodology to calculate such reference rate has materially changed; or
- (f) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any holder of the Certificates

using the relevant reference rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the subparagraphs above, where the relevant Benchmark Event is a public statement within subparagraphs (b), (c), (d) or (e) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

ACT(r(t),t) ACT(r(t),t) means the number of calendar days between the Observation Date of the Leverage Reset Time r(t) (included) and the Observation Date of the Leverage Reset Time (t) (excluded).

DayCountBasisRate 365

Air Bag Mechanism

Intraday Restrike Event means in respect of an Observation Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the amount of $S_{r(t)} \times Rfactor_t$ where r(t) means the immediately preceding Leverage Reset Time prior to such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Strategy Level.

TimeReferenceOpening means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF

THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the "**Master Instrument**") dated 28 June 2022, made by UBS AG (the "**Issuer**") acting through its London Branch; and
 - (ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time on or before the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The Certificate Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status.* The Certificates constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise and, in particular, the Certificates will not be secured by any underlying assets. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.
- (c) *Transfer.* The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) *Title.* Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

2. Certificate Rights and Exercise Expenses

- (a) *Certificate Rights.* Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Final Reference Level or the relevant closing level by having regard to the manner in which futures contracts relating to the Underlying Stock are calculated.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange, if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.
- (c) *No Rights.* The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

- (a) *Exercise.* Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) *Automatic Exercise.* Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) *Settlement.* In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the Warrant Agent who will then pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be dispatched by the Warrant Agent as soon as practicable and no later than five Business Days following the Expiry Date (subject to extension upon the occurrence of a Market Disruption Event (as defined above) by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment to the Warrant Agent in accordance with the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (d) *CDP not liable.* CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) *Business Day.* In these Conditions, a "**Business Day**" shall be a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* "*Potential Adjustment Event*" means any of the following:
 - (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such

Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

- (iii) an extraordinary dividend;
 - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
 - (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
 - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
 - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
 - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option

Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

- (e) *Subdivision or Consolidation of the Certificates.* The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (f) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events (including the events as contemplated in Conditions 6(a) to 6(e)) occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) and irrespective of, in substitution for, or in addition to the provisions contemplated in Conditions 6(a) to 6(e) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or as the case may be, amendment provided that such adjustment or as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (g) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given notice as soon as practicable of any adjustment and of the date from which such adjustment is effective in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer or its related corporations may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting two or more

persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.
- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the website of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the website of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates.

12. Delisting

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) *Issuer's Determination.* The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

- (a) *Early Termination for Illegality etc.* The Issuer shall have the right to terminate the Certificates if it shall have determined in its absolute discretion that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**Applicable Law**").

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or any of its affiliates involved in the issue of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase,

substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"Change in Law" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(c) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction).
- (c) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by the Applicable Law, pay to each Certificate Holder in respect of each Certificate held by such Certificate Holder an amount calculated by it as the fair market value of the Certificate immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Certificate Holder in such manner as shall be notified to the Certificate Holder in accordance with Condition 9.

14. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

16. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise expressly provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	UBS AG acting through its London Branch
Company:	China Merchants Bank Co., Ltd.
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	12,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 28 June 2022 (the “ Master Instrument ”) and executed by the Issuer and a master warrant agent agreement dated 27 February 2008 (the “ Master Warrant Agent Agreement ”) and made between the Issuer and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates
Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples

thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.

- Listing:** Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 8 November 2022.
- Governing Law:** The laws of Singapore
- Warrant Agent:** The Central Depository (Pte) Limited
11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589
- Further Issues:** Further issues which will form a single series with the Certificates will be permitted.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

**INFORMATION RELATING TO
THE EUROPEAN STYLE CASH SETTLED LONG CERTIFICATES ON SINGLE EQUITIES**

What are European Style Cash Settled Long Certificates on Single Equities?

European style cash settled long certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will increase and are seeking short-term leveraged exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Strategy including the Funding Cost and the Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	Daily Management Fee Adjustment
		$1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$
		x
		Daily Gap Premium Adjustment
		$1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

Value of Certificates	=	$t^7=0$	x	$t=1$	x	$t=2$	x ...	$t=i$
		Notional Amount		Leverage Strategy daily performance ⁸ x Daily Fees		Leverage Strategy daily performance x Daily Fees		Leverage Strategy Daily performance x Daily Fees

Value of Certificates	=	$t=0$	x	Product of the daily Leverage Strategy Performance	x	Product of the Daily Fees (Hedging Fee Factor)
		Notional Amount		Leverage Strategy daily performance x Leverage Strategy daily performance		Daily Fees x Daily Fees

Final Value of Certificates	=	$t=0$	x	$\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}}$	x	Hedging Fee Factor
		Notional Amount				

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

⁷ "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

⁸ Leverage Strategy daily performance is computed as the Leverage Strategy Level on Business Day (t) divided by the Leverage Strategy Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary H shares of China Merchants Bank Co., Ltd.
Expected Listing Date:	01/02/2021
Expiry Date:	16/02/2021
Initial Reference Level:	1,000
Initial Exchange Rate:	1
Final Reference Level:	1,200
Final Exchange Rate:	1
Issue Price:	0.30 SGD
Notional Amount per Certificate:	0.30 SGD
Management Fee (p.a.):	0.40%
Gap Premium (p.a.):	6.00%
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.00\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9833\% \approx 99.9822\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\text{HFF (2)} = \text{HFF (1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF (2)} = 99.9822\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.00\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9822\% \times 99.9967\% \times 99.9500\% \approx 99.9289\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n-1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7337% as illustrated below:

Date	HFF
2/1/2021	100.0000%
2/2/2021	99.9822%
2/3/2021	99.9644%
2/4/2021	99.9467%
2/5/2021	99.9289%
2/8/2021	99.8756%
2/9/2021	99.8579%
2/10/2021	99.8401%
2/11/2021	99.8224%
2/12/2021	99.8046%
2/15/2021	99.7514%
2/16/2021	99.7337%

Cash Settlement Amount

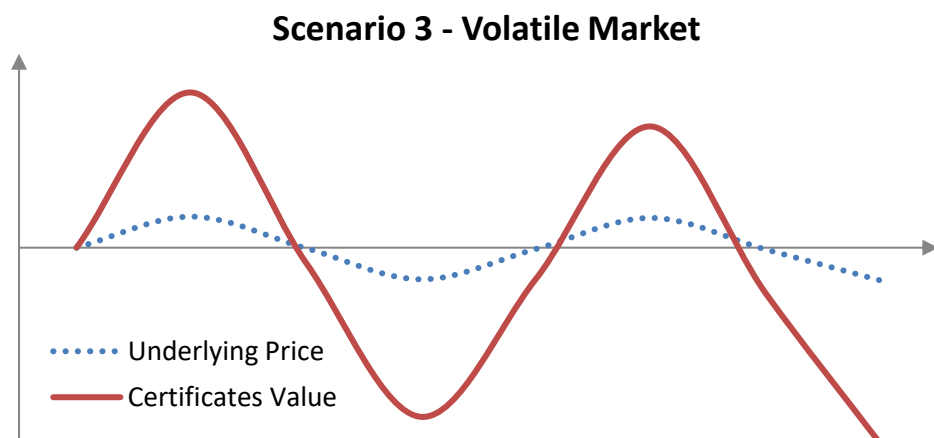
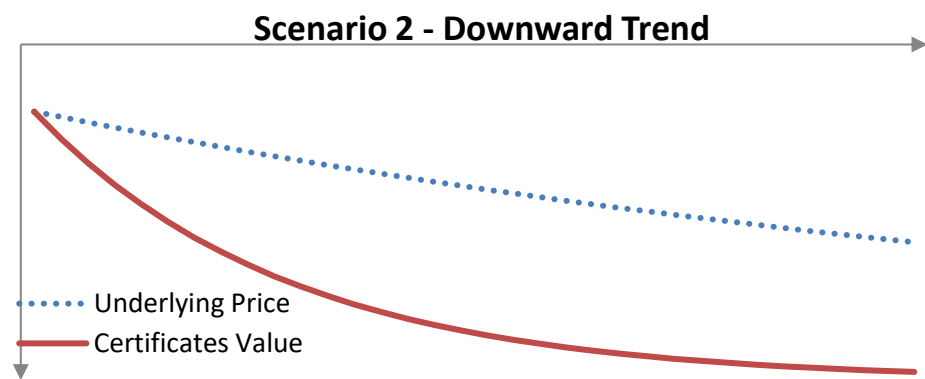
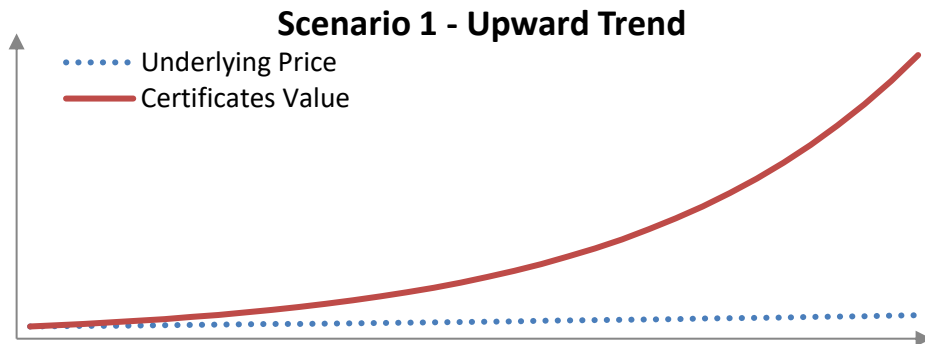
In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7337\% \\ &= 119.68\% \end{aligned}$$

$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.68\% \times 0.30 \text{ SGD} \\ &= 0.359 \text{ SGD} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

2. Numerical Examples

Scenario 1 – Upward Trend

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		2.00%	2.00%	2.00%	2.00%	2.00%
Value at end of day	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32	11,040.81
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		10.00%	10.00%	10.00%	10.00%	10.00%
Price at end of day	0.30	0.33	0.36	0.40	0.44	0.48
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 2 – Downward Trend

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Value at end of day	10,000.00	9,800.00	9,604.00	9,411.92	9,223.68	9,039.21
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Price at end of day	0.30	0.27	0.24	0.22	0.20	0.18
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 3 – Volatile Market

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		2.00%	-2.00%	-2.00%	2.00%	2.00%
Value at end of day	10,000.00	10,200.00	9,996.00	9,796.08	9,992.00	10,191.84
Accumulated Return		2.00%	-0.04%	-2.04%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		10.00%	-10.00%	-10.00%	10.00%	10.00%
Price at end of day	0.30	0.33	0.30	0.27	0.29	0.32
Accumulated Return		10.00%	-1.00%	-10.90%	-1.99%	7.81%

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

In accordance with the Air Bag Mechanism timeline below, when the Air Bag triggers, the following typically occurs:

- Observation Period: the price of the Underlying Stock is observed and its minimum price is recorded (i) during 15 minutes of continuous trading after the Air Bag is triggered, or (ii) until Market Close if there is 15 minutes (or less) of continuous trading until Market Close when the Air Bag is triggered; and
- Reset Period: thereafter, the Leverage Strategy is reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy.

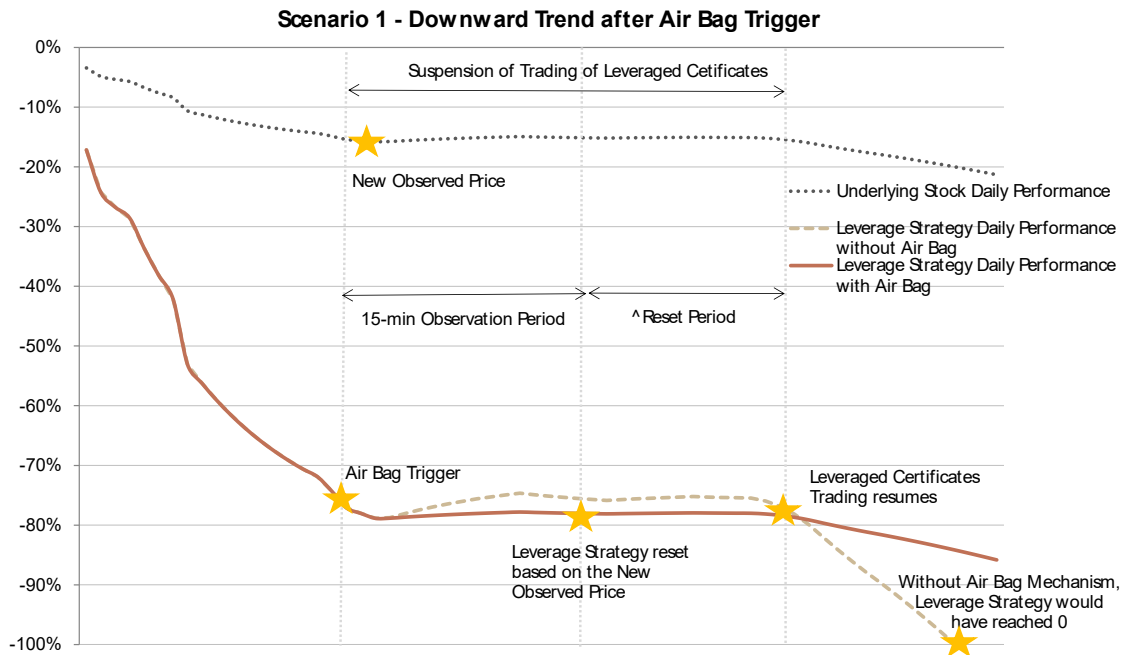
During the Observation Period and Reset Period, trading of Certificates is suspended for **at least** 30 minutes of continuous trading after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period. The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST’s requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

For the avoidance of doubt, if the Air Bag Mechanism was triggered with more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST’s approval to resume trading. If the Air Bag Mechanism was triggered between 45 minutes and 60 minutes of continuous trading before Market Close, trading of Certificates may or may not resume the same trading day after the Reset Period has elapsed. If the Air Bag Mechanism was triggered with only 45 minutes (or less) of continuous trading before Market Close, trading of Certificates resumes on the next trading day.

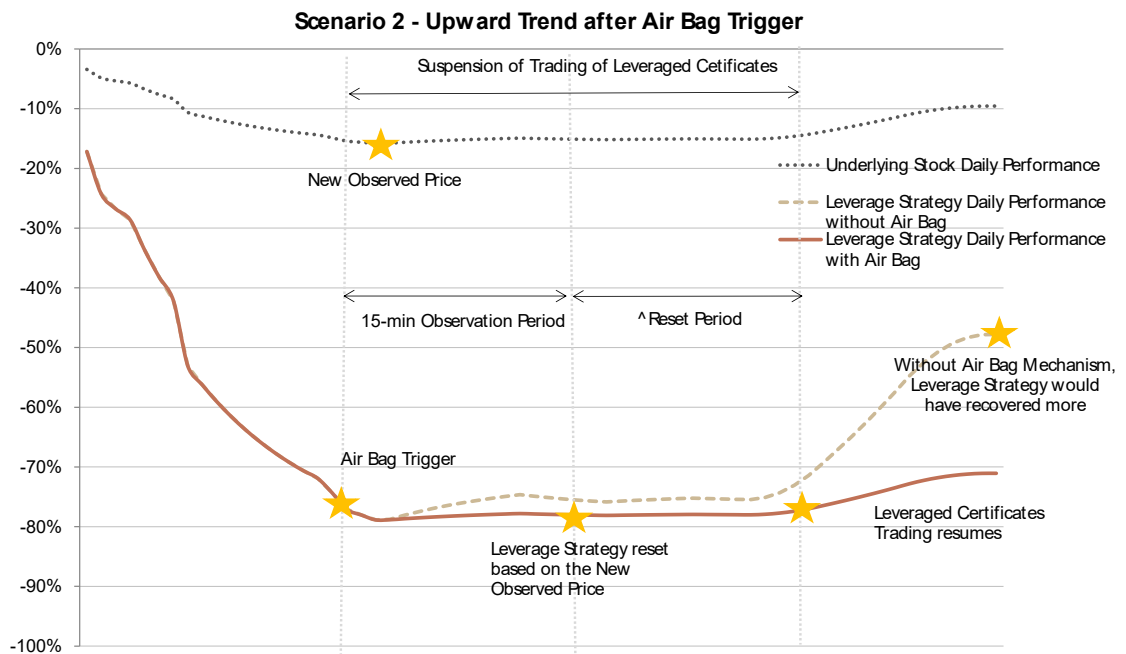
With **Market Close** defined as:

- Underlying Stock closing time with respect to the Observation Period including the closing auction session
- The sooner between Underlying Stock closing time of continuous trading and SGX-ST closing time of continuous trading with respect to the resumption of trading

Illustrative examples of the Air Bag Mechanism⁹



^ The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.



^ The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

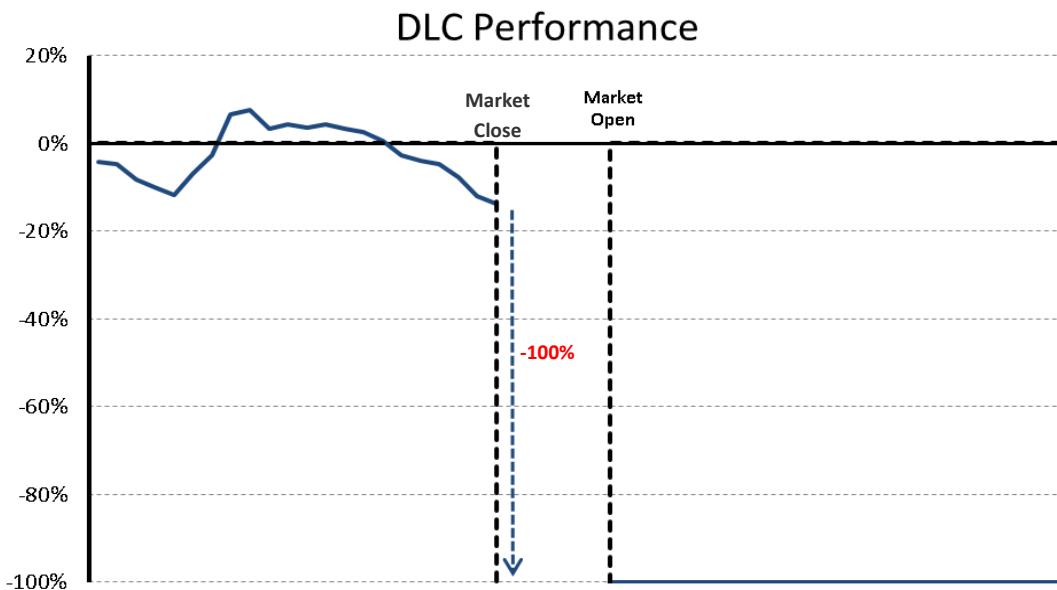
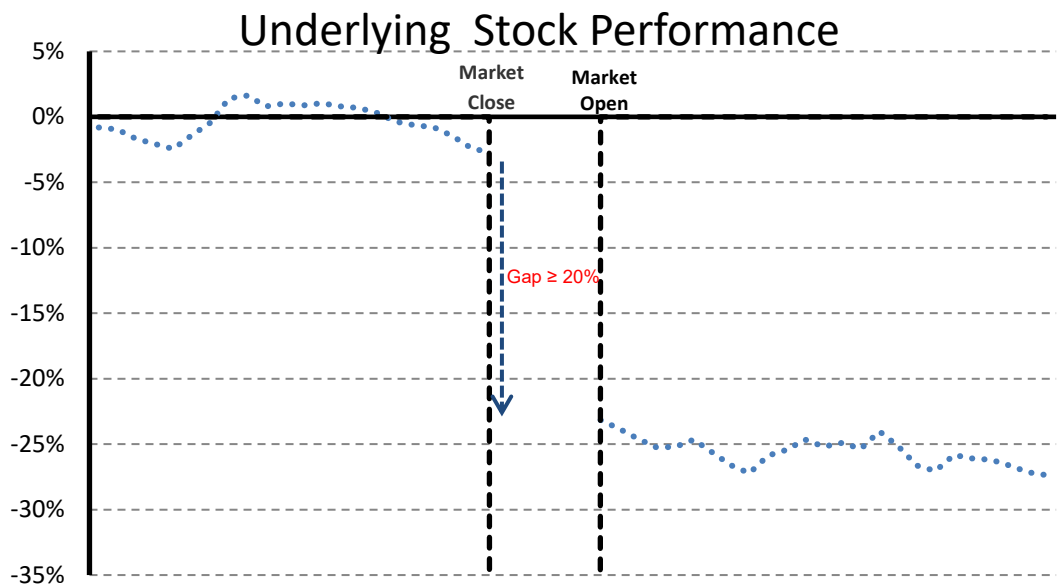
⁹ The illustrative examples are not exhaustive.

Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

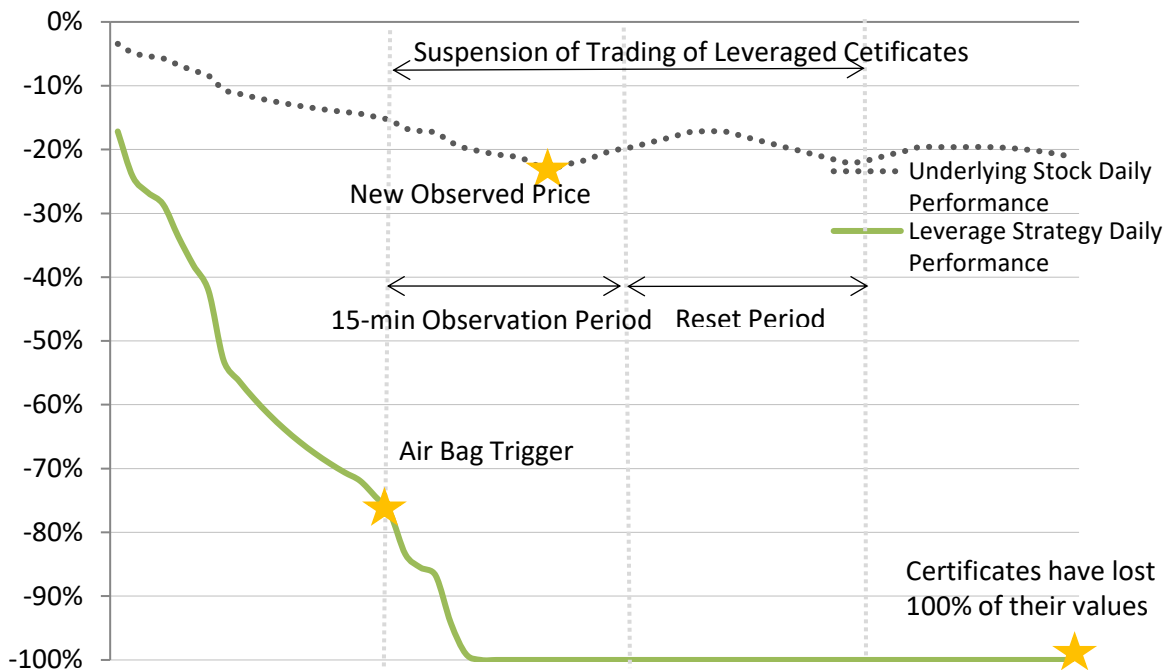
Scenario 1 – Overnight fall of the Underlying Stock

On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more below the previous day closing price, the Air Bag Mechanism would only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following day (including pre-opening trading session and extended auction hours, if applicable), and the Certificates would lose their entire value in such event.



Scenario 2 – Sharp intraday fall of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag events have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event the Observation Date of the Leverage Reset Time (t) is an ex-date with respect to a corporate action related to the Underlying Stock, and the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto), the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Leverage Reset Time (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{S_{r(t)}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{r(t)} = \$100$$

$$S_t = \$51$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$M = 1$ (i.e. 1 new Shares for 1 existing Share)

$R = \$0$ (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{51}{100 \times 50\%} - 1 \right) = 10\%$$

$S_{r(t)}$	$S_{r(t)} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.30	0.33	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$42.5, which is 15% below \$50, the Underlying Stock Reference Price.

