**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).

# 6,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Lenovo Group Limited with a Daily Leverage of -5x

## UBS AG

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

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## Issue Price: S$0.35 per Certificate

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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 2021 (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 an inverse 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 (Chapter 289 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 products[1] 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 15 June 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.

14 June 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 risen 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 Inverse Strategy (as described below) including the Stock Borrowing 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 an inverse 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 inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway 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 Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall 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 rise 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 market opens the following day or (ii) a sharp intraday rise 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 42 to 43 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 29 to 30 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 Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse 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 likehood 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) ("**IBOR**") 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 Inverse 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: | 6,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Lenovo Group Limited (the "**Underlying Stock**" or the "**Underlying**") |
| ISIN: | CH1169123929 |
| Company: | Lenovo Group Limited (RIC: 0992.HK) |
| Underlying Price[3] and Source: | HK$7.57 (Bloomberg) |
| Calculation Agent: | UBS AG acting through its London Branch |
| Strike Level: | Zero |
| Daily Leverage: | -5x (within the Leverage Inverse Strategy as described below) |
| Notional Amount per Certificate: | SGD 0.35 |
| Management Fee (p.a.)[4]: | 0.40% |
| Gap Premium (p.a.)[5]: | 6.00%, is a hedging cost against extreme market movements overnight. |
| Stock Borrowing Cost[6]: | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock. |
| Rebalancing Cost[6]: | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock. |
| Launch Date: | 7 June 2022 |
| Closing Date: | 14 June 2022 |

[3] These figures are calculated as at, and based on information available to the Issuer on or about 14 June 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 14 June 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 Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

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| Expected Listing Date: | 15 June 2022 |
| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 23 April 2025 |
| Expiry Date: | 30 April 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: | 29 April 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day. |
| 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 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. |
| Cash Settlement Amount: | In respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to:<br><br>Closing Level multiplied by the Notional Amount per Certificate<br><br>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 34 to 48 of this document for examples and illustrations of the calculation of the Cash Settlement Amount. |
| Hedging Fee Factor: | In respect of each Certificate, shall be an amount calculated as: Product (for t from Expected Listing Date to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: |

"**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; 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 Short Certificates on Single Equities" section on pages 34 to 48 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 Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 16 to 20 below.

Initial Exchange Rate[3]: 0.1770393442

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 Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall 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 Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the "Air Bag Mechanism" section on pages 19 to 20 below and the "Description of Air Bag Mechanism" section on pages 40 to 41 of this document for further information of the Air Bag Mechanism.

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| 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: | 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. |

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| | 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. |
| 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.<br><br>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 Inverse Strategy including the Stock Borrowing 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. |

In addition, the Conditions have been modified as follows:

1. Condition 1(a)(i) is deleted and replaced with the following:

   "(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 7 January 2022, made by UBS AG (the "**Issuer**") acting through its London Branch; and"

2. All references to "Instrument" appearing therein are deleted and substituted with the word "Master Instrument".

## Specific Definitions relating to the Leverage Inverse Strategy

### ***Description of the Leverage Inverse Strategy***

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

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse 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 Inverse 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 Inverse Strategy Formula***

$\mathbf{LSL_t}$ means the Leverage Inverse Strategy Level as of the Leverage Reset Time (t), calculated in accordance with the following formulae:

On Leverage Reset Time(1):

$$\mathrm{LSL_1} = 1000$$

On each subsequent Leverage Reset Time(t):

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

Leverage Reset Time (t) means

1) the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date; and

2) end of any Intraday Restrike Event Observation Period.

Leverage Reset Time (1) is the scheduled close for the Relevant Stock Exchange for the Underlying Stock on Issue Date.

Leverage Reset Time r(t) means the Leverage Reset Time immediately preceding the Leverage Reset Time (t).

$\mathbf{LR_{r(t),t}}$ means the Leveraged Return of the Underlying Stock between Leverage Reset Time r(t) and Leverage Reset Time (t), calculated as follows:

$$\mathrm{LR_{r(t),t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right)$$

$\mathbf{FC_{r(t),t}}$ means, the Funding Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:

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,

$$\mathrm{FC_{r(t),t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{r(t)}} \times \mathrm{ACT(r(t), t)}}{\mathrm{DayCountBasisRate}}$$

Otherwise, $FC_{r(t),t} = 0$

**$SB_{r(t),t}$** means the Stock Borrowing Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:

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,

$$SB_{r(t),t} = -\text{Leverage} \times \frac{CB \times ACT(r(t), t)}{\text{DayCountBasisRate}}$$

Otherwise, $SB_{r(t),t} = 0$

**CB** means the Cost of Borrowing applicable that is equal to: 3.00%

**$RC_{r(t),t}$** means the Rebalancing Cost of the Leverage Inverse Strategy as at Leverage Reset Time (t), calculated as follows :

$$RC_{r(t),t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right| \right) \times TC$$

**TC** 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 :

0.13%

"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.