2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{r(t)} = \$100$$

$$S_t = \$202$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$M = -0.5$ (i.e. 0.5 Shares canceled for each 1 existing Share)

$R = \$0$ (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{202}{100 \times 200\%} - 1 \right) = 5\%$$

$S_{r(t)}$	$S_{r(t)} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.30	0.315	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$170, which is 15% below \$200, the Underlying Stock Reference Price.

3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{r(t)} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = 25\%$$

$S_{r(t)}$	$S_{r(t)} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.30	0.375	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{r(t)} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$M = 0.2$ (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{85}{100 \times 83.33\%} - 1 \right) = 10\%$$

$S_{r(t)}$	$S_{t(t)} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.30	0.33	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{r(t)} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = 25\%$$

$S_{r(t)}$	$S_{r(t)-} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.30	0.375	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk> and/or the Company’s web-site at <https://english.cmbchina.com/>. The Issuer has not independently verified any of such information.

China Merchants Bank Co., Ltd. (the “**Company**” or the “**Bank**”) is a China-based commercial bank. The Bank operates its businesses through three segments, which are Wholesale Finance segment, Retail Finance segment and Other segment. Wholesale Finance segment consists of savings and loans; settlement and cash management services; trade finance and offshore business; investment banking; interbank lending, buyback and other interbank business; asset custody business; financial market business and other businesses. Retail Finance segment includes savings and loans, bank card services, wealth management, private banking and other services. Other segment consists of investment real estates and the operations of the Company’s subsidiaries, affiliated companies and joint venture companies. The Company operates its business in domestic market and to overseas markets, with China as its main market.

The information set out in Appendix I of this document relates to the unaudited consolidated financial statements of the Company and its subsidiaries for the three months and nine months ended 30 September 2022 and has been extracted and reproduced from an announcement by the Company dated 28 October 2022 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

UBS AG, acting through its London Branch, has been appointed the designated market maker (“DMM”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : (i) when the best bid price of the Certificate is S\$10 and below: 10 ticks or S\$0.20 whichever is greater; and
(ii) when the best bid price of the Certificate is above S\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- (v) where the Certificates are suspended from trading for any reason;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

- (x) if the stock market experiences exceptional price movement and volatility;
- (xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX is not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

United Kingdom

In relation to each tranche of Certificates, the Issuer has represented, warranted and agreed that:

(a) No deposit-taking: in relation to any Certificates having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Certificates other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Certificates would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(b) Financial Promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not or would not, if the Issuer was not an authorised person, apply to the Issuer; and

(c) General Compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not offered, sold or otherwise made available such Certificates to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

- a) if the Supplemental Listing Document in relation to the Certificates specifies an offer of those Certificates may be made other than pursuant to Article 1(4) of the UK Prospectus Regulation in the United Kingdom (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Certificates which either (i) has been approved by the UK Financial Conduct Authority ("**FCA**"), or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation); or
- d) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Certificates to the public referred to in (a) to (c) above shall require the publication of a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Certificates to the public" in relation to any products in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

United States of America

The Certificates have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. The Certificates will not be offered, sold or delivered within the United States or to U.S. persons. As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “**U.S. person**” means (i) any citizen or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, (ii) any estate or trust the income of which is subject to United States income taxation regardless of its source, (iii) “U.S. person” as such term is defined in (a) Regulation S under the Securities Act or (b) the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the U.S. Commodity Futures Trading Commission (“**CFTC**”) pursuant to the U.S. Commodity Exchange Act of 1936, as amended, or (iv) a person other than a “Non-United States Person” as defined in CFTC Rule 4.7, in each case, as such definition is amended, modified or supplemented from time to time.

Prohibition of Sales to European Economic Area

If the applicable Supplemental Listing Document in respect of any Certificates specifies the “Prohibition of Sales to European Economic Area Retail Investors” as “Not Applicable”, the Issuer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”);
 - (ii) a customer within the meaning of Directive 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”); and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION

If the Supplemental Listing Document specifies “Prohibition of Sales to European Economic Area Retail Investors” as “Not Applicable”, in relation to each member state of the European

Economic Area (each, a "**Relevant State**"), the Issuer has represented, warranted and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in that Relevant State except that it may make an offer of such Certificates to the public in that Relevant State:

(a) Approved listing document: if the Supplemental Listing Document in relation to the Certificates specifies that an offer of those Certificates may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a listing document in relation to such Certificates which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such listing document has subsequently been completed by the Supplemental Listing Document contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such listing document or Supplemental Listing Document, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) Fewer than 150 offered: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Issuer for any such offer; or

(d) Other exempt offers: at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a listing document pursuant to Article 3 of the Prospectus Regulation or supplement a listing document pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Certificates to the public**" in relation to any Certificates in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

Hong Kong

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued, or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Certificates, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

The information set out in Appendix II of this document relates to the recent developments in the Issuer's business.

The information set out in Appendix III of this document is an extract of the unaudited consolidated financial statements of UBS AG and its subsidiaries for the third quarter ended 30 September 2022.

For more information on the Issuer, please see <http://www.ubs.com/>.

Queries regarding the Certificates may be directed to +852 2971 6668 or OL-HKWarrants@ubs.com.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 274 of the Base Listing Document.

1. Save as disclosed in the Base Listing Document and herein, there is no litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates to which the Issuer is a party nor, to the best of its knowledge and belief, is there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates which would in either case jeopardise its ability to discharge its obligations in respect of the Certificates.
 2. UBS AG, Singapore Branch at 9 Penang Road, Singapore 238459, has been authorised to accept, on behalf of the Issuer, service of process and any other notices required to be served on the Issuer. Any notices required to be served on the Issuer should be sent to UBS AG, Singapore Branch at the above address for the attention of Han-Kiat Tan, Legal & Compliance.
 3. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in board lots of 100 Certificates in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
 4. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
 5. There has been no adverse change, material in the context of the issue of the Certificates, in the financial position of the Issuer since 30 September 2022.
 6. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and may be material to the issue of the Certificates:
 - (a) the Master Instrument; and
 - (b) the Master Warrant Agent Agreement.
- None of the directors of the Issuer has any direct or indirect interest in any of the above contracts.
7. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
 8. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of Allen & Gledhill LLP at One Marina Boulevard #28-00, Singapore 018989, during the period of 14 days from the date of this document:

- (a) the articles of association of the Issuer;
- (b) the latest financial reports (including the notes thereto) of the Issuer;
- (c) the Base Listing Document; and
- (d) this document.

APPENDIX I

**REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2022 OF
CHINA MERCHANTS BANK CO., LTD. AND ITS SUBSIDIARIES**

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.
(H Share Stock Code: 03968)

THIRD QUARTERLY REPORT OF 2022

The financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

1 Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

Miao Jianmin, Chairman of the Board of Directors of the Company, Wang Liang, President and Chief Executive Officer, Chief Financial Officer and Secretary of the Board of Directors, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial information in this report.

The 7th meeting of the Twelfth Session of the Board of Directors and the 4th meeting of the Twelfth Session of the Board of Supervisors of the Company had reviewed and unanimously approved the third quarterly report of 2022 of the Company, respectively.

All financial statements set out in this report are prepared in accordance with the International Financial Reporting Standards and are unaudited. The unaudited quarterly report prepared by the Company in accordance with the PRC Accounting Standards has been published on the website of Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

“China Merchants Bank”, “the Company” and “the Bank” mentioned in this report refer to China Merchants Bank Co., Ltd.; “the Group” refers to China Merchants Bank Co., Ltd. and its subsidiaries; “CMB Wing Lung Bank” refers to CMB Wing Lung Bank Limited; “CMB Financial Leasing” or “CMBFL” refers to CMB Financial Leasing Co., Ltd.; “CMB International Capital” or “CMBIC” refers to CMB International Capital Holdings Corporation Limited; “CMB Wealth Management” refers to CMB Wealth Management Company Limited; “China Merchants Fund” or “CMFM” refers to China Merchants Fund Management Co., Ltd.; and “CIGNA & CMAM” refers to CIGNA & CMB Asset Management Company Limited.

We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as “will”, “may”, “expect”, “try”, “strive”, “plan”, “anticipate”, “aim at”, and similar expressions in this report to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, the Group gives no assurance that these expectations will turn into reality or prove to be correct. Therefore, they should not be deemed as the Group’s commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

2 Major Financial Data

2.1 Major accounting data and financial indicators of the Group

<i>(in millions of RMB, unless otherwise stated)</i>	At the end of the reporting period 30 September 2022	At the end of last year 31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	9,707,111	9,249,021	4.95
Equity attributable to shareholders of the Bank	919,582	858,745	7.08
Net assets per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	31.69	29.01	9.24

<i>(in millions of RMB, unless otherwise stated)</i>	January to September 2022	January to September 2021	Increase/decrease as compared to the corresponding period of last year (%)
Net cash generated from operating activities	146,494	82,382	77.82

<i>(in millions of RMB, unless otherwise stated)</i>	July to September 2022	Increase/decrease during the period from July to September 2022 as compared to the corresponding period of last year (%)	January to September 2022	Increase/decrease during the period from January to September 2022 as compared to the corresponding period of last year (%)
Net operating income	85,765	3.76	264,842	5.31
Net profit attributable to shareholders of the Bank	37,502	15.52	106,922	14.21
Basic earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.47	15.75	4.15	14.64
Diluted earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.47	15.75	4.15	14.64
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank (%)	19.05	Increase of 0.36 percentage point	18.22	Increase of 0.11 percentage point

Notes:

- (1) Such indicators are calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 9—Calculation and Disclosure of Return on Net Assets and Earnings per Share. The Company issued non-cumulative preference shares in 2017 and perpetual bonds in July 2020 and December 2021, both of which are classified as other equity instruments. When calculating basic and diluted earnings per share attributable to ordinary shareholders of the Bank, return on average equity, net assets per share and other indicators, dividends on the preference shares and interests on perpetual bonds paid or accrued in current period shall be deducted from “net profit attributable to shareholders of the Bank”, while the balance of the preference shares and perpetual bonds shall be deducted from both the “average equity” and the “net assets”. The Company paid interests on perpetual bonds of RMB1.975 billion and accrued dividends of preference shares of RMB352 million in current period.
- (2) In the third quarter of 2022, the Company has despatched the notice and relevant materials to shareholders of offshore preference shares and financial agents regarding the redemption of all offshore preference shares on 25 October 2022, which formed relevant current obligations at the end of the reporting period. According to the relevant requirements of “International Accounting Standard 32 – Financial Instruments: Presentation” on reclassification between financial liabilities and equity instruments, the Company reclassifies the relevant amount of offshore preference shares from equity to liabilities. Please refer to “3.2 Information on the shareholders of preference shares” for details on the redemption of relevant offshore preference shares.
- (3) For the period from January to September 2022, the Group’s net cash generated from operating activities amounted to RMB146.494 billion, representing a year-on-year increase of 77.82%, which was mainly due to the year-on-year increase in deposits from customers.

2.2 Explanation on the differences between the financial statements prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards

In the financial statements prepared by the Group in accordance with the PRC Accounting Standards and the International Financial Reporting Standards, there has been no difference in the net profit attributable to shareholders of the Bank for the reporting period ended 30 September 2022 and the equity attributable to shareholders of the Bank as at the end of the reporting period.

3 Information on Shareholders

3.1 Information on the shareholders of ordinary shares

As at the end of the reporting period, the holders of ordinary shares of the Company are in a total of 637,594, including 608,183 holders of A Shares and 29,411 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to restrictions on sales. As at the end of the reporting period, the top 10 ordinary shareholders and the top 10 ordinary shareholders whose shareholdings are not subject to restrictions on sales of the Company were as follows.

No.	Name of shareholder	Type of shareholder	Shares held at the end of the period (share)	Percentage of total share capital (%)	Type of shares	Changes as compared to the end of last year (share)	Shares subject to restrictions on sales (share)	Shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Offshore legal person	4,553,007,721	18.05	H Shares not subject to restrictions on sales	601,406	-	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to restrictions on sales	-	-	-
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to restrictions on sales	-	-	-
4	Hong Kong Securities Clearing Company Limited	Offshore legal person	1,415,800,792	5.61	A Shares not subject to restrictions on sales	-101,654,987	-	-
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to restrictions on sales	-	-	-
6	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to restrictions on sales	-	-	-
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,981,537	4.48	A Shares not subject to restrictions on sales	-10,000	-	-
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to restrictions on sales	-	-	-
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	804,907,835	3.19	A Shares not subject to restrictions on sales	-10,122,800	-	-
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to restrictions on sales	-	-	-

Notes:

- (1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Ltd. is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the A shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.
- (2) As at the end of the reporting period, of the aforesaid top 10 shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd.; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Financial Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd., among them, China Merchants Finance Investment Holdings Co., Ltd. officially changed its name to China Merchants Financial Holdings Co., Ltd. on 9 September 2022; China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationships or action in concert among other shareholders.
- (3) The above shareholders of A shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

3.2 Information on the shareholders of preference shares

Number of the shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 20 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 19 holders of domestic preference shares. During the period from January to September 2022, the Company did not restore any voting right of the preference shares. As at the end of the reporting period, the Company had no holder of preference shares with voting right restored.

As at the end of the reporting period, the shareholdings of the top 10 holders of offshore preference shares (or their nominees) of the Company were as follows.

No.	Name of shareholder	Type of shareholder	Type of shares	Shares held at the end of the period <i>(share)</i>	Percentage of shareholding <i>(%)</i>	Changes as compared to the end of last year <i>(share)</i>	Shares subject to restrictions on sales <i>(share)</i>	Shares pledged, marked or frozen <i>(share)</i>
1	The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore preference shares	50,000,000	100	-	-	Unknown

Notes:

- (1) The shareholding of holders of preference shares is calculated based on the information listed in the register of holders of preference shares maintained by the Company.
- (2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the places.
- (3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top 10 holders of ordinary shares.
- (4) "Percentage of shareholding" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the top 10 holders of domestic preference shares of the Company were as follows:

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholding (%)	Changes as compared to the end of last year (share)	Shares subject to restrictions on sales (share)	Shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	106,000,000	38.55	-	-	-
2	CCB Capital – “Qianyuan – Private” (乾元 – 私享), an open private banking RMB wealth management product (daily calculated) of China Construction Bank –Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference shares	40,000,000	14.55	-	-	-
3	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference shares	25,000,000	9.09	-	-	-
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference shares	20,000,000	7.27	-	-	-
	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary insurance products	Others	Domestic preference shares	20,000,000	7.27	-	-	-
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	-	-	-
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	-	-	-
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No.2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference shares	9,000,000	3.27	-	-	-
9	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference shares	7,200,000	2.62	-800,000	-	-
10	Changjiang Pension Insurance - Bank of China – China Pacific Life Insurance Co., Ltd.	Others	Domestic preference shares	5,000,000	1.82	-	-	-
	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference shares	5,000,000	1.82	-	-	-

Notes:

- (1) The shareholdings of holders of domestic preference shares are listed by single account based on the information presented in the register of holders of preference shares maintained by the Company.
- (2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company, China National Tobacco (Sichuan Province) Company and China National Tobacco (Liaoning Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation. “Everbright Securities Asset Management –China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management” and “Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management” are both managed by Everbright Securities Asset Management Co. Ltd.. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company’s top 10 holders of ordinary shares.
- (3) “Percentage of shareholdings” represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

Exercising redemption rights of offshore preference shares

On 20 May 2022, the “Resolution on the Full Redemption of US\$1.0 Billion Offshore Preference Shares of China Merchants Bank Co., Ltd.” was considered and approved at the 41st meeting of the Eleventh Session of the Board of Directors of the Company, and it was agreed that: Upon satisfying the prerequisites for the full redemption of the Offshore Preference Shares, the Company can fully redeem the offshore preference shares of the Company and pay the undistributed dividends at the same time. Later, the Company received a reply letter from the China Banking and Insurance Regulatory Commission (CBIRC) with no objections raised regarding the Company’s redemption of US\$1.0 billion Offshore Preference Shares. On 25 October 2022, the Company redeemed all offshore preference shares. Upon redemption and cancellation of the aforementioned offshore preference shares on the redemption date, the Company does not have any offshore preference shares in issue. Accordingly, the Company has applied to The Stock Exchange of Hong Kong Limited to withdraw the listing of the relevant Offshore Preference Shares. The Withdrawal of listing of the above offshore preference shares has taken effect after 4:00 p.m., 26 October 2022 (Beijing time). For details, please refer to the Company’s relevant announcements published on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company on 20 May, 1 August, 29 August and 26 October 2022.

4 Management Discussion and Analysis

4.1 Analysis of overall operation

Since 2022, CMB continued to maintain stability in its strategies, corporate governance mechanism, operation and management as well as talent pool against the backdrop of complex operating environment in China and abroad. Keeping to the strategic plan of the “14th Five-Year Plan”, CMB forged ahead with the strategic vision of “being the best value-creating bank” along with the strategic direction of “Light-model Bank” to further advance the transformation of the 3.0 model. In terms of strategy implementation, CMB has continuously optimised its business tactics in alignment with the changes in macroeconomic environment and policies as well as its own operational needs, giving full play to the retail business edge and the comprehensive service advantages of investment banking, commercial banking, private banking, technology and research. By focusing on the acquisition of three major capacities of “wealth management, risk management and Fintech”, CMB fostered the improvement of operation and management, thus achieving a steady growth of its operating results.

From January to September 2022, the Group realised net operating income of RMB264.842 billion, representing a year-on-year increase of 5.31%; realised a net profit attributable to shareholders of the Bank of RMB106.922 billion, representing a year-on-year increase of 14.21%; realised the net interest income of RMB162.130 billion, representing a year-on-year increase of 7.63%; and realised the net non-interest income of RMB102.712 billion, representing a year-on-year increase of 1.85%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank was 1.50% and 18.22%, respectively, up by a respective year-on-year percentage point of 0.06 and 0.11.

As at the end of the reporting period, the Group’s total assets amounted to RMB9,707.111 billion, representing an increase of 4.95% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,994.374 billion, representing an increase of 7.62% as compared with the end of the previous year. Total liabilities amounted to RMB8,779.344 billion, representing an increase of 4.72% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,090.067 billion, representing an increase of 11.71% as compared with the end of the previous year (the amount of deposits, loans and financial investments in the “Management Discussion and Analysis” of this report does not include interest receivable or payable).

As at the end of the reporting period, the Group's balance of non-performing loans amounted to RMB57.088 billion, representing an increase of RMB6.226 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, up by 0.04 percentage point as compared with the end of the previous year. The allowance coverage ratio was 455.67%, representing a decrease of 28.20 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.34%, representing a decrease of 0.08 percentage point as compared with the end of the previous year.

This year, the Group's operation is expected to be under pressure upon the impacts from the global economic downturn, the recurrence of the pandemic, the adjustment of the real estate industry, the decline in interest rates and the fluctuation of the capital market. The Group will continue to take a differentiated development path by adhering to the strategic direction, with a steadfast belief in the core value of "being customer-centric and creating value for customers". Focusing on the value creation chain of "increment-increasing revenue-increasing efficiency-increasing value", the Group will strengthen its management in an all-round way, utilise the business edge and enhance the internal capital sourcing capacity to achieve a stable growth of operating results on an annual basis.

4.2 Analysis of statement of profit or loss

Net interest income

From January to September 2022, the Group's net interest income amounted to RMB162.130 billion, representing a year-on-year increase of 7.63% and accounting for 61.22% of net operating income.

From January to September 2022, the net interest spread and the net interest margin of the Group were 2.30% and 2.41% respectively, representing a respective year-on-year decrease of 9 and 7 basis points, which was mainly due to the year-on-year decrease in the yield on interest-earning assets. On the one hand, multiple downward adjustments to LPR, coupled with weak financing demand led to the decrease in loan yields. On the other hand, in recent years, with the downward movement of interest rate, the yield on bond investments decreased at the same time.

The Group	January to September 2022			January to September 2021		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
<i>(in millions of RMB, except for percentages)</i>						
Interest-earning assets						
Loans and advances to customers	5,798,250	198,116	4.57	5,301,843	185,741	4.68
Financial investments	1,969,063	47,764	3.24	1,637,126	41,157	3.36
Balances with the central bank	555,677	6,193	1.49	529,904	5,813	1.47
Balances and placements with banks and other financial institutions	659,428	9,718	1.97	652,261	9,195	1.88
Total	8,982,418	261,791	3.90	8,121,134	241,906	3.98
<i>(in millions of RMB, except for percentages)</i>						
	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	6,842,097	77,351	1.51	5,894,100	61,772	1.40
Deposits and placements from banks and other financial institutions	993,022	11,914	1.60	1,087,453	13,687	1.68
Debt securities issued	352,018	7,821	2.97	401,683	9,230	3.07
Borrowings from the central bank	123,378	2,172	2.35	296,607	6,161	2.78
Lease liabilities	13,571	403	3.97	14,194	418	3.94
Total	8,324,086	99,661	1.60	7,694,037	91,268	1.59
Net interest income	/	162,130	/	/	150,638	/
Net interest spread	/	/	2.30	/	/	2.39
Net interest margin	/	/	2.41	/	/	2.48

The Group <i>(in millions of RMB, except for percentages)</i>	July to September 2022			April to June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	5,928,303	66,912	4.48	5,781,135	65,604	4.55
Financial investments	2,067,350	16,742	3.21	1,965,576	15,864	3.24
Balances with the central bank	548,779	2,170	1.57	551,638	2,047	1.49
Balances and placements with banks and other financial institutions	604,711	3,106	2.04	691,180	3,060	1.78
Total	9,149,143	88,930	3.86	8,989,529	86,575	3.86
<i>(in millions of RMB, except for percentages)</i>	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	7,081,701	27,560	1.54	6,843,575	25,981	1.52
Deposits and placements from banks and other financial institutions	990,687	3,954	1.58	988,477	3,885	1.58
Debt securities issued	279,947	2,176	3.08	355,266	2,616	2.95
Borrowings from the central bank	113,830	674	2.35	124,647	730	2.35
Lease liabilities	13,370	128	3.80	13,275	135	4.08
Total	8,479,535	34,492	1.61	8,325,240	33,347	1.61
Net interest income	/	54,438	/	/	53,228	/
Net interest spread	/	/	2.25	/	/	2.25
Net interest margin	/	/	2.36	/	/	2.37

Net non-interest income

From January to September 2022, the Group recorded a net non-interest income of RMB102.712 billion, representing a year-on-year increase of 1.85% and accounting for 38.78% of net operating income. Adhering to the core value of “being customer-centric and creating value for customers”, the Group continued to consolidate its customer base and upgrade its customer services, achieving a stable growth in various businesses, thus driving the steady increase in net non-interest income on a high base. Among the net non-interest income, net fee and commission income amounted to RMB75.752 billion, representing a year-on-year increase of 0.02%; other net non-interest income amounted to RMB26.960 billion, representing a year-on-year increase of 7.35%, which was mainly due to the increase in operating lease income from CMBFL.

Among the Group's net fee and commission income, from the perspective of major items¹: **Fee and commission income from wealth management** amounted to RMB25.590 billion, representing a year-on-year decrease of 13.10%, of which, income from agency distribution of insurance policies amounted to RMB10.784 billion, representing a year-on-year increase of 47.81%, mainly due to the fact that the Company intensified asset allocation and increased supply of protection insurance products amid the volatile and declining equity market; income from agency sales of wealth management products amounted to RMB5.323 billion, representing a year-on-year increase of 15.94%, mainly due to the fact that the sales volume of retail wealth management products of the Company experienced a steady increase; income from agency distribution of funds amounted to RMB5.291 billion, representing a year-on-year decrease of 46.89%, mainly due to the decrease in the sales scale of agency distribution of funds and the increase in the proportion of bond funds with low transaction cost; income from agency distribution of trust schemes amounted to RMB3.212 billion, representing a year-on-year decrease of 47.88%, mainly due to the decrease in the sales volume and product yield of agency distribution of trust schemes as a result of the continuous pressuring down on financing trust products by the Company; income from securities brokerage amounted to RMB721 million, representing a year-on-year decrease of 32.74%, mainly due to the decrease in trading volume of stocks as a result of the continued downturn in the capital market in Hong Kong. **Fee and commission income from asset management** amounted to RMB9.443 billion², representing a year-on-year increase of 22.32%, which was mainly driven by the growth in the scale of assets under management of subsidiaries. **Fee and commission income from custody business** amounted to RMB4.433 billion, representing a year-on-year increase of 6.59%, mainly due to the increase in the proportion of high-rate custodian business as a result of the increase in both the volume and quality of the custodian business. **Income from bank card fees** amounted to RMB15.924 billion, representing a year-on-year increase of 6.54%, which was mainly driven by the growth in credit card transaction volume. **Income from settlement and clearing fees** amounted to RMB11.500 billion, representing a year-on-year increase of 8.87%, which was primarily attributable to the increase in the income of online payment.

¹ Starting from the 2022 interim report, the statistical calibre of key items of the Group's fee and commission income have been consistent with the notes to the financial statements. Therefore, the data of the corresponding period of the previous year was adjusted on the same basis.

² Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM.

Operating expenses

From January to September 2022, the Group's operating expenses amounted to RMB84.769 billion, representing a year-on-year increase of 7.91%, of which staff expenses amounted to RMB51.738 billion, representing a year-on-year increase of 8.19%, and other operating expenses amounted to RMB33.031 billion³, representing a year-on-year increase of 7.47%. The Group's cost-to-income ratio was 29.56%, representing an increase of 0.41 percentage point as compared with the corresponding period of the previous year. Aiming to build "the best Fintech Bank", the Group maintains the scale of investment in Fintech construction, continuously consolidates the technology foundation, and accelerates the pace of digital transformation. At the same time, the Group is fully engaged in refined cost management. On the one hand, it continues to promote the transformation of technological innovation into productivity, and strengthens the monitoring and control of input and output. On the other hand, the Group takes the initiatives to optimise costs and expenses to reduce traditional fixed expenses including office leasing and operating expenses, which refines the allocation of expenses and resources.

Expected credit losses

From January to September 2022, the Group's expected credit losses amounted to RMB50.167 billion, representing a year-on-year decrease of 10.85%. Specifically, credit losses of loans and advances to customers amounted to RMB34.044 billion, representing a year-on-year increase of RMB22.803 billion, which was mainly due to the increase in credit loss allowances for loans by the Group as a result of the risk exposure of real estate customers and the impact of the pandemic on the retail business since the beginning of this year. The total expected credit losses of other types of assets other than loans and advances to customers amounted to RMB16.123 billion, representing a year-on-year decrease of RMB28.910 billion, which was mainly due to the following reasons: firstly, the scale of the business under resale agreements decreased significantly as compared with the end of the previous year, resulting in the corresponding reversal of the allowances for expected credit losses; secondly, certain financial institutions performed well, resulting in the partial reversal of the allowances for expected credit losses in light of their actual risk situations; thirdly, the allowances for expected credit losses of the off-balance sheet contingent business and credit commitments had been made previously in a looking-forward and prudent manner and made in light of actual risk situations during the reporting period, resulting in the year-on-year decrease in expected credit losses.

³ Other operating expenses include depreciation, amortisation, rental, taxes and surcharges, allowances for insurance claims and other various administrative expenses.

4.3 Analysis of balance sheet

As at the end of the reporting period, total assets of the Group amounted to RMB9,707.111 billion, representing an increase of 4.95% as compared with the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and financial investments of the Group. As at the end of the reporting period, the Group's total loans and advances to customers amounted to RMB5,994.374 billion, representing an increase of 7.62% as compared with the end of the previous year; total loans and advances to customers accounted for 61.75% of the total assets, representing an increase of 1.53 percentage points as compared with the end of the previous year. In particular, the retail loans of the Group amounted to RMB3,163.669 billion, representing an increase of RMB175.878 billion or 5.89% as compared with the end of the previous year, while its growth rate slowing down, which was mainly due to the decrease in demand for residential mortgage loans as well as the weakened demand for credit loans from small and micro customers as a result of the recurring impact of the COVID-19 pandemic; the corporate loans of the Group amounted to RMB2,285.454 billion, representing an increase of RMB134.516 billion or 6.25% as compared to the end of the previous year, which was mainly driven by the Group's continued strengthening of support for the real economy. From January to September 2022, in accordance with the overall principle of matching risks and returns, the Group continued to promote the steady growth of loan scale and increased its allocation of interest rate bonds such as PRC government bonds and policy bank bonds and medium-to-high rating quality debenture bonds at the same time with the backdrop of insufficient demand on effective credit loans. As at the end of the reporting period, the balance of the Group's financial investments amounted to RMB2,532.288 billion, representing an increase of 17.61% as compared with the end of the previous year.

As at the end of the reporting period, total liabilities of the Group amounted to RMB8,779.344 billion, representing an increase of 4.72% as compared with the end of the previous year, which was mainly attributable to the increase in deposits from customers. As at the end of the reporting period, the Group's total deposits from customers amounted to RMB7,090.067 billion, representing an increase of 11.71% as compared with the end of the previous year and accounting for 80.76% of total liabilities of the Group, and were the major funding source of the Group. Among which, the balance of the deposits from corporate customers amounted to RMB4,388.194 billion, representing an increase of 8.11% as compared with the end of the previous year; and the balance of deposits from retail customers amounted to RMB2,701.873 billion, representing an increase of 18.08% as compared with the end of the previous year. Among the Group's deposits from customers, demand deposits accounted for 61.11% while time deposits accounted for 38.89%. Among the demand deposits, corporate deposits accounted for 60.49% while retail deposits accounted for 39.51%. Among the time deposits, corporate deposits accounted for 64.10% while retail deposits accounted for 35.90%. From January to September 2022, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 61.83%, down by 2.62 percentage points as compared with the previous year.

As at the end of the reporting period, the equity attributable to shareholders of the Bank of the Group was RMB919.582 billion, representing an increase of 7.08% as compared with the end of the previous year, among which retained earnings amounted to RMB493.451 billion, representing an increase of 15.13% as compared with the end of the previous year; investment revaluation reserve amounted to RMB13.395 billion, representing a decrease of 10.98% as compared with the end of the previous year, mainly due to the decrease in the valuation of those classified as financial assets measured at fair value through other comprehensive income; exchange reserve was RMB2.660 billion, representing an increase of RMB4.804 billion as compared with the end of the previous year, which was mainly due to the effect of change in exchange rates.

4.4 Risk management and control for real estate sector

The Group has always adhered to the positioning of “Houses are for living in and not for speculative investment”, resolutely implemented the requirements of the long-term real estate mechanism, and closely focused on the goal of stabilising land prices and housing prices as well as the stable expectation. Through adjusting measures to local conditions and implementing specific policies for specific cities, the Group provides financial services to real estate enterprises in an orderly manner to promote a virtuous cycle and healthy development of the real estate industry.

From January to September 2022, the Group adhered to the overall tactics of “stabilising scale, improving access, focusing on regions, adjustment of structure, and strict management” in the real estate sector. The Group focused on high-quality customers and high-quality projects, reduced the proportion of assets of high-leverage and high-debt real estate customers with lower ratings and poor qualifications, strictly investigated the cash flow of real estate enterprises, selected housing projects with capacity to cover their debts and commercial sustainability, focused on products such as housing projects for buyers with rigid demand and upgraders, and further strengthened post-investment and post-loan management. As at the end of the reporting period, the total balance of the businesses relating to real estate of which the Group assumed credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB473.727 billion, representing a decrease of 7.38% as compared with the end of the previous year. The total balance of the businesses of which the Group did not assume credit risks, such as wealth management funds, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter, amounted to RMB314.103 billion, representing a decrease of 23.78% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company’s corporate real estate loan balance was RMB347.035 billion, representing a decrease of RMB8.942 billion as compared with the end of the previous year, accounting for 6.13% of the Company’s total loans and advances to customers, representing a decrease of 0.65 percentage point as compared with the end of the previous year. As at the end of the reporting period, both the structure of customers and regional structure of the Company’s real estate loans have remained sound, among which, the balance of loans with customers featuring high credit rating accounted for nearly 80%; in terms of regions where the projects were located, 85% of real estate development loan balance was in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company’s non-performing loan ratio of corporate real estate loans was 3.32%, representing an increase of 1.93 percentage points as compared with the end of the previous year. From January to September 2022, the amount of newly formed non-performing corporate real estate loans of the Company decreased quarter by quarter. Due to the decline in the scale of real estate loans and the long disposal cycle of non-performing real estate loans, the non-performing loan ratio of corporate real estate loans increased, however the risks of real estate loans are generally controllable.

In the future, the Group will continue to firmly implement the relevant national policies on the real estate industry, strengthen the forward-looking prediction of the real estate risk situation and continue to adjust the structure of real estate customers, regions, businesses and products while focusing on key cities and strategic customers. The Group will carry out the loan business related to real estate project M&A in a stable and orderly manner; further optimise risk management measures, strengthen project risk monitoring and analysis, strictly implement the requirements for post-investment and post-loan management of real estate loans, and make adequate allowances on a case-by-case basis based on risk situation of specific projects. The Group will promote the marketisation of risk mitigation and disposal of real estate enterprises in accordance with the principles of compliance with laws and regulations, controllable risks and sustainable business.

4.5 Analysis of Loan Quality

From January to September 2022, the Group further identified asset classification in a strict manner to fully expose risks. Due to increasing risks from customers of real estate sector and the impacts of pandemic outbreaks in certain areas on retail loans, both the balance and percentage of the Group's non-performing loans, special-mentioned loans and overdue loans increased as compared with the end of the previous year. As at the end of the reporting period, the Group's non-performing loans amounted to RMB57.088 billion, representing an increase of RMB6.226 billion as compared with the end of the previous year, and non-performing loan ratio was 0.95%, representing an increase of 0.04 percentage point as compared with the end of the previous year; special-mentioned loans amounted to RMB68.315 billion, representing an increase of RMB21.706 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.14%, representing an increase of 0.30 percentage point as compared with the end of the previous year; overdue loans amounted to RMB72.292 billion, representing an increase of RMB14.866 billion as compared with the end of the previous year, and the overdue loan ratio was 1.21%, representing an increase of 0.19 percentage point as compared with the end of the previous year. As at the end of the reporting period, the ratio of the Group's non-performing loans to the loans overdue for more than 90 days was 1.40, and the ratio of the Company's non-performing loans to the loans overdue for more than 60 days was 1.21.

Distribution of the Company's loans and non-performing loans by industry

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2022				31 December 2021			
	Balance of loans and advances	Percentage of the total (%)	Balance of non- performing loans	Non- performing loan ratio (%) ⁽¹⁾	Balance of loans and advances	Percentage of the total (%)	Balance of non- performing loans	Non- performing loan ratio (%) ⁽¹⁾
Corporate loans	2,007,207	35.47	27,665	1.38	1,882,161	35.84	24,666	1.31
Transportation, storage and postal services	403,895	7.14	960	0.24	365,707	6.96	2,335	0.64
Property development	347,035	6.13	11,521	3.32	355,977	6.78	4,961	1.39
Manufacturing	387,663	6.85	5,654	1.46	320,060	6.09	6,790	2.12
Production and supply of electric power, heat, gas and water	148,462	2.62	449	0.30	147,319	2.80	599	0.41
Leasing and commercial services	150,335	2.66	4,063	2.70	158,416	3.02	4,054	2.56
Wholesale and retail	153,023	2.70	1,837	1.20	142,738	2.72	3,324	2.33
Finance	67,689	1.20	89	0.13	60,026	1.14	90	0.15
Construction	110,305	1.95	566	0.51	119,265	2.27	569	0.48
Information transmission, software and IT service	77,197	1.36	87	0.11	60,612	1.15	67	0.11
Water conservancy, environment and public utilities	54,031	0.95	94	0.17	55,005	1.05	152	0.28
Mining	38,793	0.69	583	1.50	32,174	0.61	785	2.44
Others ⁽²⁾	68,779	1.22	1,762	2.56	64,862	1.25	940	1.45
Discounted bills	539,724	9.53	–	–	429,105	8.17	–	–
Retail loans	3,112,476	55.00	25,747	0.83	2,941,020	55.99	24,082	0.82
Total loans and advances to customers	5,659,407	100.00	53,412	0.94	5,252,286	100.00	48,748	0.93

Notes:

- (1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.
- (2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

As at the end of the reporting period, affected by the risks arising from certain high-debt real estate companies that are subject to gradual exposure, the non-performing loan ratio of real estate loans of the Company increased. In addition, in light of the large risk exposures of certain corporate customers with poor management, the non-performing loan ratio of loans granted to agriculture, forestry, animal husbandry and fishery sectors increased.

Asset quality of the Company's loans and advances by product type

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2022						
	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Special-mentioned loan ratio (%)	Balance of overdue loans	Overdue loan ratio (%)
Corporate loans	2,007,207	27,665	1.38	23,771	1.18	26,604	1.33
Discounted bills	539,724	–	–	14	–	–	–
Retail loans	3,112,476	25,747	0.83	39,265	1.26	40,721	1.31
Micro-finance loans	625,997	3,739	0.60	2,300	0.37	4,018	0.64
Residential mortgage loans	1,383,373	4,017	0.29	9,903	0.72	5,588	0.40
Credit card loans	891,481	14,879	1.67	26,232	2.94	27,731	3.11
Consumer loans	196,758	1,860	0.95	715	0.36	2,125	1.08
Others ^(Note)	14,867	1,252	8.42	115	0.77	1,259	8.47
Total loans and advances to customers	5,659,407	53,412	0.94	63,050	1.11	67,325	1.19

The Company <i>(in millions of RMB, except for percentages)</i>	31 December 2021						
	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Special-mentioned loan ratio (%)	Balance of overdue loans	Overdue loan ratio (%)
Corporate loans	1,882,161	24,666	1.31	10,456	0.56	18,912	1.00
Discounted bills	429,105	–	–	9	–	–	–
Retail loans	2,941,020	24,082	0.82	33,075	1.12	36,761	1.25
Micro-finance loans	560,565	3,488	0.62	1,792	0.32	3,076	0.55
Residential mortgage loans	1,364,518	3,806	0.28	4,928	0.36	3,782	0.28
Credit card loans	840,253	13,844	1.65	25,700	3.06	26,818	3.19
Consumer loans	155,984	1,595	1.02	502	0.32	1,727	1.11
Others ^(Note)	19,700	1,349	6.85	153	0.78	1,358	6.89
Total loans and advances to customers	5,252,286	48,748	0.93	43,540	0.83	55,673	1.06

Note: Others consist primarily of commercial housing loans, automobile loans, house decoration loans, education loans, internet joint consumer loans and other personal loans secured by monetary assets. The increase in the non-performing loan ratio of other retail loans from the end of the previous year was mainly due to the suppressing in the scale of internet joint consumer loans.

From January to September 2022, with sporadic pandemic outbreaks in China, the operation of small- and micro-sized enterprises and private industrial and commercial businesses as well as the employment and income of residents were affected. The retail loan risks of the Company rose. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB25.747 billion, representing an increase of RMB1.665 billion as compared with the end of the previous year, and the non-performing loan ratio was 0.83%, up by 0.01 percentage point as compared with the end of the previous year; the balance of special-mentioned loans amounted to RMB39.265 billion, representing an increase of RMB6.190 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.26%, up by 0.14 percentage point as compared with the end of the previous year; and the balance of overdue loans amounted to RMB40.721 billion, representing an increase of RMB3.960 billion as compared with the end of the previous year, and the overdue loan ratio was 1.31%, up by 0.06 percentage point as compared with the end of the previous year.

The residential mortgage loans of the Company are mainly granted in the first-tier and second-tier cities. From January to September 2022, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.99% of the total amount of residential mortgage loans newly granted by the Company. As at the end of the reporting period, the balance of residential mortgage loans in the first-tier and second-tier cities accounted for 86.43% of the balance of residential mortgage loans of the Company. At the same time, the weighted average loan-to-value ratio of the Company's residential mortgage loans has been maintained below 35% for a long time, showing strong risk resistance ability. As at the end of the reporting period, the special-mentioned loan ratio of residential mortgage loans of the Company was 0.72%, representing an increase as compared to the end of the previous year, which was mainly due to the increase in non-overdue loans as a result of external risk signals (the proportion of non-overdue residential mortgage loans in the balance of special-mentioned residential mortgage loans being more than 70%). However, the overall risk of residential mortgage loans business is still controllable, with a non-performing loan ratio of 0.29%, which remained relatively low.

The Company will continue to ensure smooth operation of financial services for small- and micro-sized enterprises and individuals, focus on the management of valuable customers, deepen the adjustment of customer structure and asset structure, so as to further improve risk management measures, strengthen allowances to enhance the risk offset capacity and strive to maintain relative stability of the asset quality of retail loans.

The formation and disposal of non-performing loans of the Company

From January to September 2022, the Company recorded newly formed non-performing loans of RMB46.169 billion, representing a year-on-year increase of RMB10.971 billion, with a non-performing loans formation ratio (annualised) of 1.13%, up by 0.18 percentage point year-on-year. Among them, the amount of newly formed non-performing corporate loans was RMB13.482 billion, representing an increase of RMB3.955 billion year-on-year, which was mainly due to the increase in the formation amount of new non-performing loans of property development; the amount of newly formed non-performing retail loans (excluding credit cards) was RMB5.613 billion, representing an increase of RMB1.258 billion year-on-year; and the amount of newly formed non-performing loans of credit cards was 27.074 billion, representing an increase of RMB5.758 billion year-on-year, mainly due to the adjustment to timing of recognising credit card loans as overdue loans, downgrading loans overdue for more than 60 days to non-performing loans, and the impacts of the pandemic.

The Company continued to dispose of non-performing assets actively. From January to September 2022, the Company disposed of non-performing loans amounting to RMB42.026 billion, of which RMB17.412 billion was written off; RMB9.538 billion was recovered by collection; RMB10.423 billion was securitised; and RMB4.653 billion was disposed of by repossession, transfer, upward migration after restructuring, remission and other means.

Implementation of the policy for temporary deferment of repayment of the principal and interest of the Company

From January to September 2022, the Company earnestly adhered to implementation of national macroeconomic policy and was committed to helping enterprises to alleviate their difficulties, strengthened financial supports for the enterprises and individuals that are in industries most seriously effected by the pandemic, continued to negotiate with eligible medium-, small- and micro-sized enterprises (including owners of medium-, small- and micro-sized enterprises) and private industrial and commercial businesses in accordance with market principles, carried out deferment of repayment of loan principal and interests, and flexibly adjusted repayment plans for loans such as credit cards in areas heavily affected by the pandemic, reasonably deferring repayment time. From January to September 2022, the total amount of loan principal and interest repayment deferred by the Company for customers suffered in difficulties were RMB27.316 billion, it is expected that most of the borrowers may repay the principal and interest normally in the future and the effect on asset quality is overall controllable. The Company will strengthen the review on the utilisation of funds and cash flow management, pay close attention to the production and operation status of enterprises that are in the temporarily struggling industries due to the pandemic, strengthen asset quality monitoring, proactively conduct risk early warning and formulate mitigation and disposal plan, and strive to keep asset quality stable.

The allowances for loan losses of the Company

The Company continued to adopt a prudent and stable policy in respect of making allowances. In accordance with the Financial Instruments Standards, the Company made adequate allowances for credit losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness, so as to continuously enhance the risk compensation capacity in key areas. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Company amounted to RMB251.802 billion, representing an increase of RMB12.617 billion as compared with the end of the previous year. The allowance coverage ratio of the Company was 471.43%, representing a decrease of 19.23 percentage points as compared with the end of the previous year. The allowance coverage ratio is expected to remain at a high level during the year. The allowance-to-loan ratio of the Company was 4.45%, representing a decrease of 0.10 percentage point as compared with the end of the previous year. From January to September 2022, credit cost ratio (annualised) of the Company was 0.81%, up by 0.32 percentage point year-on-year, which was mainly because the Company had made forward-looking and prudent provisions for the expected credit losses on loans and advances to customers.

Outlook of asset quality and countermeasures

At present, the international and domestic situation is still complex and severe. Affected by a series of factors such as the pandemic, inflation and geopolitical situation, the global economic recovery continues to slow down, and the risks are further rising. Affected by multiple internal and external factors, risks in some industries and regions have increased, and the Company's asset quality will be confronted with certain challenges. The Company will closely follow the changes in the macro situation, adjust the customer structure and credit structure based on "one branch, one policy", improve research on key regions and key business areas, and strengthen risk monitoring and pre-warning in key areas such as real estate, local government credit, small- and medium-sized financial institutions and group customers with large credit amount. The Company will formulate targeted management and control plans and strengthen the management of special-mentioned loans and overdue loans, so as to actively prevent and resolve potential risks. By making adequate provisions and taking various measures to increase the disposal of non-performing assets, the Company strives to maintain the overall stability on asset quality.

4.6 Information on capital adequacy ratios

The Group continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of the China banking regulatory authorities constantly till the end of the reporting period, namely that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 10.5%, 8.5% and 7.5%, respectively, and that the leverage ratio shall be no less than 4%. In addition, the Group is in the third group on the list of domestic systematically important banks in China, facing requirements of 0.75% of supplementary capital and 0.375% of supplementary leverage ratio according to the requirements of "Ancillary Regulatory Provision for Systematically Important Banks (Trial) 《系統重要性銀行附加監管規定(試行)》", which will take effect on 1 January 2023. As at the end of the reporting period, both the Group and the Company satisfied the supplementary capital and leverage ratio requirements for domestic systematically important banks.

Capital adequacy ratios under the Advanced Measurement Approach

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 12.85%, 14.85% and 17.17%, respectively.

The Group <i>(in millions of RMB, except for percentages)</i>	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach⁽¹⁾			
Net core Tier 1 capital	771,436	704,337	9.53
Net Tier 1 capital	891,882	831,380	7.28
Net capital	1,031,192	972,606	6.02
Core Tier 1 capital adequacy ratio	12.85%	12.66%	Increase of 0.19 percentage point
Tier 1 capital adequacy ratio	14.85%	14.94%	Decrease of 0.09 percentage point
Capital adequacy ratio	17.17%	17.48%	Decrease of 0.31 percentage point
Information on leverage ratio⁽²⁾			
Balance of on- and off-balance sheet assets after adjustment	11,153,981	10,394,899	7.30
Leverage ratio	8.00%	8.00%	-

Notes:

- (1) The “Advanced Measurement Approach” refers to the advanced measurement approach set out in the “Capital Rules for Commercial Banks (Trial)” issued by the former China Banking Regulatory Commission (“CBRC”) on 7 June 2012 (same as below). In accordance with the requirements of the aforementioned rules, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and offshore branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group’s subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and China Merchants Bank (Europe) Co., Ltd.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the allowances for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% in the first year, the second year, and the third year (i.e. 2017) and the subsequent years, respectively, during the parallel run period.
- (2) The leverage ratio was calculated according to the “Measures for Management of the Leverage Ratio of Commercial Banks (Revised)” promulgated by former CBRC on 12 February 2015. The leverage ratio of the Group was 7.64%, 8.07% and 8.00% as at the end of the first half of 2022, the end of the first quarter of 2022 and the end of 2021, respectively.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 12.30%, 14.43% and 16.83%, respectively. The Company’s risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 28.34%, continuing to maintain at a high level.

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	674,575	617,403	9.26
Net Tier 1 capital	790,928	741,627	6.65
Net capital	922,695	875,859	5.35
Core Tier 1 capital adequacy ratio	12.30%	12.15%	Increase of 0.15 percentage point
Tier 1 capital adequacy ratio	14.43%	14.59%	Decrease of 0.16 percentage point
Capital adequacy ratio	16.83%	17.23%	Decrease of 0.40 percentage point

Capital adequacy ratios under the Weighted Approach

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.18%, 12.93% and 14.36%, respectively.

The Group	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach^(Note)			
Core Tier 1 capital adequacy ratio	11.18%	11.17%	Increase of 0.01 percentage point
Tier 1 capital adequacy ratio	12.93%	13.19%	Decrease of 0.26 percentage point
Capital adequacy ratio	14.36%	14.71%	Decrease of 0.35 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Trial)" issued by the former CBRC on 7 June 2012 (same as below).

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.59%, 12.41% and 13.85%, respectively.

The Company	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach			
Core Tier 1 capital adequacy ratio	10.59%	10.60%	Decrease of 0.01 percentage point
Tier 1 capital adequacy ratio	12.41%	12.73%	Decrease of 0.32 percentage point
Capital adequacy ratio	13.85%	14.26%	Decrease of 0.41 percentage point

4.7 Other Significant Business Metrics

As at the end of the reporting period, the Company had 182 million retail customers (including debit and credit card customers), representing an increase of 5.20% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB11,959.583 billion, representing an increase of RMB1,200.413 billion or 11.16% as compared with the end of the previous year.

As at the end of the reporting period, the number of Sunflower-level and above customers of the Company (retail customers of the Company with minimum total daily average assets of RMB500,000 per month) reached 4,094,500, representing an increase of 11.51% as compared with the end of the previous year. The balance of AUM from the Sunflower-level and above customers amounted to RMB9,760.388 billion, representing an increase of 10.46% as compared with the end of the previous year.

As at the end of the reporting period, the Company had 133,388 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 9.28% as compared with the end of the previous year; the balance of AUM from private banking customers amounted to RMB3,740.985 billion, representing an increase of 10.23% as compared with the end of the previous year; AUM per account amounted to RMB28.0459 million, representing an increase of RMB241,600 as compared with the end of the previous year.

As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB International Capital, all being subsidiaries of the Company, amounted to RMB4.72 trillion⁴, representing an increase of 9.26% as compared with the beginning of the year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.96 trillion⁵, representing an increase of 6.47% as compared with the end of the previous year, including the balance of new products of RMB2.84 trillion⁶, accounting for 95.95% of the balance of wealth management products; the scale of asset management business of China Merchants Fund amounted to RMB1.51 trillion, representing an increase of 11.85% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB153.573 billion, representing an increase of 66.38% as compared with the beginning of the year; the scale of asset management business of CMB International Capital amounted to RMB99.918 billion, representing an increase of 2.59% as compared with the end of the previous year.

⁴ The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries. The data of CIGNA & CMAM was adjusted according to the regulatory reporting calibre and same statistical calibre.

⁵ The balance is the sum of customers' principal of the wealth management products and the changes in net value of net-value products as at the end of the reporting period.

⁶ New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

5 Financial Statements

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2022	2021	2022	2021
Interest income	261,791	241,906	88,930	82,663
Interest expense	(99,661)	(91,268)	(34,492)	(31,366)
Net interest income	162,130	150,638	54,438	51,297
Fee and commission income	82,380	81,512	24,766	25,507
Fee and commission expense	(6,628)	(5,778)	(2,419)	(2,027)
Net fee and commission income	75,752	75,734	22,347	23,480
Other net income	25,236	22,355	8,712	7,305
– Disposal of financial instrument at amortised cost	156	10	(2)	9
Operating income	263,118	248,727	85,497	82,082
Operating expenses	(84,769)	(78,555)	(30,793)	(27,943)
Operating profit before impairment losses and taxation	178,349	170,172	54,704	54,139
Expected credit losses	(50,167)	(56,274)	(8,690)	(14,379)
Impairment losses on other assets	(522)	–	(522)	–
Share of profits of joint ventures	1,291	2,136	257	468
Share of profits of associates	433	622	11	105
Profit before tax	129,384	116,656	45,760	40,333
Less: income tax	(21,405)	(22,300)	(7,783)	(7,625)
Net Profit	107,979	94,356	37,977	32,708
Attributable to:				
Shareholders of the Bank	106,922	93,615	37,502	32,465
Non-controlling interests	1,057	741	475	243
Earnings per share				
Basic and diluted earnings per share (RMB Yuan)	4.15	3.62	1.47	1.27

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of RMB unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2022	2021	2022	2021
Net profit	107,979	94,356	37,977	32,708
Other comprehensive income, net of tax				
Items that will be reclassified subsequently to profit or loss:	3,929	4,338	2,069	1,909
– Fair value change on financial assets measured at fair value through other comprehensive income	(3,869)	2,381	(133)	2,591
– Net changes in expected credit losses of financial assets measured at fair value through other comprehensive income	3,353	2,978	(207)	(500)
– Effective portion of gains or losses on hedging instruments in cash flow hedges	137	55	34	8
– Share of other comprehensive income from equity-accounted investees	(789)	(210)	(464)	(68)
– Exchange difference on translation of financial statements of foreign operations	5,097	(866)	2,839	(122)
Items that may not be reclassified subsequently to profit or loss:	(325)	1,102	(314)	31
– Fair value gain on equity instruments measured at fair value through other comprehensive income	(323)	1,076	(314)	31
– Remeasurement of changes in liabilities or net assets of defined benefit scheme	(2)	26	–	–
Other comprehensive income for the period, net of tax	3,604	5,440	1,755	1,940
Attributable to:				
Shareholders of the Bank	3,312	5,494	1,596	1,943
Non-controlling interests	292	(54)	159	(3)
Total comprehensive income for the period	111,583	99,796	39,732	34,648
Attributable to:				
Shareholders of the Bank	110,234	99,109	39,098	34,408
Non-controlling interests	1,349	687	634	240

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2022	31 December 2021
Assets		
Cash	11,722	13,310
Precious metals	2,851	4,639
Balances with central bank	586,756	553,898
Balances with banks and other financial institutions	100,338	80,350
Placements with banks and other financial institutions	296,539	194,421
Amounts held under resale agreements	76,032	524,601
Loans and advances to customers	5,745,942	5,335,391
Derivative financial assets	32,828	23,390
Financial investments at fair value through profit or loss	472,252	348,123
Debt investments at amortised cost	1,371,382	1,185,841
Debt investments at fair value through other comprehensive income	700,539	636,038
Equity investments designated at fair value through other comprehensive income	11,219	6,995
Interest in joint ventures	14,545	14,779
Interest in associates	9,065	8,875
Investment properties	1,351	1,372
Property and equipment	100,872	80,415
Right-of-use assets	17,657	18,403
Intangible assets	3,497	4,066
Goodwill	9,954	9,954
Deferred tax assets	89,499	81,639
Other assets	52,271	122,521
Total assets	9,707,111	9,249,021

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2022	31 December 2021
Liabilities		
Borrowing from central bank	147,619	159,987
Deposits from banks and other financial institutions	522,589	753,018
Placements from banks and other financial institutions	217,061	170,650
Financial liabilities at fair value through profit or loss	78,852	63,761
Derivative financial liabilities	33,706	27,282
Amounts sold under repurchase agreements	179,379	157,660
Deposits from customers	7,141,484	6,385,154
Salaries and welfare payable	31,376	19,761
Tax payable	22,744	22,491
Contract liabilities	7,679	7,536
Lease liabilities	13,150	13,812
Provisions	23,601	14,660
Debt securities issued	235,789	446,645
Deferred tax liabilities	1,336	1,353
Other liabilities	122,979	139,570
Total liabilities	8,779,344	8,383,340
Equity		
Share capital	25,220	25,220
Other equity instruments	120,446	127,043
Including: Preference shares	27,468	34,065
Perpetual bonds	92,978	92,978
Capital reserve	65,435	67,523
Investment revaluation reserve	13,395	15,047
Hedging reserve	176	39
Surplus reserve	82,137	82,137
Regulatory general reserve	116,662	115,288
Retained profits	493,451	390,207
Proposed profit appropriations	–	38,385
Exchange reserve	2,660	(2,144)
Total equity attributable to shareholders of the Bank	919,582	858,745
Non-controlling interest	8,185	6,936
Including: Non-controlling interest	5,360	3,300
Perpetual debt capital	2,825	3,636
Total equity	927,767	865,681
Total liabilities and equity	9,707,111	9,249,021

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of RMB unless otherwise stated)

	January to September 2022	January to September 2021
Operating activities		
Profit before tax	129,384	116,656
Adjustments for		
– Impairment losses on loans and advances	34,044	11,241
– Impairment losses on investments and others	16,645	45,033
– Unwinding of discount on the allowances of loans and advances	(208)	(158)
– Depreciation of property and equipment and investment properties	7,551	3,125
– Depreciation of right-of-use assets	3,038	3,127
– Amortisation of other assets	941	1,002
– Net gain on investments in debt securities and equity instruments	(7,845)	(3,274)
– Interest income on investments	(47,764)	(41,157)
– Interest expense on debt securities issued	7,821	9,230
– Share of profits of associates	(433)	(622)
– Share of profits of joint ventures	(1,291)	(2,136)
– Net gains on disposal of property and equipment and other assets	(215)	(65)
– Interest expense on lease liabilities	403	418
Changes in:		
Balances with central bank	(33,638)	(11,638)
Loans and advances to customers	(428,926)	(469,032)
Other assets	(20,154)	2,069
Deposits from customers	742,989	383,629
Deposits and placements from banks and other financial institutions	(161,691)	3,425
Balances and placements with banks and other financial institutions with original maturity over 3 months	(78,601)	36,332
Borrowing from central bank	(12,762)	(5,035)
Other liabilities	25,672	25,688
Net cash generated from operating activities before income tax payment	174,960	107,858
Income tax paid	(28,466)	(25,476)
Net cash generated from operating activities	146,494	82,382

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of RMB unless otherwise stated)

	January to September 2022	January to September 2021
Investing activities		
Payment for the purchase of investments	(897,272)	(862,404)
Payment for the purchases of property and equipment and other assets	(25,326)	(19,122)
Payment for investments in subsidiaries, associates or joint venture	(154)	(4,935)
Proceeds from the disposal of investments	584,567	762,823
Investment gains received from investments	59,599	53,685
Proceeds from disposals of subsidiaries, associates or joint venture	233	264
Proceeds from the disposal of property and equipment and other assets	5,157	1,316
Net cash flows used in investing activities	(273,196)	(68,373)
Financing activities		
Proceeds from the issue of debt securities	29,356	57,986
Proceeds from the issue of negotiable interbank certificates of deposits	27,218	255,660
Proceeds from the issue of certificates of deposits	7,870	19,752
Proceeds from the non-controlling shareholders of subsidiaries	2,667	–
Proceeds from other financing activities	92	11,019
Repayment of debt securities	(70,979)	(47,502)
Repayment of negotiable interbank certificates of deposits	(198,552)	(197,710)
Repayment of certificates of deposit	(10,258)	(24,754)
Redemption of perpetual debt capital	(1,104)	–
Payment of lease liabilities	(3,443)	(3,328)
Distribution paid on perpetual bonds	(2,181)	(2,174)
Distribution paid on appropriations	(38,664)	(31,845)
Interest paid on the issue of debt securities	(7,300)	(10,246)
Repayments for other financing activities	(4,594)	(126)
Net cash (used in)/generated from financing activities	(269,872)	26,732
(Decrease)/increase in cash and cash equivalents	(396,574)	40,741
Cash and cash equivalents as of 1 January	801,754	552,790
Effects of foreign exchange rate changes on cash and cash equivalents	8,113	(1,612)
Cash and cash equivalents as of 30 September	413,293	591,919
Cash flows from operating activities include:		
Interest received	213,173	199,483
Interest paid	78,713	75,800

6 Information on Liquidity Coverage Ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the “Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks”. The basis used herein may differ from those adopted in Hong Kong and other regions. The average liquidity coverage ratio of the Group was 150.46% in the third quarter of 2022, representing a decrease of 17.19 percentage points as compared with the previous quarter, which was mainly due to the increase in cash outflows from unsecured funding and the decrease in cash inflows from financial institutions. The Group’s liquidity coverage ratio at the end of the third quarter of 2022 was 132.43%, which was in compliance with the 2022 regulatory requirements of the CBIRC. The breakdown of the Group’s average value of each item of liquidity coverage ratio in the third quarter of 2022 is set out below:

(Unit: in millions of RMB, except for percentages)

No.		Unweighted amount	Weighted amount
Stock of high quality liquid assets			
1	Total stock of high quality liquid assets	/	1,640,368
Cash outflows			
2	Retail and small business customers deposits, of which:	2,834,496	248,891
3	Stable deposits	691,179	34,559
4	Less stable deposits	2,143,317	214,332
5	Unsecured wholesale funding, of which:	4,341,324	1,435,379
6	Operational deposits (excluding correspondent banks)	2,734,522	678,247
7	Non-operational deposits (including all counterparties)	1,571,277	721,607
8	Unsecured debt issuance	35,525	35,525
9	Secured funding	/	9,981
10	Additional requirements, of which:	1,794,169	343,318
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	253,668	253,668
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,540,501	89,650
14	Other contractual obligations to extend funds	81,879	81,879
15	Other contingent funding obligations	3,094,869	107,394
16	Total cash outflows	/	2,226,842
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	206,467	205,957
18	Contractual inflows from fully performing loans	1,069,199	676,559
19	Other cash inflows	261,233	254,074
20	Total cash inflows	1,536,899	1,136,590
			Adjusted value
21	Total stock of high quality liquid assets		1,640,368
22	Net cash outflows		1,090,252
23	Liquidity coverage ratio		150.46%

Notes:

- (1) Data from domestic operation was a simple arithmetic average of the 92-day value in the latest quarter and the monthly average in the latest quarter was used for subsidiaries in the above table.
- (2) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by the CBIRC on the “Measures for the Liquidity Risk Management of Commercial Banks”.

The Board of Directors of China Merchants Bank Co., Ltd.

28 October 2022

As at the date of this announcement, the Executive Director of the Company is Wang Liang; the Non-executive Directors of the Company are Miao Jianmin, Hu Jianhua, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min, Sun Yunfei and Chen Dong; and the Independent Non-executive Directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.

APPENDIX II

RECENT DEVELOPMENTS IN THE ISSUER'S BUSINESS

This section supersedes in its entirety the section in the Base Listing Document entitled "Information Relating to UBS AG".

1. Overview

UBS AG ("**Issuer**") with its subsidiaries (together, "**UBS AG consolidated**", or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "**UBS Group**", "**Group**", "**UBS**" or "**UBS Group AG consolidated**") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Group Functions and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank.

On 30 September 2022, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 14.4%, the CET1 leverage ratio was 4.51%, and the total loss-absorbing capacity ratio was 33.7%.¹ On the same date, invested assets stood at USD 3,706 billion, equity attributable to shareholders was USD 55,756 million and market capitalisation was USD 46,674 million. On the same date, UBS employed 72,009 people.²

On 30 September 2022, UBS AG consolidated CET1 capital ratio was 13.6%, the CET1 leverage ratio was 4.25%, and the total loss-absorbing capacity ratio was 32.8%.¹ On the same date, invested assets stood at USD 3,706 billion and equity attributable to UBS AG shareholders was USD 54,610 million. On the same date, UBS AG Group employed 47,429 people.²

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

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

¹ All figures based on the Swiss systemically relevant bank framework. Refer to the "Capital management" section of the Annual Report 2021 and of the UBS Group Third Quarter 2022 Report for more information.

² Full-time equivalents.

S&P and Moody's are established in the European Union and registered under the EU CRA Regulation and currently appear on the list of credit ratings agencies published by ESMA on its website in accordance with the EU CRA Regulation. Ratings given by S&P and Moody's are endorsed by Standard & Poor's Global Ratings UK Limited and Moody's Investors Service Ltd, respectively, which are established in the UK and registered under the UK CRA Regulation and currently appear on the list of credit rating agencies registered or certified with the FCA published on its website.

No profit forecasts or estimates are included in this document.

No recent events particular to the Issuer have occurred which are to a material extent relevant to the evaluation of the Issuer's solvency.

2. Information about the Issuer

2.1 Corporate Information

The legal and commercial name of the Issuer is UBS AG.

The Issuer was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the Issuer changed its name to UBS AG. The Issuer in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCCEMIK50.

According to article 2 of the articles of association of UBS AG dated 26 April 2018 ("**Articles of Association**"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.

2.2 UBS's borrowing and funding structure and financing of UBS's activities

For information on UBS's expected financing of its business activities, please refer to "*Liquidity and funding management*" in the "*Capital, liquidity and funding, and balance sheet*" section of the Annual Report 2021.

3. Business Overview

3.1 Organisational Structure of the Issuer

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and Group Functions.

In 2014, UBS began adapting its legal entity structure in response to too-big-to-fail requirements and other regulatory initiatives. First, UBS Group AG was established as the ultimate parent holding company for the Group. In 2015, UBS AG transferred its personal & corporate banking and Swiss-booked wealth management businesses to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. That same year, UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established and acts as the Group service company. In 2016, UBS Americas Holding LLC became the intermediate holding company for UBS's US subsidiaries and UBS's wealth management subsidiaries across Europe were merged into UBS Europe SE, UBS's German-headquartered European subsidiary. In 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2021, including interests in significant subsidiaries, are discussed in "Note 29 Interests in subsidiaries and other entities" to the UBS Group AG's consolidated financial statements included in the UBS Group AG and UBS AG Annual Report 2021 published on 07 March 2022 ("**Annual Report 2021**").

UBS AG's interests in subsidiaries and other entities as of 31 December 2021, including interests in significant subsidiaries, are discussed in "Note 29 Interests in subsidiaries and other entities" to the UBS AG's consolidated financial statements included in the Annual Report 2021.

UBS AG is the parent company of, and conducts a significant portion of its operations through, its subsidiaries. UBS AG has contributed a significant portion of its capital and provides substantial liquidity to subsidiaries. In addition, UBS Business Solutions AG provides substantial services to group companies including UBS AG and its subsidiaries. To this extent, UBS AG is dependent on certain of the entities of the UBS AG Group and of the UBS Group.

3.2 Principal activities

UBS businesses are organised 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. Each of the business divisions and Group Functions are described below. A description of the businesses, organisational structures, products and services and targeted markets of the business divisions and Group Functions can be found under "*Our businesses*" in the "*Our strategy, business model and environment*" section of the Annual Report 2021.

- *Global Wealth Management* provides financial services, advice and solutions to private clients, in particular in the ultrahigh net worth and high net worth segments. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services. The business division is managed globally across the regions.
- *Personal & Corporate Banking* serves its private, corporate, and institutional clients' needs, from basic banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.
- *Asset Management* is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients globally.
- *The Investment Bank* provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offerings include advisory services, facilitating clients raising debt and equity

from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.

- *Group Functions* is made up of the following major areas: Group Services (which consists of Technology, Corporate Services, Human Resources, Finance, Legal, Risk Control, Compliance, Regulatory & Governance, Communications & Branding and Group Sustainability and Impact), Group Treasury and Non-core and Legacy Portfolio.

3.3 Competition

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth, as well as competition from new technology-based market entrants, which may not be subject to the same level of regulation. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase.

Any statements regarding the competitive position of UBS AG, UBS AG Group or the Group contained in this document are made on the basis of the opinion of UBS AG or the Group.

3.4 Recent Developments

3.4.1 UBS AG consolidated key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2021, 2020 and 2019 from the Annual Report 2021, except where noted. The selected consolidated financial information included in the table below for the nine months ended 30 September 2022 and 30 September 2021 was derived from the UBS AG Third Quarter 2022 Report.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Information for the years ended 31 December 2021, 2020 and 2019 which is indicated as being unaudited in the table below was included in the Annual Report 2021, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. Prospective investors should read the whole of this document, the Annual Report 2021 and the UBS AG Third Quarter 2022 Report and should not rely solely on the summarized information set out below.

<i>USD million, except where indicated</i>	As of or for the nine months ended		As of or for the year ended		
	30.9.22	30.9.21	31.12.21	31.12.20	31.12.19
	<i>unaudited</i>		<i>audited, except where indicated</i>		
Results					
Income statement					
Total revenues ¹	26,838	27,008	35,828	33,474	29,385
Net interest income	4,946	4,860	6,605	5,788	4,415
Net fee and commission income	14,664	16,897	22,438	19,207	17,460
Other net income from financial instruments measured at fair value through profit or loss	5,637	4,480	5,844	6,930	6,833

Credit loss expense / (release)	22	(121)	(148)	695	78
Operating expenses	19,644	19,785	27,012	25,081	24,138
Operating profit / (loss) before tax	7,171	7,345	8,964	7,699	5,169
Net profit / (loss) attributable to shareholders	5,566	5,777	7,032	6,196	3,965

Balance sheet ²

Total assets	1,111,926		1,116,145	1,125,327	971,927
Total financial liabilities measured at amortized cost	682,047		744,762	732,364	617,429
<i>of which: customer deposits</i>	498,239		544,834	527,929	450,591
<i>of which: debt issued measured at amortized cost</i>	55,425		82,432	85,351	62,835
<i>of which: subordinated debt</i>	2,959		5,163	7,744	7,431
Total financial liabilities measured at fair value through profit or loss	365,946		300,916	325,080	291,452
<i>of which: debt issued designated at fair value</i>	67,696		71,460	59,868	66,592
Loans and advances to customers	374,747		398,693	380,977	327,992
Total equity	54,941		58,442	58,073	53,896
Equity attributable to shareholders	54,610		58,102	57,754	53,722

Profitability and growth

Return on equity (%) ³	13.2	13.6	12.3*	10.9*	7.4*
Return on tangible equity (%) ⁴	14.8	15.3	13.9*	12.4*	8.5*
Return on common equity tier 1 capital (%) ⁵	17.7	19.5	17.6*	16.6*	11.3*
Return on leverage ratio denominator, gross (%) ^{6, 7}	3.4	3.5	3.4*	3.4*	3.2*
Cost / income ratio (%) ⁸	73.2	73.3	75.4*	74.9*	82.1*
Net profit growth (%) ⁹	(3.6)	24.7	13.5*	56.3*	(3.4)*

Resources

Common equity tier 1 capital ¹⁰	42,064	41,356	41,594	38,181	35,233*
Risk-weighted assets ¹⁰	308,571	299,612	299,005*	286,743*	257,831*
Common equity tier 1 capital ratio (%) ¹⁰	13.6	13.8	13.9*	13.3*	13.7*
Going concern capital ratio (%) ¹⁰	18.1	18.5	18.5*	18.3*	18.3*
Total loss-absorbing capacity ratio (%) ¹⁰	32.8	32.6	33.3*	34.2*	33.9*
Leverage ratio denominator ^{6, 10}	989,909	1,044,438	1,067,679*	1,036,771*	911,228*
Common equity tier 1 leverage ratio (%) ^{6, 10}	4.25	3.96	3.90*	3.68*	3.87*

Other

Invested assets (USD billion) ¹¹	3,706	4,432	4,596	4,187	3,607
Personnel (full-time equivalents)	47,429	47,293	47,067*	47,546*	47,005*

* unaudited

¹ Effective from the second quarter of 2022, *Operating income* has been renamed *Total revenues* and excludes *Credit loss expense / (release)*, which is now presented separately on the Income statement. Prior-period information reflects the new presentation structure, with no effect on *Operating profit / (loss) before tax* and *Net profit / (loss) attributable to shareholders*.

² Except for *Total assets*, *Total equity* and *Equity attributable to shareholders*, balance sheet information for year ended 31 December 2019 is derived from the Annual Report 2020.

³ 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.

⁴ 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.

⁵ 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.

⁶ Leverage ratio denominators and leverage ratios for year 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.

⁷ Calculated as annualized total revenues divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to the leverage ratio denominator.

⁸ Calculated as operating expenses divided by total revenues. This measure provides information about the efficiency of the business by comparing operating expenses with gross income.

⁹ 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 since the comparison period.

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

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

3.4.2 *Regulatory, legal and other developments*

Refer to “*Recent developments*” in the UBS Group First Quarter 2022 Report, in the UBS Group Second Quarter 2022 Report and in the UBS Group Third Quarter 2022 Report, as well as to “*Our environment*” and “*Regulatory and legal developments*” in the Annual Report 2021, for further information on key regulatory, legal and other developments.

3.5 **Trend Information**

For information on trends, refer to “*Outlook*” under “*Group performance*”, and to “*Country risk*” and “*Non-financial risk*” under “*Risk management and control*” in the UBS Group Third Quarter 2022 Report, as well as to the “*Our environment*” section, and to “*Top and emerging risks*” and “*Country risk*” in the “*Risk management and control*” section of the Annual Report 2021. In addition, please refer to the “*Risk factors*” and the “*Recent Developments*” sections of this document for more information.

4. Administrative, Management and Supervisory Bodies of the Issuer

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the New York Stock Exchange (“**NYSE**”), UBS AG also complies with the relevant NYSE corporate governance standards applicable to foreign private issuers.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors (“**BoD**”) exercises the ultimate supervision over management, whereas the Executive Board (“**EB**”), headed by the President of the Executive Board (“**President of the EB**”), has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the executive management of UBS AG Group, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

Supervision and control of the EB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations of UBS AG.

4.1 Board of Directors

The BoD consists of between 5 and 12 members. All the members of the BoD are elected individually by the shareholders at the Annual General Meeting (“**AGM**”) for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

The BoD meets as often as business requires, and at least six times a year.

4.1.1 Members of the Board of Directors

The current members of the BoD are listed below.

Member	Title	Term of office	Current principal activities outside UBS AG
Colm Kelleher	Chairman	2023	Chairman of the Board of Directors of UBS Group AG; member of the board of Norfolk Southern Corporation (chair of the risk and finance committee); member of the Board of Directors of the Bretton Woods Committee; member of the board of the Swiss Finance Council; member of the board of Americans for Oxford; member of the Oxford Chancellor's Court of Benefactors; member of the Advisory Council of the British Museum; member of the International Advisory Council of the China Securities Regulatory Commission; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Monetary Conference.
Lukas Gähwiler	Vice Chairman	2023	Vice Chairman of the Board of Directors of UBS Group AG; vice chairman of the Board of Directors of Pilatus Aircraft Ltd; member of the Board of Directors of Ringier AG; member of the Board of Directors of Opernhaus Zürich AG; vice chairman of the Swiss Bankers Association; chairman of the Employers Association of Banks in Switzerland; member of the Board of Directors of the Swiss Employers Association; member of the Board of economiesuisse; chairman of the Foundation Board of the UBS Pension Fund; member of the Foundation Council of the UBS

			Center for Economics in Society; and member of the board of the Swiss Finance Council.
Jeremy Anderson	Member	2023	Senior Independent Director of the Board of Directors of UBS Group AG; board member of Prudential plc; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.
Claudia Böckstiegel	Member	2023	Member of the Board of Directors of UBS Group AG; General Counsel and member of the Enlarged Executive Committee of Roche Holding AG.
William C. Dudley	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Trelia LLC; senior advisor to the Griswold Center for Economic Policy Studies at Princeton University; member of the Group of Thirty; member of the Council on Foreign Relations; chair of the Bretton Woods Committee board of directors; member of the board of the Council for Economic Education.
Patrick Firmenich	Member	2023	Member of the Board of Directors of UBS Group AG; chairman of the board of Firmenich International SA; chairman of Firmenich SA; member of the board of Jacobs Holding AG; member of the Board of INSEAD and INSEAD World Foundation; member of the Advisory Council of the Swiss Board Institute.
Fred Hu	Member	2023	Member of the Board of Directors of UBS Group AG; founder, chairman and CEO of Primavera Capital Group; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; chairman of Primavera Capital Ltd; member of the Board of Ant Group; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong SAR; co-chairman of the Nature Conservancy Asia Pacific Council; member of the Board of Trustees of the Institute for Advanced Study; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.
Mark Hughes	Member	2023	Member of the Board of Directors of UBS Group AG; chair of the Board of Directors of the Global Risk Institute; visiting lecturer at the University of Leeds; senior advisor to McKinsey & Company.
Nathalie Rachou	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Euronext N.V. (chair of the remuneration committee); member of the board of Veolia Environnement SA (chair of the audit committee); member of the board of the African Financial Institutions Investment Platform.
Julie G. Richardson	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Datalog (chair of the audit committee); member of the Board of Fivetran; ; member of the Board of Coalition, Inc.
Dieter Wemmer	Member	2023	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); chairman of Marco Capital Holdings Limited, Malta and subsidiaries; member of the Berlin Center of Corporate Governance.

Jeanette Wong	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Prudential plc; member of the board of Singapore Airlines Limited; member of the Board Risk Committee of GIC Pte Ltd; board member of Jurong Town Corporation; board member of PSA International; chairman of the CareShield Life Council; member of the Securities Industry Council; member of the Board of Trustees of the National University of Singapore.
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4.2 Executive Board (“EB”)

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

4.2.1 Members of the Executive Board

The current members of the EB are listed below.

Member and business address	Function	Current principal activities outside UBS AG
Ralph Hamers UBS AG, Bahnhofstrasse 45, CH- 8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; member of the Board of the Swiss-American Chamber of Commerce; member of the Institut International D'Etudes Bancaires; member of the IMD Foundation Board; member of the McKinsey Advisory Council; member of the World Economic Forum International Business Council; Governor of the Financial Services/Banking Community of the World Economic Forum ; member of the International Advisory Panel, Monetary Authority of Singapore.
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH- 8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; chairman of the Board of Christian Bluhm Photography AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute.
Mike Dargan UBS AG, Bahnhofstrasse 45, CH- 8001 Zurich	Chief Digital and Information Officer	Member of the Group Executive Board and Group Chief Digital and Information Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of Directors of Done Next Holdings AG; member of the Board of Trustees of the Inter-Community School Zurich; member of the Board of Governors of the International Baccalaureate.
Suni Harford UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	President Asset Management	Member of the Group Executive Board and President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; chair of the Board of UBS Optimus Foundation; member of the Leadership Council of the Bob Woodruff Foundation.

<p>Naureen Hassan</p> <p>UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA</p>	<p>President UBS Americas</p>	<p>Member of the Group Executive Board and President UBS Americas of UBS Group AG; CEO of UBS Americas Holding LLC.</p>
<p>Robert Karofsky</p> <p>UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA</p>	<p>President Investment Bank</p>	<p>Member of the Group Executive Board and President Investment Bank of UBS Group AG; member of the board of UBS Americas Holding LLC; member of the board of UBS Optimus Foundation; trustee of the UBS Americas Inc. Political Action Committee.</p>
<p>Iqbal Khan</p> <p>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich</p>	<p>President Global Wealth Management and President UBS Europe, Middle East and Africa</p>	<p>Member of the Executive Board, President Global Wealth Management and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; member of the board of UBS Optimus Foundation; board member of Room to Read Switzerland.</p>
<p>Edmund Koh</p> <p>UBS AG, One Raffles Quay North Tower, Singapore 048583</p>	<p>President UBS Asia Pacific</p>	<p>Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of the Board of Trustees of the Wealth Management Institute, Singapore; board member of Next50 Limited, Singapore; board member of Medico Suites (S) Pte Ltd; member of a sub-committee of the Singapore Ministry of Finance's Committee on the Future Economy; member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore; council member of the Asian Bureau of Finance and Economic Research; trustee of the Cultural Matching Fund, Singapore; member of University of Toronto's International Leadership Council for Asia.</p>
<p>Barbara Levi</p> <p>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich</p>	<p>General Counsel</p>	<p>Member of the Group Executive Board and Group General Counsel of UBS Group AG; member of the Employers' Board of the Global Institute for Women's Leadership, King's College London; member of the Board of Directors of the European General Counsel Association; member of the Legal Committee of the Swiss-American Chamber of Commerce.</p>
<p>Markus Ronner</p> <p>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich</p>	<p>Chief Compliance and Governance Officer</p>	<p>Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG; chairman of the Board of Directors of UBS Switzerland AG.</p>
<p>Sarah Youngwood</p> <p>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich</p>	<p>Chief Financial Officer</p>	<p>Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; member of the Board of UBS Business Solutions AG; Advisory Board Member – Wall Street Women's Alliance.</p>

4.3 Potential Conflicts of Interest

Members of the BoD and the EB may act as directors or executive officers of other companies (for current principal positions outside UBS AG, if any, of BoD and EB members, please see sections 4.1.1 and 4.2.1 above, respectively) and may have economic or other private interests that differ from those of UBS AG. Conflicts of interest may potentially arise from these positions or interests. For example, it cannot be excluded that a member of the BoD or EB has or will have a function within a company, the shares of which are or will be traded by UBS AG or which has or will have a business relationship with UBS AG. UBS AG is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

Other than as indicated above, UBS is not aware of potential conflicts of interests between any duties to the Issuer of the members of the BoD and the EB and their private interests or other duties.

5. Auditors

Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGMs of 27 April 2020, 7 April 2021 and 5 April 2022, Ernst & Young Ltd., Aeschengraben 27, 4051 Basel, Switzerland ("**Ernst & Young**") was elected as auditor for the consolidated and standalone financial statements of UBS AG for a one-year term.

Ernst & Young is a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary. Ernst & Young is also registered with the Swiss Federal Audit Oversight Authority, which is responsible for the licensing and supervision of audit firms and individuals that provide audit services in Switzerland.

6. Major Shareholders of the Issuer

UBS Group AG owns 100% of the outstanding shares of UBS AG. UBS AG is a wholly owned subsidiary of UBS Group AG. While UBS has no specific corporate measures intended to prevent abuse of control to the detriment of minority shareholders, UBS has adopted a comprehensive and integrated governance framework which takes into account the specific requirements of each relevant jurisdiction. This governance framework includes separate articles of association and organizational regulations for UBS Group AG and UBS AG. In addition, as UBS AG is regulated as a bank in Switzerland, it is subject to capital regulation and close supervisory oversight. This includes the general requirement under Swiss law that contracts of UBS AG with affiliates are subject to an arm's length principle of negotiation.

7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

7.1 Historical Annual Financial Information

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial year 2021 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2021 and in the UBS AG's standalone financial statements for the year ended 31 December 2021 (the "**Standalone Financial Statements 2021**"), respectively; and for financial year 2020 it is available in the "*UBS AG consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2020, published on 5 March 2021 ("**Annual Report 2020**") and in the UBS AG's standalone financial statements for the year ended 31 December 2020 published on 5 March 2021 (the "**Standalone Financial Statements 2020**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and Group Functions. In addition, UBS AG prepares and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations.

7.2 Auditing of Historical Annual Financial Information

The consolidated financial statements and the standalone financial statements of UBS AG for the financial years 2021 and 2020 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 422-428 (inclusive) of the Annual Report 2021 and on pages 417-428 (inclusive) of the Annual Report 2020. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 37-42 (inclusive) of the Standalone Financial Statements 2021 and on pages 34-39 (inclusive) of the Standalone Financial Statements 2020.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2021 and 31 December 2020.

7.3 Interim Financial Information

Reference is also made to (i) the UBS Group AG first quarter 2022 report published on 26 April 2022 ("**UBS Group First Quarter 2022 Report**") and the UBS AG first quarter 2022 report published on 29 April 2022 ("**UBS AG First Quarter 2022 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2022; (ii) UBS Group AG second quarter 2022 report published on 26 July 2022 ("**UBS Group Second Quarter 2022 Report**") and the UBS AG second quarter 2022 report published on 29 July 2022 ("**UBS AG Second Quarter 2022 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 June 2022; and (iii) UBS Group AG third quarter 2022 report published on 25 October 2022 ("**UBS Group Third Quarter 2022 Report**") and the UBS AG third quarter 2022 report published on 28 October 2022 ("**UBS AG Third Quarter 2022 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 September 2022. The interim consolidated financial statements are not audited.

7.4 Litigation, Regulatory and Similar Matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS 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. 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. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. 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.

Specific litigation, regulatory and other matters, 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, are described in "*Note 16 Provisions and contingent liabilities*" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG Third Quarter 2022 Report. 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.

7.5 Material Contracts

Except as otherwise disclosed in this document (including the documents incorporated herein by reference), no material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

7.6 Significant Changes in the Financial Position and Performance; Material Adverse Change in Prospects

Except as otherwise indicated in this document (including the documents incorporated herein by reference), no material changes have occurred in UBS AG's assets and liabilities, financial position or profits and losses since 30 September 2022.

8. Share Capital

As reflected in the Articles of Association most recently registered with the Commercial Register of the Canton of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of CHF 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of CHF 0.10 each (article 4), and (ii) conditional capital in the amount of CHF 38,000,000, comprising 380,000,000 registered shares with a par value of CHF 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a).

9. Documents Available

The most recent Articles of Association of UBS AG are available on UBS's Corporate Governance website, at www.ubs.com/governance. Save as otherwise indicated herein, information on or accessible through the Group's corporate website, www.ubs.com, does not form part of and is not incorporated into this document.

APPENDIX III

**EXTRACT OF
THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
UBS AG AND ITS SUBSIDIARIES
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022**

UBS AG interim consolidated financial statements (unaudited)

Income statement

USD m	Note	For the quarter ended			Year-to-date	
		30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	3,081	2,381	2,178	7,607	6,382
Interest expense from financial instruments measured at amortized cost	3	(1,794)	(1,103)	(853)	(3,706)	(2,572)
Net interest income from financial instruments measured at fair value through profit or loss	3	278	356	339	1,045	1,049
Net interest income	3	1,565	1,634	1,664	4,946	4,860
Other net income from financial instruments measured at fair value through profit or loss		1,792	1,620	1,695	5,637	4,480
Fee and commission income	4	4,971	5,235	6,124	16,074	18,369
Fee and commission expense	4	(476)	(450)	(510)	(1,410)	(1,472)
Net fee and commission income	4	4,495	4,785	5,615	14,664	16,897
Other income	5	456	996	237	1,591	772
Total revenues		8,308	9,036	9,210	26,838	27,008
Credit loss expense / (release)	9	(3)	7	(14)	22	(121)
Personnel expenses	6	3,617	3,762	3,951	11,613	12,109
General and administrative expenses	7	2,077	2,364	2,101	6,674	6,312
Depreciation, amortization and impairment of non-financial assets		458	451	459	1,358	1,364
Operating expenses		6,152	6,577	6,512	19,644	19,785
Operating profit / (loss) before tax		2,159	2,452	2,712	7,171	7,345
Tax expense / (benefit)	8	551	478	549	1,577	1,550
Net profit / (loss)		1,608	1,974	2,163	5,594	5,795
Net profit / (loss) attributable to non-controlling interests		9	10	9	28	18
Net profit / (loss) attributable to shareholders		1,598	1,964	2,154	5,566	5,777

Statement of comprehensive income

USD m	For the quarter ended			Year-to-date	
	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Comprehensive income attributable to shareholders					
Net profit / (loss)	1,598	1,964	2,154	5,566	5,777
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	(1,097)	(994)	(383)	(2,556)	(1,342)
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	467	434	174	1,113	676
Foreign currency translation differences on foreign operations reclassified to the income statement	24	8	7	32	(1)
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	(3)	(4)	0	(7)	7
Income tax relating to foreign currency translations, including the impact of net investment hedges	6	5	53	14	59
Subtotal foreign currency translation, net of tax	(603)	(551)	(149)	(1,405)	(601)
Financial assets measured at fair value through other comprehensive income					
Net unrealized gains / (losses), before tax	(3)	(3)	(44)	(445)	(154)
Net realized gains / (losses) reclassified to the income statement from equity	0	0	0	0	(9)
Reclassification of financial assets to Other financial assets measured at amortized cost ¹		449		449	
Income tax relating to net unrealized gains / (losses)	0	(116)	11	(3)	42
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	(3)	330	(33)	0	(121)
Cash flow hedges of interest rate risk					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax ²	(2,053)	(1,298)	(112)	(5,816)	(742)
Net (gains) / losses reclassified to the income statement from equity	16	(149)	(282)	(370)	(804)
Income tax relating to cash flow hedges	373	276	77	1,168	292
Subtotal cash flow hedges, net of tax	(1,664)	(1,171)	(316)	(5,018)	(1,254)
Cost of hedging					
Cost of hedging, before tax	17	21	5	114	(18)
Income tax relating to cost of hedging	(3)	0	0	(3)	0
Subtotal cost of hedging, net of tax	14	21	5	111	(18)
Total other comprehensive income that may be reclassified to the income statement, net of tax	(2,257)	(1,370)	(493)	(6,312)	(1,992)
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	146	127	15	401	(20)
Income tax relating to defined benefit plans	40	(8)	(10)	14	(6)
Subtotal defined benefit plans, net of tax	186	119	6	415	(25)
Own credit on financial liabilities designated at fair value					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	452	296	(98)	1,171	(8)
Income tax relating to own credit on financial liabilities designated at fair value	(116)	(26)	0	(142)	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	335	271	(98)	1,029	(8)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	521	389	(92)	1,444	(34)
Total other comprehensive income	(1,735)	(981)	(584)	(4,868)	(2,026)
Total comprehensive income attributable to shareholders	(137)	982	1,570	698	3,751
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	9	10	9	28	18
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(17)	(28)	(14)	(27)	(12)
Total comprehensive income attributable to non-controlling interests	(8)	(17)	(5)	1	6
Total comprehensive income					
Net profit / (loss)	1,608	1,974	2,163	5,594	5,795
Other comprehensive income	(1,753)	(1,009)	(598)	(4,895)	(2,038)
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>(2,257)</i>	<i>(1,370)</i>	<i>(493)</i>	<i>(6,312)</i>	<i>(1,992)</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>504</i>	<i>361</i>	<i>(106)</i>	<i>1,416</i>	<i>(46)</i>
Total comprehensive income	(145)	965	1,565	699	3,757

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information. ² The result for the first nine months of 2022 mainly reflects net unrealized losses on US dollar hedging derivatives, resulting from significant increases in the relevant US dollar long-term interest rates.

Balance sheet

USD m	Note	30.9.22	30.6.22	31.12.21
Assets				
Cash and balances at central banks		166,406	190,353	192,817
Loans and advances to banks		14,403	16,435	15,360
Receivables from securities financing transactions		66,926	63,291	75,012
Cash collateral receivables on derivative instruments	11	48,210	43,766	30,514
Loans and advances to customers	9	374,747	384,878	398,693
Other financial assets measured at amortized cost	12	47,045	37,551	26,236
Total financial assets measured at amortized cost		717,738	736,274	738,632
Financial assets at fair value held for trading	10	84,833	99,730	131,033
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		<i>26,810</i>	<i>33,830</i>	<i>43,397</i>
Derivative financial instruments	10, 11	195,208	160,524	118,145
Brokerage receivables	10	22,510	19,289	21,839
Financial assets at fair value not held for trading	10	53,418	57,240	59,642
Total financial assets measured at fair value through profit or loss		355,969	336,784	330,659
Financial assets measured at fair value through other comprehensive income	10	2,243	2,251	8,844
Investments in associates		1,032	1,094	1,243
Property, equipment and software		10,939	11,109	11,712
Goodwill and intangible assets		6,210	6,312	6,378
Deferred tax assets		9,276	9,083	8,839
Other non-financial assets	12	8,519	9,567	9,836
Total assets		1,111,926	1,112,474	1,116,145
Liabilities				
Amounts due to banks		13,870	15,202	13,101
Payables from securities financing transactions		4,540	5,956	5,533
Cash collateral payables on derivative instruments	11	44,321	40,468	31,801
Customer deposits		498,239	514,344	544,834
Funding from UBS Group AG measured at amortized cost		55,663	57,089	57,295
Debt issued measured at amortized cost	14	55,425	65,820	82,432
Other financial liabilities measured at amortized cost	12	9,990	10,516	9,765
Total financial liabilities measured at amortized cost		682,047	709,395	744,762
Financial liabilities at fair value held for trading	10	30,741	30,450	31,688
Derivative financial instruments	10, 11	192,300	156,892	121,309
Brokerage payables designated at fair value	10	48,093	49,798	44,045
Debt issued designated at fair value	10, 13	67,696	70,457	71,460
Other financial liabilities designated at fair value	10, 12	27,116	30,373	32,414
Total financial liabilities measured at fair value through profit or loss		365,946	337,970	300,916
Provisions	16	3,235	3,407	3,452
Other non-financial liabilities	12	5,757	6,618	8,572
Total liabilities		1,056,985	1,057,390	1,057,702
Equity				
Share capital		338	338	338
Share premium		24,663	24,661	24,653
Retained earnings		30,681	28,592	27,912
Other comprehensive income recognized directly in equity, net of tax		(1,072)	1,154	5,200
Equity attributable to shareholders		54,610	54,746	58,102
Equity attributable to non-controlling interests		330	339	340
Total equity		54,941	55,085	58,442
Total liabilities and equity		1,111,926	1,112,474	1,116,145

Statement of changes in equity

<i>USD m</i>	Share capital and share premium	Retained earnings	OCI recognized directly in equity, net of tax ¹	<i>of which: foreign currency translation</i>	<i>of which: cash flow hedges</i>	Total equity attributable to shareholders
Balance as of 1 January 2022²	24,991	27,912	5,200	4,617	628	58,102
Tax (expense) / benefit	6					6
Dividends		(4,200)				(4,200)
Translation effects recognized directly in retained earnings		(44)	44		44	0
Share of changes in retained earnings of associates and joint ventures		0				0
New consolidations / (deconsolidations) and other increases / (decreases)	4	3	(3)			4
Total comprehensive income for the period		7,010	(6,312)	(1,405)	(5,018)	698
<i>of which: net profit / (loss)</i>		5,566				5,566
<i>of which: OCI, net of tax</i>		1,444	(6,312)	(1,405)	(5,018)	(4,868)
Balance as of 30 September 2022²	25,001	30,681	(1,072)	3,212	(4,346)	54,610
Non-controlling interests as of 30 September 2022						330
Total equity as of 30 September 2022						54,941
Balance as of 1 January 2021²	24,918	25,251	7,585	5,126	2,321	57,754
Tax (expense) / benefit	(67)					(67)
Dividends		(4,539)				(4,539)
Translation effects recognized directly in retained earnings		23	(23)		(23)	0
Share of changes in retained earnings of associates and joint ventures		1				1
New consolidations / (deconsolidations) and other increases / (decreases)	185					185
Total comprehensive income for the period		5,743	(1,992)	(601)	(1,254)	3,751
<i>of which: net profit / (loss)</i>		5,777				5,777
<i>of which: OCI, net of tax</i>		(34)	(1,992)	(601)	(1,254)	(2,026)
Balance as of 30 September 2021²	25,036	26,480	5,569	4,526	1,044	57,085
Non-controlling interests as of 30 September 2021						333
Total equity as of 30 September 2021						57,418

¹ Excludes other comprehensive income related to defined benefit plans and own credit that is recorded directly in Retained earnings. ² Excludes non-controlling interests.

Statement of cash flows

	Year-to-date	
USD m	30.9.22	30.9.21
Cash flow from / (used in) operating activities		
Net profit / (loss)	5,594	5,795
Non-cash items included in net profit and other adjustments:		
Depreciation, amortization and impairment of non-financial assets	1,358	1,364
Credit loss expense / (release)	22	(121)
Share of net (profit) / loss of associates and joint ventures and impairment related to associates	(31)	(72)
Deferred tax expense / (benefit)	553	426
Net loss / (gain) from investing activities	(934)	(321)
Net loss / (gain) from financing activities	(22,615)	(217)
Other net adjustments	14,674	5,395
Net change in operating assets and liabilities:		
Loans and advances to banks and amounts due to banks	1,808	2,626
Securities financing transactions at amortized cost	5,347	(1,926)
Cash collateral on derivative instruments	(5,320)	(3,174)
Loans and advances to customers and customer deposits	(17,474)	(14,510)
Financial assets and liabilities at fair value held for trading and derivative financial instruments	23,045	(3,808)
Brokerage receivables and payables	3,243	10,715
Financial assets at fair value not held for trading and other financial assets and liabilities	4,185	18,157
Provisions and other non-financial assets and liabilities	(4)	1,766
Income taxes paid, net of refunds	(1,230)	(674)
Net cash flow from / (used in) operating activities	12,219	21,421
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	0	(1)
Disposal of subsidiaries, associates and intangible assets	1,682 ¹	564
Purchase of property, equipment and software	(1,066)	(1,146)
Disposal of property, equipment and software	9	268
Purchase of financial assets measured at fair value through other comprehensive income	(3,958)	(3,118)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	3,234	2,798
Net (purchase) / redemption of debt securities measured at amortized cost	(8,228)	223
Net cash flow from / (used in) investing activities	(8,329)	(414)
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	(16,249)	(7,717)
Distributions paid on UBS AG shares	(4,200)	(4,539)
Issuance of debt designated at fair value and long-term debt measured at amortized cost ²	68,812	81,146
Repayment of debt designated at fair value and long-term debt measured at amortized cost ²	(54,184)	(65,416)
Net cash flows from other financing activities	(460)	(129)
Net cash flow from / (used in) financing activities	(6,282)	3,345
Total cash flow		
Cash and cash equivalents at the beginning of the period	207,755	173,430
Net cash flow from / (used in) operating, investing and financing activities	(2,391)	24,352
Effects of exchange rate differences on cash and cash equivalents	(15,773)	(6,895)
Cash and cash equivalents at the end of the period³	189,592	190,888

Additional information

Net cash flow from / (used in) operating activities includes:

Interest received in cash	10,197	8,292
Interest paid in cash	5,120	3,981
Dividends on equity investments, investment funds and associates received in cash	1,556	1,969

¹ Includes cash proceeds from the sales of: UBS AG's shareholding in its Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc.; UBS AG's wholly owned subsidiary UBS Swiss Financial Advisers AG; and UBS AG's domestic wealth management business in Spain. ² Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG measured at amortized cost in the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value in the balance sheet). ³ Consists of balances with an original maturity of three months or less. USD 3,855m and USD 3,823m (mainly reflected in Loans and advances to banks) were restricted as of 30 September 2022 and 30 September 2021, respectively. Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2021 for more information.

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

Note 1 Basis of accounting

Basis of preparation

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

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS AG consolidated annual financial statements for the period ended 31 December 2021, except for the changes described in this Note. These interim financial statements are unaudited and should be read in conjunction with UBS AG's audited consolidated financial statements in the Annual Report 2021. In the opinion of management, all necessary adjustments have been made for a fair presentation of UBS AG's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information about areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Material accounting policies" in the "Consolidated financial statements" section of the Annual Report 2021.

Changes to the presentation of the financial statements

Effective from the second quarter of 2022, UBS AG has made several changes to simplify the presentation of the income statement alongside other primary financial statements and disclosure notes and to align them with management information. In particular, *Total operating income* has been renamed *Total revenues* and excludes *Credit loss expense / (release)*, which is now separately presented below *Total revenues*.

Reclassification of a portfolio from *Financial assets measured at fair value through other comprehensive income* to *Other financial assets measured at amortized cost*

Effective from 1 April 2022, UBS AG has reclassified a portfolio of financial assets from *Financial assets measured at fair value through other comprehensive income* (FVOCI) with a fair value of USD 6.9bn (the Portfolio) to *Other financial assets measured at amortized cost* in line with the principles in IFRS 9, *Financial Instruments*, which require a reclassification when an entity changes its business model for managing financial assets.

The Portfolio's cumulative fair value losses of USD 449m pre-tax and USD 333m post-tax, previously recognized in *Other comprehensive income*, have been removed from equity and adjusted against the value of the assets at the reclassification date, so that the Portfolio is measured as if the assets had always been classified at amortized cost, with a value as of 1 April 2022 of USD 7.4bn.

The reclassification had no effect on the income statement.

The reclassified Portfolio is made up of high-quality liquid assets, primarily US government treasuries and US government agency mortgage-backed securities, held and separately managed by UBS Bank USA (BUSA).

Note 1 Basis of accounting (continued)

The accounting reclassification has arisen as a direct result of the transformation of UBS AG's Global Wealth Management Americas business that has significantly impacted BUSA. This includes initiatives approved by the Group Executive Board to significantly grow and extend the business, as disclosed on 1 February 2022 during UBS's fourth quarter 2021 earnings presentation. BUSA's deposit base has grown by more than 100% in the last two years, generating substantial cash balances, with a number of new products being launched, including new deposit types that are longer in duration, additional lending and a broader range of customer segments targeted.

Following the commencement of these activities and the announcement made in the first quarter of 2022, the Portfolio is no longer held in a business model to collect the contractual cash flows and sell the assets, but is instead solely held to collect the contractual cash flows until the assets mature, requiring a reclassification of the Portfolio in line with IFRS 9 with effect from 1 April 2022.

The fair value of the Portfolio as of 30 September 2022 was USD 5.8bn (30 June 2022: USD 6.4bn). A pre-tax fair value loss of USD 515m would have been recognized in *Other comprehensive income* during the third quarter of 2022 (second quarter of 2022: USD 264m) if the Portfolio had not been reclassified.

Currency translation rates

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

	Closing exchange rate				Average rate ¹				
	As of				For the quarter ended		Year-to-date		
	30.9.22	30.6.22	31.12.21	30.9.21	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
1 CHF	1.01	1.05	1.10	1.07	1.03	1.04	1.09	1.05	1.09
1 EUR	0.98	1.05	1.14	1.16	0.99	1.06	1.17	1.05	1.19
1 GBP	1.12	1.22	1.35	1.35	1.16	1.25	1.37	1.24	1.38
100 JPY	0.69	0.74	0.87	0.90	0.72	0.76	0.90	0.78	0.91

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

Note 2 Segment reporting

<i>USD m</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the nine months ended 30 September 2022¹						
Net interest income	3,775	1,559	(12)	(1)	(375)	4,946
Non-interest income	10,588	1,616	2,478	7,033	177	21,892
Total revenues	14,363	3,175	2,466	7,031	(197)	26,838
Credit loss expense / (release)	(3)	42	0	(20)	2	22
Operating expenses	10,518	1,867	1,192	5,320	748	19,644
Operating profit / (loss) before tax	3,847	1,266	1,274	1,731	(947)	7,171
Tax expense / (benefit)						1,577
Net profit / (loss)						5,594
As of 30 September 2022¹						
Total assets	384,057	217,409	15,968	426,064	68,427	1,111,926
For the nine months ended 30 September 2021¹						
Net interest income	3,130	1,577	(11)	318	(155)	4,860
Non-interest income	11,467	1,610	1,906	6,920	245	22,149
Total revenues	14,597	3,187	1,896	7,238	90	27,008
Credit loss expense / (release)	(27)	(76)	0	(19)	0	(121)
Operating expenses	10,460	1,899	1,200	5,375	851	19,785
Operating profit / (loss) before tax	4,165	1,365	695	1,882	(762)	7,345
Tax expense / (benefit)						1,550
Net profit / (loss)						5,795
As of 31 December 2021¹						
Total assets²	395,235	225,425	25,202	346,641	123,641	1,116,145

¹ Refer to "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2021 for more information about UBS AG's reporting segments. ² In the first quarter of 2022, UBS AG refined the methodology applied to allocate balance sheet resources from Group Functions to the business divisions, with prospective effect. If the new methodology had been applied as of 31 December 2021, balance sheet assets allocated to business divisions would have been USD 17bn higher, of which USD 14bn would have related to the Investment Bank.

Note 3 Net interest income

USD m	For the quarter ended			Year-to-date	
	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Interest income from loans and deposits ¹	2,523	1,887	1,644	6,071	4,843
Interest income from securities financing transactions ²	415	209	132	742	393
Interest income from other financial instruments measured at amortized cost	148	118	71	338	213
Interest income from debt instruments measured at fair value through other comprehensive income	12	6	33	60	84
Interest income from derivative instruments designated as cash flow hedges	(17)	160	297	396	849
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3,081	2,381	2,178	7,607	6,382
Interest expense on loans and deposits ³	1,226	618	408	2,272	1,262
Interest expense on securities financing transactions ⁴	282	288	299	794	850
Interest expense on debt issued	265	176	122	576	385
Interest expense on lease liabilities	21	21	24	64	75
Total interest expense from financial instruments measured at amortized cost	1,794	1,103	853	3,706	2,572
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,287	1,278	1,325	3,901	3,810
Net interest income from financial instruments measured at fair value through profit or loss	278	356	339	1,045	1,049
Total net interest income	1,565	1,634	1,664	4,946	4,860

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

Note 4 Net fee and commission income

USD m	For the quarter ended			Year-to-date	
	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Underwriting fees	188	122	353	512	1,165
M&A and corporate finance fees	152	220	315	608	883
Brokerage fees	780	870	1,017	2,728	3,412
Investment fund fees	1,173	1,233	1,428	3,794	4,270
Portfolio management and related services	2,178	2,298	2,517	6,938	7,227
Other	500	492	495	1,494	1,411
Total fee and commission income¹	4,971	5,235	6,124	16,074	18,369
<i>of which: recurring</i>	<i>3,453</i>	<i>3,593</i>	<i>3,951</i>	<i>10,905</i>	<i>11,395</i>
<i>of which: transaction-based</i>	<i>1,504</i>	<i>1,632</i>	<i>2,139</i>	<i>5,126</i>	<i>6,803</i>
<i>of which: performance-based</i>	<i>14</i>	<i>10</i>	<i>34</i>	<i>43</i>	<i>171</i>
Fee and commission expense	476	450	510	1,410	1,472
Net fee and commission income	4,495	4,785	5,615	14,664	16,897

¹ Reflects third-party fee and commission income for the third quarter of 2022 of USD 3,106m for Global Wealth Management (second quarter of 2022: USD 3,281m; third quarter of 2021: USD 3,663m), USD 398m for Personal & Corporate Banking (second quarter of 2022: USD 422m; third quarter of 2021: USD 429m), USD 682m for Asset Management (second quarter of 2022: USD 720m; third quarter of 2021: USD 815m), USD 782m for the Investment Bank (second quarter of 2022: USD 811m; third quarter of 2021: USD 1,214m) and USD 2m for Group Functions (second quarter of 2022: USD 1m; third quarter of 2021: USD 3m).

Note 5 Other income

UBS AG recognized other income of USD 456m in the third quarter of 2022, which included pre-tax gains in Global Wealth Management of USD 133m on the sale of UBS AG's domestic wealth management business in Spain and USD 86m on the sale of UBS AG's wholly owned subsidiary UBS Swiss Financial Advisers AG, as well as a USD 70m gain related to a legacy litigation settlement. In the second quarter of 2022, UBS AG recognized other income of USD 996m, which included a pre-tax gain of USD 848m in Asset Management on the sale of UBS AG's minority shareholding in its Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc. In the third quarter of 2021, UBS AG recognized other income of USD 237m, which included a pre-tax gain of USD 100m from the sale of UBS AG's domestic wealth management business in Austria.

Note 6 Personnel expenses

USD m	For the quarter ended			Year-to-date	
	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Salaries and variable compensation	2,057	2,194	2,212	6,716	7,013
Financial advisor compensation ¹	1,093	1,122	1,239	3,436	3,592
Contractors	29	30	33	87	107
Social security	179	164	205	571	603
Post-employment benefit plans	122	137	140	442	459
Other personnel expenses	136	116	123	361	335
Total personnel expenses	3,617	3,762	3,951	11,613	12,109

¹ Financial advisor 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. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

Note 7 General and administrative expenses

USD m	For the quarter ended			Year-to-date	
	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Outsourcing costs	109	115	112	331	296
IT expenses	122	126	116	370	363
Consulting, legal and audit fees	116	123	111	343	310
Real estate and logistics costs	119	129	137	371	391
Market data services	91	89	90	273	272
Marketing and communication	45	43	34	119	101
Travel and entertainment	39	43	17	101	37
Litigation, regulatory and similar matters ¹	21	220	12	298	84
Other	1,416	1,475	1,473	4,467	4,459
<i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i>	<i>1,237</i>	<i>1,348</i>	<i>1,288</i>	<i>3,975</i>	<i>3,957</i>
Total general and administrative expenses	2,077	2,364	2,101	6,674	6,312

¹ Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 16b for more information.

Note 8 Income taxes

UBS AG recognized income tax expenses of USD 551m for the third quarter of 2022, representing an effective tax rate of 25.6%, compared with USD 549m and an effective tax rate of 20.2% for the third quarter of 2021.

Current tax expenses were USD 347m, compared with USD 400m, and related to taxable profits of UBS Switzerland AG and other entities.

Deferred tax expenses were USD 204m, compared with USD 148m. These include an expense of USD 173m that primarily relates to the amortization of deferred tax assets that were previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc. They also include an expense of USD 31m in respect of a decrease in the expected value of future tax deductions for deferred compensation awards, due to a decrease in the Group's share price during the quarter.

Note 9 Expected credit loss measurement

a) Credit loss expense / release

Total net credit loss releases in the third quarter of 2022 were USD 3m, reflecting USD 4m net credit loss expenses related to stage 1 and 2 positions and USD 7m net credit loss releases primarily related to stage 3 positions in Personal & Corporate Banking.

Stage 1 and 2 net expenses of USD 4m included scenario-update-related expenses of USD 13m, mainly from the update of interest rate forecasts, partly offset by the net effect of changes to models and portfolio quality and size.

b) Changes to ECL models, scenarios, scenario weights and post-model adjustments

Scenarios and scenario weights

The expected credit loss (ECL) scenarios, along with their related macroeconomic factors and market data, were reviewed in light of the economic and political conditions prevailing in the third quarter of 2022 through a series of governance meetings, with input and feedback from UBS AG Risk and Finance experts across the business divisions and regions. UBS AG decided to apply the same scenarios and weights in the third quarter of 2022 as in the second quarter of 2022.

The baseline scenario assumptions on a calendar-year basis are included in the table on the next page. Such baseline information includes interest rate increases by central banks in September 2022, as well as other updated macroeconomic data.

The global crisis scenario and the asset price inflation scenario were updated with current macroeconomic factors, but remain materially unchanged compared with the second quarter of 2022. Shocks in equity prices in the global crisis scenario have been made slightly less severe in the third quarter of 2022 than in the second quarter to reflect the decline seen in the first half of 2022.

As a response to inflationary developments and the war in Ukraine, in the first quarter of 2022 UBS AG replaced the mild global interest rate steepening scenario applied at year-end 2021 with the severe global interest rate steepening scenario. In the second quarter of 2022, a new severe Russia–Ukraine conflict scenario was developed. It has similar dynamics to the severe global interest rate steepening scenario, but includes a deepening energy crisis and disruptions in the delivery of Russian energy. These factors have resulted in surging commodity prices and accelerated inflation in major economies, compared with the severe global interest rate steepening scenario. Eurozone economic activity in particular is impacted in this scenario, due to the region's reliance on its supply of energy from Russia. Equity price shocks in the severe Russia–Ukraine conflict scenario have been made slightly less severe in the third quarter of 2022 than in the second quarter, to reflect the decline seen in the first half of 2022.

Refer to the table on the next page for scenarios and weights applied.

Note 9 Expected credit loss measurement (continued)

Post-model adjustments

Total stage 1 and 2 allowances and provisions amounted to USD 507m as of 30 September 2022 and included post-model adjustments (PMA) of USD 151m (30 June 2022: USD 155m; 31 December 2021: USD 224m).

The PMA represent uncertainty and risk related to substantially heightened geopolitical tensions and the continued COVID-19 pandemic, which cannot be fully and reliably modeled, due to a lack of sufficiently supportable data.

The PMA were reduced during the second and first quarters of 2022 as the application of different and more adverse scenarios and scenario assumptions in UBS AG's models addressed some of the uncertainties that had been reflected in the PMA in prior periods.

Comparison of shock factors

Key parameters	Baseline		
	2021	2022	2023
Real GDP growth (annual percentage change)			
US	5.5	1.7	0.6
Eurozone	5.1	2.9	0.8
Switzerland	3.1	2.1	0.6
Unemployment rate (% annual average)			
US	5.4	3.6	3.7
Eurozone	7.7	6.7	6.9
Switzerland	3.0	2.2	2.1
Fixed income: 10-year government bonds (% Q4)			
USD	1.5	3.8	3.7
EUR	(0.2)	2.2	2.2
CHF	(0.1)	1.3	1.4
Real estate (annual percentage change, Q4)			
US	16.1	10.1	1.7
Eurozone	7.9	3.3	0.5
Switzerland	6.0	5.0	0.0

Economic scenarios and weights applied

ECL scenario	Assigned weights in %		
	30.9.22	30.6.22	31.12.21
Upside	0.0	0.0	5.0
Baseline	55.0	55.0	55.0
Mild global interest rate steepening	–	–	10.0
Severe Russia–Ukraine conflict scenario	25.0	25.0	–
Global crisis	20.0	20.0	30.0

Note 9 Expected credit loss measurement (continued)

c) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions

The following tables 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 recognized financial assets, certain off-balance sheet financial instruments 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 m	30.9.22							
	Carrying amount ¹				ECL allowances			
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Cash and balances at central banks	166,406	166,350	56	0	(15)	0	(15)	0
Loans and advances to banks	14,403	14,342	61	0	(6)	(5)	(1)	0
Receivables from securities financing transactions	66,926	66,926	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	48,210	48,210	0	0	0	0	0	0
Loans and advances to customers	374,747	358,320	14,973	1,455	(760)	(124)	(170)	(466)
<i>of which: Private clients with mortgages</i>	148,347	140,274	7,430	643	(129)	(26)	(78)	(25)
<i>of which: Real estate financing</i>	42,647	38,981	3,658	8	(55)	(17)	(38)	0
<i>of which: Large corporate clients</i>	11,775	10,035	1,458	282	(119)	(20)	(18)	(81)
<i>of which: SME clients</i>	13,032	11,504	1,179	349	(241)	(24)	(22)	(195)
<i>of which: Lombard</i>	134,535	134,455	0	79	(34)	(8)	0	(26)
<i>of which: Credit cards</i>	1,737	1,352	358	27	(36)	(10)	(10)	(17)
<i>of which: Commodity trade finance</i>	3,383	3,368	0	15	(92)	(5)	0	(86)
Other financial assets measured at amortized cost	47,045	46,482	404	160	(92)	(18)	(7)	(67)
<i>of which: Loans to financial advisors</i>	2,505	2,191	187	128	(69)	(10)	(3)	(56)
Total financial assets measured at amortized cost	717,738	700,630	15,494	1,614	(874)	(149)	(192)	(533)
Financial assets measured at fair value through other comprehensive income	2,243	2,243	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	719,981	702,872	15,494	1,614	(874)	(149)	(192)	(533)
		Total exposure			ECL provisions			
Off-balance sheet (in scope of ECL)	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	20,835	19,652	1,054	128	(36)	(12)	(8)	(16)
<i>of which: Large corporate clients</i>	3,537	2,714	748	75	(12)	(2)	(3)	(7)
<i>of which: SME clients</i>	1,201	1,015	134	52	(7)	(1)	(1)	(5)
<i>of which: Financial intermediaries and hedge funds</i>	10,950	10,882	68	0	(11)	(8)	(4)	0
<i>of which: Lombard</i>	2,273	2,272	0	1	(1)	0	0	(1)
<i>of which: Commodity trade finance</i>	2,062	2,061	0	0	(1)	(1)	0	0
Irrevocable loan commitments	37,456	34,996	2,378	82	(102)	(60)	(42)	0
<i>of which: Large corporate clients</i>	22,121	20,283	1,779	58	(85)	(51)	(34)	0
Forward starting reverse repurchase and securities borrowing agreements	8,161	8,161	0	0	0	0	0	0
Committed unconditionally revocable credit lines	38,652	36,691	1,918	43	(42)	(30)	(12)	0
<i>of which: Real estate financing</i>	8,223	8,099	124	0	(5)	(5)	0	0
<i>of which: Large corporate clients</i>	3,889	3,448	436	5	(8)	(2)	(6)	0
<i>of which: SME clients</i>	4,446	4,111	306	29	(17)	(14)	(3)	0
<i>of which: Lombard</i>	6,884	6,879	0	5	0	0	0	0
<i>of which: Credit cards</i>	8,976	8,537	435	3	(6)	(4)	(2)	0
<i>of which: Commodity trade finance</i>	282	282	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	3,732	3,725	4	4	(2)	(2)	0	0
Total off-balance sheet financial instruments and other credit lines	108,837	103,225	5,355	257	(182)	(104)	(62)	(16)
Total allowances and provisions					(1,056)	(253)	(254)	(549)

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

Note 9 Expected credit loss measurement (continued)

USD m	Carrying amount ¹				ECL allowances				
	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	190,353	190,296	57	0	(13)	0	(13)	0	
Loans and advances to banks	16,435	16,318	117	0	(8)	(7)	(1)	0	
Receivables from securities financing transactions	63,291	63,291	0	0	(2)	(2)	0	0	
Cash collateral receivables on derivative instruments	43,766	43,766	0	0	0	0	0	0	
Loans and advances to customers	384,878	367,433	15,759	1,686	(793)	(129)	(163)	(501)	
<i>of which: Private clients with mortgages</i>	150,884	142,050	8,064	770	(126)	(27)	(72)	(27)	
<i>of which: Real estate financing</i>	43,291	39,358	3,925	7	(59)	(17)	(42)	0	
<i>of which: Large corporate clients</i>	12,208	10,791	1,088	329	(141)	(27)	(17)	(98)	
<i>of which: SME clients</i>	13,309	11,744	1,167	397	(249)	(22)	(22)	(205)	
<i>of which: Lombard</i>	140,333	140,251	0	82	(37)	(7)	0	(29)	
<i>of which: Credit cards</i>	1,760	1,384	349	27	(36)	(10)	(9)	(17)	
<i>of which: Commodity trade finance</i>	3,699	3,686	0	12	(94)	(5)	0	(89)	
Other financial assets measured at amortized cost ²	37,551	37,000	391	160	(99)	(18)	(7)	(74)	
<i>of which: Loans to financial advisors</i>	2,447	2,171	144	132	(78)	(11)	(2)	(64)	
Total financial assets measured at amortized cost	736,274	718,104	16,325	1,846	(915)	(155)	(184)	(575)	
Financial assets measured at fair value through other comprehensive income²	2,251	2,251	0	0	0	0	0	0	
Total on-balance sheet financial assets in scope of ECL requirements	738,525	720,355	16,325	1,846	(915)	(155)	(184)	(575)	
		Total exposure			ECL provisions				
Off-balance sheet (in scope of ECL)		Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	22,556	21,381	1,028	146		(40)	(16)	(9)	(15)
<i>of which: Large corporate clients</i>	3,539	2,710	734	95		(10)	(3)	(3)	(4)
<i>of which: SME clients</i>	1,213	1,034	128	51		(9)	(1)	(1)	(7)
<i>of which: Financial intermediaries and hedge funds</i>	12,113	12,021	92	0		(16)	(11)	(5)	0
<i>of which: Lombard</i>	2,332	2,332	0	0		(1)	0	0	(1)
<i>of which: Commodity trade finance</i>	2,388	2,387	0	0		(1)	(1)	0	0
Irrevocable loan commitments	37,703	35,308	2,359	37		(113)	(67)	(46)	0
<i>of which: Large corporate clients</i>	22,649	21,001	1,642	6		(94)	(60)	(34)	0
Forward starting reverse repurchase and securities borrowing agreements	3,985	3,985	0	0		0	0	0	0
Committed unconditionally revocable credit lines	41,615	39,266	2,306	42		(37)	(27)	(10)	0
<i>of which: Real estate financing</i>	9,123	8,931	193	0		(5)	(5)	0	0
<i>of which: Large corporate clients</i>	4,354	3,662	687	5		(6)	(1)	(5)	0
<i>of which: SME clients</i>	4,660	4,240	392	29		(16)	(13)	(3)	0
<i>of which: Lombard</i>	7,697	7,693	0	4		0	0	0	0
<i>of which: Credit cards</i>	9,162	8,725	433	3		(6)	(4)	(2)	0
<i>of which: Commodity trade finance</i>	172	172	0	0		0	0	0	0
Irrevocable committed prolongation of existing loans	5,156	5,136	18	2		(2)	(2)	0	0
Total off-balance sheet financial instruments and other credit lines	111,015	105,076	5,712	228		(192)	(112)	(66)	(15)
Total allowances and provisions						(1,107)	(267)	(250)	(590)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances. ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information.

Note 9 Expected credit loss measurement (continued)

USD m	31.12.21							
	Carrying amount ¹				ECL allowances			
	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	192,817	192,817	0	0	0	0	0	0
Loans and advances to banks	15,360	15,333	26	1	(8)	(7)	(1)	0
Receivables from securities financing transactions	75,012	75,012	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	30,514	30,514	0	0	0	0	0	0
Loans and advances to customers	398,693	381,496	15,620	1,577	(850)	(126)	(152)	(572)
<i>of which: Private clients with mortgages</i>	152,479	143,505	8,262	711	(132)	(28)	(71)	(33)
<i>of which: Real estate financing</i>	43,945	40,463	3,472	9	(60)	(19)	(40)	0
<i>of which: Large corporate clients</i>	13,990	12,643	1,037	310	(170)	(22)	(16)	(133)
<i>of which: SME clients</i>	14,004	12,076	1,492	436	(259)	(19)	(15)	(225)
<i>of which: Lombard</i>	149,283	149,255	0	27	(33)	(6)	0	(28)
<i>of which: Credit cards</i>	1,716	1,345	342	29	(36)	(10)	(9)	(17)
<i>of which: Commodity trade finance</i>	3,813	3,799	7	7	(114)	(6)	0	(108)
Other financial assets measured at amortized cost	26,236	25,746	302	189	(109)	(27)	(7)	(76)
<i>of which: Loans to financial advisors</i>	2,453	2,184	106	163	(86)	(19)	(3)	(63)
Total financial assets measured at amortized cost	738,632	720,917	15,948	1,767	(969)	(161)	(160)	(647)
Financial assets measured at fair value through other comprehensive income	8,844	8,844	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	747,477	729,762	15,948	1,767	(969)	(161)	(160)	(647)
		Total exposure				ECL provisions		
Off-balance sheet (in scope of ECL)	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	20,972	19,695	1,127	150	(41)	(18)	(8)	(15)
<i>of which: Large corporate clients</i>	3,464	2,567	793	104	(6)	(3)	(3)	0
<i>of which: SME clients</i>	1,353	1,143	164	46	(8)	(1)	(1)	(7)
<i>of which: Financial intermediaries and hedge funds</i>	9,575	9,491	84	0	(17)	(13)	(4)	0
<i>of which: Lombard</i>	2,454	2,454	0	0	(1)	0	0	(1)
<i>of which: Commodity trade finance</i>	3,137	3,137	0	0	(1)	(1)	0	0
Irrevocable loan commitments	39,478	37,097	2,335	46	(114)	(72)	(42)	0
<i>of which: Large corporate clients</i>	23,922	21,811	2,102	9	(100)	(66)	(34)	0
Forward starting reverse repurchase and securities borrowing agreements	1,444	1,444	0	0	0	0	0	0
Committed unconditionally revocable credit lines	42,373	39,802	2,508	63	(38)	(28)	(10)	0
<i>of which: Real estate financing</i>	7,328	7,046	281	0	(5)	(4)	(1)	0
<i>of which: Large corporate clients</i>	5,358	4,599	736	23	(7)	(4)	(3)	0
<i>of which: SME clients</i>	5,160	4,736	389	35	(15)	(11)	(3)	0
<i>of which: Lombard</i>	8,670	8,670	0	0	0	0	0	0
<i>of which: Credit cards</i>	9,466	9,000	462	4	(6)	(5)	(2)	0
<i>of which: Commodity trade finance</i>	117	117	0	0	0	0	0	0
Irrevocable committed prolongation of existing loans	5,611	5,527	36	48	(3)	(3)	0	0
Total off-balance sheet financial instruments and other credit lines	109,878	103,565	6,006	307	(196)	(121)	(60)	(15)
Total allowances and provisions					(1,165)	(282)	(220)	(662)

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

Note 9 Expected credit loss measurement (continued)

The table below provides information about the ECL gross exposure and the ECL coverage ratio for UBS AG's 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 dividing ECL allowances and provisions by the gross carrying amount of the related exposures.

Coverage ratios for core loan portfolio					30.9.22				
On-balance sheet	Gross carrying amount (USD m)				ECL coverage (bps)				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	148,476	140,301	7,508	668	9	2	104	7	370
Real estate financing	42,702	38,998	3,695	8	13	4	102	13	429
Total real estate lending	191,178	179,299	11,203	676	10	2	104	8	370
Large corporate clients	11,893	10,055	1,476	363	100	20	123	33	2,234
SME clients	13,273	11,527	1,202	544	181	21	187	36	3,578
Total corporate lending	25,166	21,582	2,678	906	143	20	151	35	3,041
Lombard	134,569	134,463	0	106	3	1	0	1	2,495
Credit cards	1,774	1,362	367	44	205	74	263	114	3,783
Commodity trade finance	3,475	3,374	0	101	264	16	0	16	8,556
Other loans and advances to customers	19,346	18,364	895	88	28	8	42	9	4,112
Loans to financial advisors	2,573	2,201	190	183	266	45	148	53	3,040
Total other lending	161,737	159,763	1,451	522	18	3	112	4	4,239
Total¹	378,081	360,644	15,333	2,104	22	4	113	8	2,480
Off-balance sheet	Gross exposure (USD m)				ECL coverage (bps)				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	5,456	5,253	201	1	4	3	17	4	410
Real estate financing	9,059	8,880	179	0	8	7	53	8	0
Total real estate lending	14,515	14,133	381	1	7	6	34	7	410
Large corporate clients	29,740	26,639	2,963	138	36	21	145	33	506
SME clients	6,708	6,097	503	108	48	28	204	42	432
Total corporate lending	36,449	32,736	3,466	246	38	22	154	35	474
Lombard	12,392	12,386	0	6	1	0	0	0	0
Credit cards	8,976	8,537	435	3	7	5	37	7	0
Commodity trade finance	2,343	2,343	0	0	3	3	0	3	0
Financial intermediaries and hedge funds	17,139	16,732	407	0	7	5	97	7	0
Other off-balance sheet commitments	8,861	8,196	666	0	15	10	30	12	0
Total other lending	49,712	48,194	1,508	9	7	5	50	6	0
Total²	100,675	95,064	5,355	257	18	11	116	17	607
Total on- and off-balance sheet³	478,756	455,708	20,687	2,361	21	5	114	10	2,276

¹ Includes Loans and advances to customers of USD 375,508m and Loans to financial advisors of USD 2,573m, which are presented on the balance sheet line Other financial assets measured at amortized cost.

² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross, and off-balance-sheet exposure (notional), and the related ECL coverage ratio (bps).

Note 9 Expected credit loss measurement (continued)

Coverage ratios for core loan portfolio					30.6.22				
On-balance sheet	Gross carrying amount (USD m)				ECL coverage (bps)				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	151,010	142,077	8,136	798	8	2	88	7	342
Real estate financing	43,350	39,375	3,967	8	14	4	106	14	505
Total real estate lending	194,360	181,452	12,103	805	10	2	94	8	344
Large corporate clients	12,349	10,818	1,105	427	114	25	153	37	2,286
SME clients	13,558	11,766	1,190	602	184	19	187	34	3,400
Total corporate lending	25,907	22,584	2,294	1,029	151	22	170	35	2,938
Lombard	140,370	140,259	0	111	3	1	0	1	2,641
Credit cards	1,796	1,394	359	43	201	72	263	111	3,805
Commodity trade finance	3,793	3,692	0	101	248	15	0	15	8,768
Other loans and advances to customers	19,446	18,182	1,167	98	26	7	7	7	3,796
Loans to financial advisors	2,525	2,182	147	196	307	50	163	57	3,278
Total other lending	167,929	165,708	1,672	549	18	3	76	4	4,293
Total¹	388,196	369,744	16,069	2,383	22	4	103	8	2,373
Off-balance sheet	Gross exposure (USD m)				ECL coverage (bps)				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	6,860	6,658	199	3	4	3	9	3	786
Real estate financing	10,336	10,126	210	0	11	6	232	11	0
Total real estate lending	17,196	16,784	409	3	8	5	123	8	786
Large corporate clients	30,750	27,581	3,062	107	36	23	136	35	368
SME clients	7,301	6,603	589	109	45	23	178	36	649
Total corporate lending	38,051	34,184	3,651	216	37	23	143	35	510
Lombard	12,931	12,927	0	4	1	0	0	0	0
Credit cards	9,162	8,725	433	3	7	5	36	7	0
Commodity trade finance	2,615	2,615	0	0	4	4	0	4	0
Financial intermediaries and hedge funds	18,527	18,010	517	0	10	7	129	10	0
Other off-balance sheet commitments	8,548	7,845	701	2	11	8	5	8	0
Total other lending	51,783	50,123	1,651	9	7	5	52	6	0
Total²	107,030	101,091	5,712	228	18	11	115	17	644
Total on- and off-balance sheet³	495,226	470,835	21,781	2,611	21	5	106	10	2,222

¹ Includes Loans and advances to customers of USD 385,671m and Loans to financial advisors of USD 2,525m, which are presented on the balance sheet line Other financial assets measured at amortized cost.
² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross, and off-balance-sheet exposure (notional), and the related ECL coverage ratio (bps).

Coverage ratios for core loan portfolio					31.12.21				
On-balance sheet	Gross carrying amount (USD m)				ECL coverage (bps)				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	152,610	143,533	8,333	744	9	2	85	6	446
Real estate financing	44,004	40,483	3,512	10	14	5	114	14	231
Total real estate lending	196,615	184,016	11,845	754	10	3	94	8	443
Large corporate clients	14,161	12,665	1,053	443	120	18	148	28	2,997
SME clients	14,263	12,095	1,507	661	182	16	103	25	3,402
Total corporate lending	28,424	24,760	2,560	1,104	151	17	121	26	3,240
Lombard	149,316	149,261	0	55	2	0	0	0	5,026
Credit cards	1,752	1,355	351	46	204	72	255	109	3,735
Commodity trade finance	3,927	3,805	7	115	290	15	3	15	9,388
Other loans and advances to customers	19,510	18,425	1,010	75	23	9	15	9	3,730
Loans to financial advisors	2,539	2,203	109	226	338	88	303	99	2,791
Total other lending	177,043	175,049	1,477	517	18	3	93	4	4,718
Total¹	402,081	383,825	15,882	2,374	23	4	98	8	2,673
Off-balance sheet	Gross exposure (USD m)				ECL coverage (bps)				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	9,123	8,798	276	49	3	3	9	3	15
Real estate financing	8,766	8,481	285	0	9	7	88	9	0
Total real estate lending	17,889	17,278	562	49	6	5	49	6	15
Large corporate clients	32,748	28,981	3,630	136	34	25	110	35	1
SME clients	8,077	7,276	688	114	38	19	151	30	585
Total corporate lending	40,826	36,258	4,318	250	35	24	117	34	266
Lombard	14,438	14,438	0	0	1	0	0	0	0
Credit cards	9,466	9,000	462	4	7	5	34	7	0
Commodity trade finance	3,262	3,262	0	0	4	4	0	4	0
Financial intermediaries and hedge funds	13,747	13,379	369	0	13	10	120	13	0
Other off-balance sheet commitments	8,806	8,507	296	4	15	6	30	7	0
Total other lending	49,720	48,585	1,127	8	8	5	61	7	0
Total²	108,434	102,121	6,006	307	18	12	100	17	486
Total on- and off-balance sheet³	510,516	485,946	21,888	2,681	22	5	99	9	2,423

¹ Includes Loans and advances to customers of USD 399,543m and Loans to financial advisors of USD 2,539m, which are presented on the balance sheet line Other financial assets measured at amortized cost.
² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross, and off-balance-sheet exposure (notional), and the related ECL coverage ratio (bps).

Note 10 Fair value measurement

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.

During the first nine months of 2022, assets and liabilities that were transferred from Level 2 to Level 1, or from Level 1 to Level 2, and were held for the entire reporting period were not material.

Determination of fair values from quoted market prices or valuation techniques¹

USD m	30.9.22				30.6.22				31.12.21			
	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	71,474	12,093	1,267	84,833	85,292	12,515	1,923	99,730	113,722	15,012	2,299	131,033
of which: Equity instruments	59,135	938	114	60,187	70,306	982	85	71,373	97,983	1,090	149	99,222
of which: Government bills / bonds	6,580	1,235	9	7,824	8,633	1,409	9	10,052	7,135	1,351	10	8,496
of which: Investment fund units	5,067	1,231	68	6,365	5,728	1,040	18	6,786	7,843	1,364	21	9,229
of which: Corporate and municipal bonds	688	7,296	481	8,465	619	7,258	673	8,550	708	7,791	556	9,055
of which: Loans	0	1,073	472	1,545	0	1,553	1,010	2,563	0	3,099	1,443	4,542
of which: Asset-backed securities	4	320	123	447	5	274	128	407	53	317	120	489
Derivative financial instruments	2,121	191,420	1,667	195,208	1,185	157,586	1,753	160,524	522	116,482	1,140	118,145
of which: Foreign exchange	1,496	114,350	2	115,848	527	82,845	3	83,375	255	53,046	7	53,307
of which: Interest rate	0	40,826	488	41,314	0	37,930	351	38,281	0	32,747	494	33,241
of which: Equity / index	0	32,742	710	33,452	0	33,266	680	33,946	0	27,861	384	28,245
of which: Credit derivatives	0	1,351	391	1,743	0	1,446	640	2,087	0	1,179	236	1,414
of which: Commodities	0	1,975	73	2,048	0	1,936	76	2,013	0	1,590	16	1,606
Brokerage receivables	0	22,510	0	22,510	0	19,289	0	19,289	0	21,839	0	21,839
Financial assets at fair value not held for trading	17,385	32,151	3,881	53,418	20,844	32,226	4,171	57,240	27,278	28,185	4,180	59,642
of which: Financial assets for unit-linked investment contracts	12,166	0	7	12,173	14,341	0	8	14,348	21,110	187	6	21,303
of which: Corporate and municipal bonds	65	12,715	221	13,000	131	14,361	249	14,741	123	13,937	306	14,366
of which: Government bills / bonds	4,811	6,266	0	11,077	5,954	4,607	0	10,561	5,624	3,236	0	8,860
of which: Loans	0	3,338	654	3,992	0	3,301	976	4,277	0	4,982	892	5,874
of which: Securities financing transactions	0	9,686	114	9,799	0	9,881	108	9,989	0	5,704	100	5,804
of which: Auction rate securities	0	0	1,651	1,651	0	0	1,644	1,644	0	0	1,585	1,585
of which: Investment fund units	272	146	117	535	317	74	112	504	338	137	117	591
of which: Equity instruments	72	0	751	823	101	0	721	822	83	2	681	765
Financial assets measured at fair value through other comprehensive income on a recurring basis												
Financial assets measured at fair value through other comprehensive income	55	2,188	0	2,243	55	2,196	0	2,251	2,704	6,140	0	8,844
of which: Asset-backed securities ²	0	0	0	0	0	0	0	0	0	4,849	0	4,849
of which: Government bills / bonds ²	0	25	0	25	0	18	0	18	2,658	27	0	2,686
of which: Corporate and municipal bonds	55	2,162	0	2,217	55	2,178	0	2,233	45	1,265	0	1,310
Non-financial assets measured at fair value on a recurring basis												
Precious metals and other physical commodities	4,133	0	0	4,133	4,377	0	0	4,377	5,258	0	0	5,258
Non-financial assets measured at fair value on a non-recurring basis												
Other non-financial assets ³	0	0	14	14	0	0	22	22	0	0	26	26
Total assets measured at fair value	95,168	260,361	6,830	362,359	111,753	223,812	7,868	343,434	149,484	187,658	7,645	344,787

Note 10 Fair value measurement (continued)

Determination of fair values from quoted market prices or valuation techniques (continued)¹

USD m	30.9.22				30.6.22				31.12.21			
	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	25,449	5,199	93	30,741	24,393	5,932	125	30,450	25,413	6,170	105	31,688
of which: Equity instruments	16,695	366	69	17,130	16,323	440	89	16,852	18,328	513	83	18,924
of which: Corporate and municipal bonds	33	4,008	22	4,062	39	4,159	33	4,231	30	4,219	17	4,266
of which: Government bills / bonds	7,358	714	0	8,073	6,979	1,049	0	8,028	5,883	826	0	6,709
of which: Investment fund units	1,363	85	1	1,449	1,051	261	2	1,314	1,172	555	6	1,733
Derivative financial instruments	2,311	188,331	1,658	192,300	1,294	153,887	1,711	156,892	509	118,558	2,242	121,309
of which: Foreign exchange	1,615	112,931	25	114,571	486	81,985	26	82,497	258	53,800	21	54,078
of which: Interest rate	0	38,698	108	38,806	0	34,585	96	34,681	0	28,398	278	28,675
of which: Equity / index	0	33,078	1,150	34,228	0	33,561	1,076	34,638	0	33,438	1,511	34,949
of which: Credit derivatives	0	1,260	285	1,544	0	1,448	373	1,820	0	1,412	341	1,753
of which: Commodities	0	2,186	57	2,243	0	2,107	76	2,183	0	1,503	63	1,566
Financial liabilities designated at fair value on a recurring basis												
Brokerage payables designated at fair value	0	48,093	0	48,093	0	49,798	0	49,798	0	44,045	0	44,045
Debt issued designated at fair value	0	59,051	8,645	67,696	0	59,973	10,484	70,457	0	59,606	11,854	71,460
Other financial liabilities designated at fair value	0	25,200	1,916	27,116	0	27,980	2,393	30,373	0	29,258	3,156	32,414
of which: Financial liabilities related to unit-linked investment contracts	0	12,321	0	12,321	0	14,503	0	14,503	0	21,466	0	21,466
of which: Securities financing transactions	0	11,376	0	11,376	0	12,024	2	12,026	0	6,375	2	6,377
of which: Over-the-counter debt instruments	0	1,041	699	1,740	0	1,157	879	2,036	0	1,334	794	2,128
Total liabilities measured at fair value	27,760	325,875	12,311	365,946	25,687	297,570	14,713	337,970	25,922	257,637	17,357	300,916

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 any of the periods presented. ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information. ³ 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

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 the 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 m	For the quarter ended			Year-to-date	
	30.9.22	30.6.22	30.9.21	30.9.22	30.9.21
Reserve balance at the beginning of the period	451	425	405	418	269
Profit / (loss) deferred on new transactions	84	86	102	245	380
(Profit) / loss recognized in the income statement	(108)	(58)	(78)	(235)	(220)
Foreign currency translation	(1)	(1)	(1)	(2)	(1)
Reserve balance at the end of the period	426	451	429	426	429

The table below summarizes other valuation adjustment reserves recognized on the balance sheet.

Other valuation adjustment reserves on the balance sheet

Life-to-date gain / (loss), USD m	As of		
	30.9.22	30.6.22	31.12.21
Own credit adjustments on financial liabilities designated at fair value	848	406	(315)
of which: debt issued designated at fair value	449	251	(144)
of which: other financial liabilities designated at fair value	398	154	(172)
Credit valuation adjustments ¹	(40)	(36)	(44)
Funding valuation adjustments	(50)	(8)	(49)
Debit valuation adjustments	6	5	2
Other valuation adjustments	(824)	(869)	(913)
of which: liquidity	(293)	(326)	(341)
of which: model uncertainty	(531)	(543)	(571)

¹ Amount does not include reserves against defaulted counterparties.

Note 10 Fair value measurement (continued)

c) 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, as well as the inputs used in a given valuation technique that are considered significant as of 30 September 2022 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of UBS AG's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by UBS AG.

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 2021.

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

	Fair value				Valuation technique(s)	Significant unobservable input(s) ¹	Range of inputs						unit ¹
	Assets		Liabilities				30.9.22		31.12.21		weighted average ²		
USD bn	30.9.22	31.12.21	30.9.22	31.12.21		low	high	low	high	low	high		
Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading													
<i>Corporate and municipal bonds</i>	0.7	0.9	0.0	0.0	Relative value to market comparable	Bond price equivalent	9	107	84	16	143	98	points
					Discounted expected cash flows	Discount margin	447	447		434	434		basis points
<i>Traded loans, loans measured at fair value, loan commitments and guarantees</i>	1.5	2.8	0.0	0.0	Relative value to market comparable	Loan price equivalent	20	100	97	0	101	99	points
					Discounted expected cash flows	Credit spread	200	350	287	175	800	436	basis points
					Market comparable and securitization model	Credit spread	125	1,343	301	28	1,544	241	basis points
<i>Auction rate securities</i>	1.7	1.6			Discounted expected cash flows	Credit spread	115	192	152	115	197	153	basis points
<i>Investment fund units³</i>	0.2	0.1	0.0	0.0	Relative value to market comparable	Net asset value							
<i>Equity instruments³</i>	0.9	0.8	0.1	0.1	Relative value to market comparable	Price							
Debt issued designated at fair value⁴			8.6	11.9									
Other financial liabilities designated at fair value			1.9	3.2	Discounted expected cash flows	Funding spread	25	175		24	175		basis points
Derivative financial instruments													
<i>Interest rate</i>	0.5	0.5	0.1	0.3	Option model	Volatility of interest rates	74	153		65	81		basis points
					Discounted expected cash flows	Credit spreads	10	410		1	583		basis points
<i>Credit derivatives</i>	0.4	0.2	0.3	0.3		Bond price equivalent	3	232		2	136		points
<i>Equity / index</i>	0.7	0.4	1.2	1.5	Option model	Equity dividend yields	0	20		0	11		%
						Volatility of equity stocks, equity and other indices	2	118		4	98		%
						Equity-to-FX correlation	(29)	84		(29)	76		%
						Equity-to-equity correlation	(25)	100		(25)	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 most 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 Other financial liabilities designated at fair value and Derivative financial instruments, 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 primarily consists of structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

Note 10 Fair value measurement (continued)

d) 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 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 Level 1 / 2 parameters 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 assumptions¹

USD m	30.9.22		30.6.22		31.12.21	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans measured at fair value, loan commitments and guarantees	22	(19)	25	(32)	19	(13)
Securities financing transactions	41	(43)	53	(55)	41	(53)
Auction rate securities	55 ²	(55) ²	79	(79)	66	(66)
Asset-backed securities	31	(24)	25	(19)	20	(20)
Equity instruments	181	(161)	177	(152)	173	(146)
Interest rate derivatives, net	16 ²	(23) ²	41	(54)	29	(19)
Credit derivatives, net	3	(5)	7	(6)	5	(8)
Foreign exchange derivatives, net	10	(5)	11	(7)	19	(11)
Equity / index derivatives, net	326	(314)	382	(374)	368	(335)
Other	36 ²	(80) ²	63	(90)	50	(73)
Total	721	(728)	861	(868)	790	(744)

¹ Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument. ² Includes refinements applied in estimating valuation uncertainty across various parameters.

e) Level 3 instruments: movements during the period

The table on the following page presents additional information about material Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented in the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

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

Note 10 Fair value measurement (continued)

Movements of Level 3 instruments											
<i>USD bn</i>	Balance at the beginning of the period	Net gains / losses included in comprehensive income ¹	<i>of which: related to instruments held at the end of the period</i>	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance at the end of the period
For the nine months ended 30 September 2022²											
Financial assets at fair value held for trading											
	2.3	(0.2)	(0.2)	0.3	(1.4)	0.3	0.0	0.3	(0.3)	(0.0)	1.3
<i>of which: Investment fund units</i>	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.1	(0.0)	(0.0)	0.1
<i>of which: Corporate and municipal bonds</i>	0.6	(0.0)	(0.0)	0.2	(0.2)	0.0	0.0	0.0	(0.0)	(0.0)	0.5
<i>of which: Loans</i>	1.4	(0.1)	(0.1)	0.0	(1.1)	0.3	0.0	0.0	(0.2)	(0.0)	0.5
Derivative financial instruments – assets											
	1.1	0.8	0.5	0.0	0.0	0.6	(0.7)	0.1	(0.1)	(0.1)	1.7
<i>of which: Interest rate</i>	0.5	0.2	0.2	0.0	0.0	0.0	(0.1)	0.1	(0.1)	(0.1)	0.5
<i>of which: Equity / index</i>	0.4	0.4	0.3	0.0	0.0	0.2	(0.3)	0.0	(0.0)	(0.0)	0.7
<i>of which: Credit derivatives</i>	0.2	0.1	(0.1)	0.0	0.0	0.2	(0.2)	0.0	0.0	0.0	0.4
Financial assets at fair value not held for trading											
	4.2	0.1	0.1	0.6	(0.8)	0.1	(0.0)	0.1	(0.3)	(0.1)	3.9
<i>of which: Loans</i>	0.9	(0.0)	(0.1)	0.4	(0.4)	0.1	0.0	0.0	(0.3)	(0.0)	0.7
<i>of which: Auction rate securities</i>	1.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7
<i>of which: Equity instruments</i>	0.7	0.0	0.0	0.1	(0.1)	0.0	0.0	0.1	0.0	(0.0)	0.8
Derivative financial instruments – liabilities											
	2.2	(0.8)	(0.6)	0.0	0.0	1.3	(0.8)	0.1	(0.2)	(0.2)	1.7
<i>of which: Interest rate</i>	0.3	(0.2)	(0.1)	0.0	0.0	0.1	(0.0)	0.0	0.0	(0.1)	0.1
<i>of which: Equity / index</i>	1.5	(0.5)	(0.5)	0.0	0.0	1.0	(0.7)	0.0	(0.2)	(0.1)	1.2
<i>of which: Credit derivatives</i>	0.3	(0.1)	(0.1)	0.0	0.0	0.1	(0.0)	0.1	(0.0)	(0.0)	0.3
Debt issued designated at fair value											
	11.9	(1.7)	(1.4)	0.0	0.0	4.4	(3.0)	0.5	(2.8)	(0.5)	8.6
Other financial liabilities designated at fair value											
	3.2	(1.0)	(1.0)	0.0	0.0	0.2	(0.3)	0.1	(0.2)	(0.1)	1.9
For the nine months ended 30 September 2021											
Financial assets at fair value held for trading											
	2.3	0.0	(0.0)	0.3	(1.0)	0.2	0.0	0.2	(0.2)	(0.0)	1.8
<i>of which: Investment fund units</i>	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	0.0	(0.0)	(0.0)	0.0
<i>of which: Corporate and municipal bonds</i>	0.8	0.0	0.0	0.2	(0.2)	0.0	0.0	0.0	(0.1)	(0.0)	0.8
<i>of which: Loans</i>	1.1	0.0	0.0	0.0	(0.6)	0.2	0.0	0.0	(0.2)	0.0	0.7
Derivative financial instruments – assets											
	1.8	(0.2)	(0.2)	0.0	0.0	0.5	(0.5)	0.1	(0.1)	(0.0)	1.4
<i>of which: Interest rate</i>	0.5	(0.1)	(0.1)	0.0	0.0	0.0	(0.1)	0.0	(0.0)	(0.0)	0.3
<i>of which: Equity / index</i>	0.9	0.0	0.0	0.0	0.0	0.3	(0.4)	0.0	(0.1)	(0.0)	0.7
<i>of which: Credit derivatives</i>	0.3	(0.1)	(0.1)	0.0	0.0	0.1	(0.0)	0.1	(0.0)	0.0	0.3
Financial assets at fair value not held for trading											
	3.9	0.1	0.1	0.8	(0.4)	0.0	0.0	0.1	(0.3)	(0.0)	4.3
<i>of which: Loans</i>	0.9	0.0	0.0	0.4	(0.2)	0.0	0.0	0.0	(0.3)	(0.0)	0.9
<i>of which: Auction rate securities</i>	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6
<i>of which: Equity instruments</i>	0.5	0.1	0.1	0.1	(0.1)	0.0	0.0	0.0	(0.0)	(0.0)	0.6
Derivative financial instruments – liabilities											
	3.5	0.2	(0.0)	0.0	0.0	0.8	(1.6)	0.0	(0.3)	(0.0)	2.5
<i>of which: Interest rate</i>	0.5	(0.0)	(0.0)	0.0	0.0	0.1	(0.1)	0.0	(0.0)	(0.0)	0.5
<i>of which: Equity / index</i>	2.3	0.4	0.1	0.0	0.0	0.6	(1.4)	0.0	(0.2)	(0.0)	1.6
<i>of which: Credit derivatives</i>	0.5	(0.2)	(0.2)	0.0	0.0	0.1	(0.0)	0.0	(0.1)	(0.0)	0.3
Debt issued designated at fair value											
	9.6	0.2	0.2	0.0	0.0	7.7	(3.4)	0.2	(0.9)	(0.2)	13.2
Other financial liabilities designated at fair value											
	2.1	(0.0)	(0.0)	0.0	0.0	1.2	(0.3)	0.0	(0.0)	(0.0)	3.0

¹ Net gains / losses included in comprehensive income are recognized in Net interest income and Other net income from financial instruments measured at fair value through profit or loss in the Income statement, and also in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax in the Statement of comprehensive income. ² Total Level 3 assets as of 30 September 2022 were USD 6.8bn (31 December 2021: USD 7.6bn). Total Level 3 liabilities as of 30 September 2022 were USD 12.3bn (31 December 2021: USD 17.4bn).

Note 10 Fair value measurement (continued)

f) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value. Valuation principles applied when determining fair value estimates for financial instruments not measured at fair value are consistent with those described in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

Financial instruments not measured at fair value

USD bn	30.9.22		30.6.22		31.12.21	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash and balances at central banks	166.4	166.4	190.4	190.4	192.8	192.8
Loans and advances to banks	14.4	14.4	16.4	16.4	15.4	15.3
Receivables from securities financing transactions	66.9	66.9	63.3	63.3	75.0	75.0
Cash collateral receivables on derivative instruments	48.2	48.2	43.8	43.8	30.5	30.5
Loans and advances to customers	374.7	363.0	384.9	374.6	398.7	397.9
Other financial assets measured at amortized cost ¹	47.0	44.6	37.6	36.1	26.2	26.5
Liabilities						
Amounts due to banks	13.9	13.9	15.2	15.2	13.1	13.1
Payables from securities financing transactions	4.5	4.5	6.0	6.0	5.5	5.5
Cash collateral payables on derivative instruments	44.3	44.3	40.5	40.5	31.8	31.8
Customer deposits	498.2	497.9	514.3	514.3	544.8	544.8
Funding from UBS Group AG measured at amortized cost	55.7	54.4	57.1	56.2	57.3	58.8
Debt issued measured at amortized cost	55.4	54.8	65.8	65.1	82.4	82.8
Other financial liabilities measured at amortized cost ²	7.0	7.0	7.4	7.4	6.3	6.3

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information. ² Excludes lease liabilities.

Note 11 Derivative instruments

a) Derivative instruments

	Derivative financial assets	Notional values related to derivative financial assets ¹	Derivative financial liabilities	Notional values related to derivative financial liabilities ¹	Other notional values ²
<i>As of 30.9.22, USD bn</i>					
Derivative financial instruments					
Interest rate	41.3	975	38.8	970	10,300
Credit derivatives	1.7	48	1.5	48	0
Foreign exchange	115.8	3,299	114.6	3,108	45
Equity / index	33.5	367	34.2	418	68
Commodities	2.0	73	2.2	65	17
Loan commitments measured at FVTPL	0.0	1	0.1	5	
Unsettled purchases of non-derivative financial instruments ³	0.4	28	0.5	22	
Unsettled sales of non-derivative financial instruments ³	0.4	28	0.4	18	
Total derivative financial instruments, based on IFRS netting⁴	195.2	4,819	192.3	4,655	10,430
Further netting potential not recognized on the balance sheet ⁵	(177.7)		(176.1)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(142.8)</i>		<i>(142.8)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(35.0)</i>		<i>(33.3)</i>		
Total derivative financial instruments, after consideration of further netting potential	17.5		16.2		

	Derivative financial assets	Notional values related to derivative financial assets ¹	Derivative financial liabilities	Notional values related to derivative financial liabilities ¹	Other notional values ²
<i>As of 30.6.22, USD bn</i>					
Derivative financial instruments					
Interest rate	38.3	1,083	34.7	1,051	9,799
Credit derivatives	2.1	48	1.8	47	0
Foreign exchange	83.4	3,252	82.5	3,092	33
Equity / index	33.9	388	34.6	457	69
Commodities	2.0	78	2.2	70	16
Loan commitments measured at FVTPL	0.0	1	0.0	7	
Unsettled purchases of non-derivative financial instruments ³	0.3	29	0.5	22	
Unsettled sales of non-derivative financial instruments ³	0.5	30	0.5	24	
Total derivative financial instruments, based on IFRS netting⁴	160.5	4,910	156.9	4,771	9,916
Further netting potential not recognized on the balance sheet ⁵	(146.5)		(141.0)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(116.0)</i>		<i>(116.0)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(30.5)</i>		<i>(24.9)</i>		
Total derivative financial instruments, after consideration of further netting potential	14.0		15.9		

	Derivative financial assets	Notional values related to derivative financial assets ¹	Derivative financial liabilities	Notional values related to derivative financial liabilities ¹	Other notional values ²
<i>As of 31.12.21, USD bn</i>					
Derivative financial instruments					
Interest rate	33.2	991	28.7	943	8,675
Credit derivatives	1.4	45	1.8	46	0
Foreign exchange	53.3	3,031	54.1	2,939	1
Equity / index	28.2	457	34.9	604	80
Commodities	1.6	58	1.6	56	15
Loan commitments measured at FVTPL	0.0	1	0.0	8	
Unsettled purchases of non-derivative financial instruments ³	0.1	13	0.2	11	
Unsettled sales of non-derivative financial instruments ³	0.2	18	0.1	9	
Total derivative financial instruments, based on IFRS netting⁴	118.1	4,614	121.3	4,617	8,771
Further netting potential not recognized on the balance sheet ⁵	(107.4)		(107.0)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(88.9)</i>		<i>(88.9)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(18.5)</i>		<i>(18.1)</i>		
Total derivative financial instruments, after consideration of further netting potential	10.7		14.3		

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 client-cleared ETD and OTC transactions through central clearing counterparties 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 any of the periods presented. ³ Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. ⁴ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ⁵ Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2021 for more information.

Note 11 Derivative instruments (continued)

b) Cash collateral on derivative instruments

<i>USD bn</i>	Receivables 30.9.22	Payables 30.9.22	Receivables 30.6.22	Payables 30.6.22	Receivables 31.12.21	Payables 31.12.21
Cash collateral on derivative instruments, based on IFRS netting ¹	48.2	44.3	43.8	40.5	30.5	31.8
Further netting potential not recognized on the balance sheet ²	(30.2)	(25.6)	(23.2)	(22.6)	(18.4)	(16.4)
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(28.2)</i>	<i>(23.6)</i>	<i>(20.4)</i>	<i>(19.9)</i>	<i>(15.2)</i>	<i>(13.1)</i>
<i>of which: netting with collateral received / pledged</i>	<i>(2.1)</i>	<i>(2.1)</i>	<i>(2.8)</i>	<i>(2.8)</i>	<i>(3.3)</i>	<i>(3.3)</i>
Cash collateral on derivative instruments, after consideration of further netting potential	18.0	18.7	20.6	17.9	12.1	15.4

¹ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ² Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2021 for more information.

Note 12 Other assets and liabilities

a) Other financial assets measured at amortized cost

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Debt securities ¹	39,259	29,812	18,858
Loans to financial advisors	2,505	2,447	2,453
Fee- and commission-related receivables	1,867	1,965	1,966
Finance lease receivables	1,270	1,283	1,356
Settlement and clearing accounts	611	500	455
Accrued interest income	854	681	521
Other	680	863	627
Total other financial assets measured at amortized cost	47,045	37,551	26,236

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information.

b) Other non-financial assets

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Precious metals and other physical commodities	4,133	4,377	5,258
Deposits and collateral provided in connection with litigation, regulatory and similar matters ¹	2,018	2,150	1,526
Prepaid expenses	785	731	717
VAT and other tax receivables	445	410	591
Properties and other non-current assets held for sale	239	257	32
Assets of disposal groups held for sale ²		823	1,093
Other	899	819	618
Total other non-financial assets	8,519	9,567	9,836

¹ Refer to Note 16 for more information. ² In the third quarter of 2022, UBS AG completed the sale of its domestic wealth management business in Spain and the sale of UBS Swiss Financial Advisers AG.

c) Other financial liabilities measured at amortized cost

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Other accrued expenses	1,561	1,500	1,642
Accrued interest expenses	1,186	1,238	1,134
Settlement and clearing accounts	1,528	1,866	1,282
Lease liabilities	3,014	3,140	3,438
Other	2,701	2,773	2,269
Total other financial liabilities measured at amortized cost	9,990	10,516	9,765

d) Other financial liabilities designated at fair value

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Financial liabilities related to unit-linked investment contracts	12,321	14,503	21,466
Securities financing transactions	11,376	12,026	6,377
Over-the-counter debt instruments	1,740	2,036	2,128
Funding from UBS Group AG	1,679	1,807	2,340
Other			103
Total other financial liabilities designated at fair value	27,116	30,373	32,414

Note 12 Other assets and liabilities (continued)

e) Other non-financial liabilities

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Compensation-related liabilities	3,844	3,338	4,795
<i>of which: net defined benefit liability</i>	412	462	617
Deferred tax liabilities	293	201	297
Current tax liabilities	898	935	1,365
VAT and other tax payables	444	490	524
Deferred income	248	233	225
Liabilities of disposal groups held for sale ¹		1,351	1,298
Other	29	70	68
Total other non-financial liabilities	5,757	6,618	8,572

¹ In the third quarter of 2022, UBS AG completed the sale of its domestic wealth management business in Spain and the sale of UBS Swiss Financial Advisers AG.

Note 13 Debt issued designated at fair value

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Equity-linked ¹	37,785	39,629	47,059
Rates-linked	16,559	16,916	16,369
Credit-linked	2,330	2,147	1,723
Fixed-rate	5,887	5,411	2,868
Commodity-linked	4,350	4,640	2,911
Other	784	1,715	529
Total debt issued designated at fair value	67,696	70,457	71,460

¹ Includes investment fund unit-linked instruments issued.

Note 14 Debt issued measured at amortized cost

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Short-term debt¹	24,849	31,525	43,098
Senior unsecured debt other than TLAC	19,050	20,109	23,328
Covered bonds			1,389
Subordinated debt	2,959	5,008	5,163
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	2,427	2,471	2,596
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	531	538	547
Debt issued through the Swiss central mortgage institutions	8,567	9,177	9,454
Long-term debt²	30,576	34,294	39,334
Total debt issued measured at amortized cost³	55,425	65,820	82,432

¹ Debt with an original contractual maturity of less than one year, mainly consisting of certificates of deposit and commercial paper. ² 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. ³ Net of bifurcated embedded derivatives, the fair value of which was not material for any of the periods presented.

Note 15 Interest rate benchmark reform

During 2022, UBS AG has continued to manage the transition to alternative reference rates (ARRs). The transition of non-USD interbank offered rates (IBORs) is substantially complete, with efforts now focused on managing the transition of the remaining USD London Interbank Offered Rate (LIBOR) exposures.

On 15 March 2022, the US enacted federal legislation, the Adjustable Interest Rate (LIBOR) Act, which is substantially based on, and supersedes, the New York State LIBOR legislation. The Adjustable Interest Rate (LIBOR) Act provides a legislative solution for USD LIBOR legacy products governed by any US state law should such products fail to transition prior to the USD LIBOR cessation date of 30 June 2023.

In January 2022, UBS AG completed the transition of USD LIBOR-linked balances related to brokerage accounts. Substantially all US securities-based lending that was outstanding as of 31 December 2021 has been transitioned to the Secured Overnight Financing Rate (SOFR) and UBS AG continues to make good progress on the transition of the remaining USD LIBOR non-derivative assets and liabilities.

In August 2022, to facilitate the transition of derivatives linked to the USD LIBOR Swap Rate, UBS AG adhered to the June 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol on the USD LIBOR Swap Rate. The transition of USD LIBOR-cleared derivatives is planned to commence in the second quarter of 2023.

Note 16 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

<i>USD m</i>	30.9.22	30.6.22	31.12.21
Provisions other than provisions for expected credit losses	3,053	3,215	3,256
Provisions for expected credit losses ¹	182	192	196
Total provisions	3,235	3,407	3,452

¹ Refer to Note 9c for more information.

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

<i>USD m</i>	Litigation, regulatory and similar matters ¹	Restructuring ²	Other ³	Total
Balance as of 31 December 2021	2,798	137	321	3,256
Balance as of 30 June 2022	2,798	114	302	3,215
Increase in provisions recognized in the income statement	25	25	10	60
Release of provisions recognized in the income statement	(4)	(5)	(5)	(15)
Provisions used in conformity with designated purpose	(52)	(40)	(10)	(102)
Foreign currency translation / unwind of discount	(90)	(4)	(12)	(105)
Balance as of 30 September 2022	2,677	90	285	3,053

¹ Consists of provisions for losses resulting from legal, liability and compliance risks. ² Consists of personnel-related restructuring provisions of USD 56m as of 30 September 2022 (30 June 2022: USD 75m; 31 December 2021: USD 90m) and provisions for onerous contracts of USD 34m as of 30 September 2022 (30 June 2022: USD 40m; 31 December 2021: USD 47m). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are generally used within a short period of time. The level of personnel-related provisions can change when natural staff attrition reduces the number of people affected by a restructuring event, and therefore results in lower 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 16b. There are no material contingent liabilities associated with the other classes of provisions.

Note 16 Provisions and contingent liabilities (continued)

b) Litigation, regulatory and similar matters

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

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

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 16a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Note 16 Provisions and contingent liabilities (continued)

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

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group third quarter 2022 report.

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

<i>USD m</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Balance as of 31 December 2021	1,338	181	8	310	962	2,798
Balance as of 30 June 2022	1,289	168	8	387	946	2,798
Increase in provisions recognized in the income statement	22	0	0	3	0	25
Release of provisions recognized in the income statement	(4)	0	0	0	0	(4)
Provisions used in conformity with designated purpose	(44)	0	0	0	(8)	(52)
Foreign currency translation / unwind of discount	(68)	(10)	0	(11)	(1)	(90)
Balance as of 30 September 2022	1,195	158	8	378	937	2,677

¹ Provisions, if any, for the matters described in items 3 and 4 of this Note are recorded in Global Wealth Management, and provisions, if any, for the matters described in item 2 are recorded in Group Functions. 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, provisions, if any, for the matters described in item 5 are allocated between the Investment Bank and Group Functions, and provisions, if any, for the matters described in item 7 are allocated between Global Wealth Management and the Investment Bank.

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 in relation to UBS's cross-border business with French clients. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1bn.

Note 16 Provisions and contingent liabilities (continued)

On 20 February 2019, the court of first instance returned 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 of laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7bn on UBS AG and UBS (France) S.A. and awarded EUR 800m of civil damages to the French state. A trial in the French Court of Appeal took place in March 2021. On 13 December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75m, the confiscation of EUR 1bn, and awarded civil damages to the French state of EUR 800m. The court also found UBS (France) SA guilty of the aiding and abetting of unlawful solicitation and ordered it to pay a fine of EUR 1.875m. UBS AG has filed an appeal with the French Supreme Court to preserve its rights. The notice of appeal enables UBS AG to thoroughly assess the verdict of the Court of Appeal and to determine next steps in the best interest of its stakeholders. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99m of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 30 September 2022 reflected provisions with respect to this matter in an amount of EUR 1.1bn (USD 1.1bn). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty and the provision reflects our best estimate of possible financial implications, although actual penalties and civil damages could exceed (or may be less than) the provision amount.

Our balance sheet at 30 September 2022 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.

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 September 2022 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 2.1bn, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

Note 16 Provisions and contingent liabilities (continued)

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 2bn. 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 125m 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 seeking aggregate damages of USD 3.4bn, of which USD 3.3bn have been resolved through settlements, arbitration or withdrawal of claims. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

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 2021, the parties reached an agreement to settle this matter for USD 15m, subject to court approval.

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 3bn of bonds by the System in 2008 and sought damages of over USD 800m. 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. In 2022, UBS filed a motion to dismiss in the bankruptcy proceeding.

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 125m 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 955m 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. Defendants' motions to dismiss have been granted in all three cases; those decisions are being appealed by the plaintiffs.

Note 16 Provisions and contingent liabilities (continued)

Our balance sheet at 30 September 2022 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 Swiss, US and United Kingdom regulators and the European Commission. UBS was 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.

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 141m 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. In March 2022, the court denied plaintiffs' motion for class certification.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies 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 was granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

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

Note 16 Provisions and contingent liabilities (continued)

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, and again dismissed the antitrust claims in 2016 following an appeal. In December 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants based on allegations that at least one alleged co-conspirator undertook an overt act in the United States. 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. 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 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. In March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In March 2022, the Second Circuit dismissed the appeal because appellants, who had been substituted in to replace the original plaintiffs who had withdrawn, lacked standing to pursue the appeal. 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. Defendants moved to dismiss the complaint in September 2021. In September 2022, the court granted defendants' motion to dismiss the complaint in its entirety, while allowing plaintiffs the opportunity to file an amended complaint. Plaintiffs filed an amended complaint in October 2022.

Other benchmark class actions in the US:

Yen LIBOR / Euroyen TIBOR – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the 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. In October 2022, the appeals court affirmed the dismissal on multiple grounds. 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 focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021. In August 2022, the court granted UBS's motion for reconsideration and dismissed the case against UBS.

CHF LIBOR – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings.

EURIBOR – 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.

SIBOR / SOR – In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. Plaintiffs filed an amended complaint in October 2021, which defendants have moved to dismiss. In March 2022, plaintiffs reached a settlement in principle with the remaining defendants, including UBS. The court granted preliminary approval of the settlement in June 2022.

BBSW – In November 2018, the court dismissed the BBSW lawsuit as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs filed an amended complaint in April 2019, which UBS and other defendants moved to dismiss. In February 2020, the court 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, which the court denied in May 2021. In February 2022, plaintiffs reached a settlement in principle with the remaining defendants, including UBS. The court granted preliminary approval of the settlement in May 2022.

Note 16 Provisions and contingent liabilities (continued)

GBP LIBOR – 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 were granted in March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. In March 2022, the court granted defendants' motion to dismiss that complaint. Plaintiffs have appealed the dismissal. 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 172m. 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 September 2022 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.

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 continues 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 September 2022 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.

7. Communications recordkeeping

The SEC and CFTC conducted investigations of UBS and other financial institutions regarding compliance with records preservation requirements relating to business communications sent over unapproved electronic messaging channels. UBS cooperated with the investigations, and, in September 2022, UBS agreed to pay civil monetary penalties of USD 125m to the SEC and USD 75m to the CFTC to resolve these matters.

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