**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 highest 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,

$$\mathrm{Rfactor}_t = 1 - \frac{\mathrm{Div}_t}{S_{r(t)}}$$

Otherwise,

$$\mathrm{Rfactor}_t = 1$$

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 gross of any applicable withholding taxes.

**$\mathbf{Rate_t}$** means, in respect of the Observation Date of Leverage Reset Time (t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if such rate is not available, then the 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.

**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.

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| **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**

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| **Intraday Restrike Event** | means in respect of an Observation Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the amount of $S_{r(t)} \times \mathrm{Rfactor}_t$ 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 Inverse 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.<br><br>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.

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| **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) an instrument by way of deed poll (the "**Instrument**") dated the Closing Date, 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 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 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:

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

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 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 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 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 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, Chapter 53B of Singapore

Unless otherwise expressly provided in the Global Warrant, the 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 Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B 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: | Lenovo Group Limited |
| The Certificates: | European Style Cash Settled Short Certificates relating to the Underlying Stock |
| Number: | 6,000,000 Certificates |
| Form: | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 7 January 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:<br><br>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 15 June 2022. |
| Governing Law: | The laws of Singapore |
| Warrant Agent: | The Central Depository (Pte) Limited<br>11 North Buona Vista Drive<br>#06-07 The Metropolis Tower 2<br>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 SHORT CERTIFICATES ON SINGLE EQUITIES

### What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short 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 Inverse 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 decrease and are seeking short-term leveraged inverse 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 Inverse Strategy including the Stock Borrowing Cost and the Rebalancing Cost.

**Illustration of the Calculation of Hedging Fee Factor**

| | | |
|---|---|---|
| Hedging Fee Factor | = | Product of the Daily Fees |

| | | |
|---|---|---|
| Daily Fees | = | **Daily Management Fee Adjustment** |
| | | 1 – Management Fee x ACT (t-1;t) / 360 |
| | | x |
| | | **Daily Gap Premium Adjustment** |
| | | 1 – Gap Premium (t-1) x ACT (t-1;t) / 360 |

**Illustration of the Calculation of Cash Settlement Amount**

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

| | | t[7]=0 | | t=1 | | t=2 | | t=i |
|---|---|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Inverse Strategy daily performance[8] x Daily Fees | x | Leverage Inverse Strategy daily performance x Daily Fees | x … | Leverage Inverse Strategy Daily performance x Daily Fees |

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

| | | t=0 | | | | |
|---|---|---|---|---|---|---|
| Final Value of Certificates | = | Notional Amount | x | Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate | x | Hedging Fee Factor |

**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 Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Level on Business Day (t) divided by the Leverage Inverse 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 shares of Lenovo Group Limited** |
| 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: | **0.35 SGD** |
| Notional Amount per Certificate: | **0.35 SGD** |
| Management Fee (p.a.): | **0.40%** |
| Gap Premium (p.a.): | **6.00%** |
| Strike Level: | **Zero** |

**Hedging Fee Factor**

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

HFF(0) = 100%

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

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

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

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

Assuming $2^{\text{nd}}$ Underlying Stock Business Day falls 3 Calendar Days after $1^{\text{st}}$ 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:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.7337%

= 119.68%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

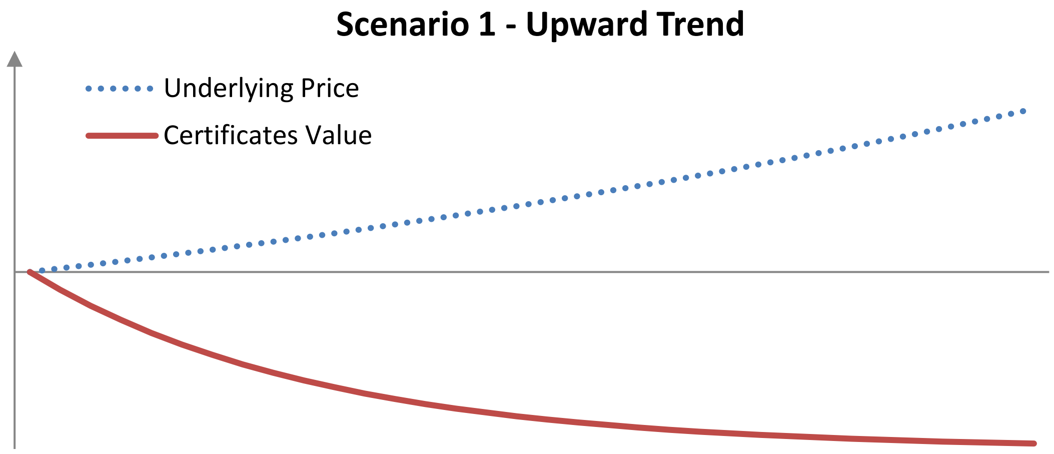
= 119.68% x 0.35 SGD

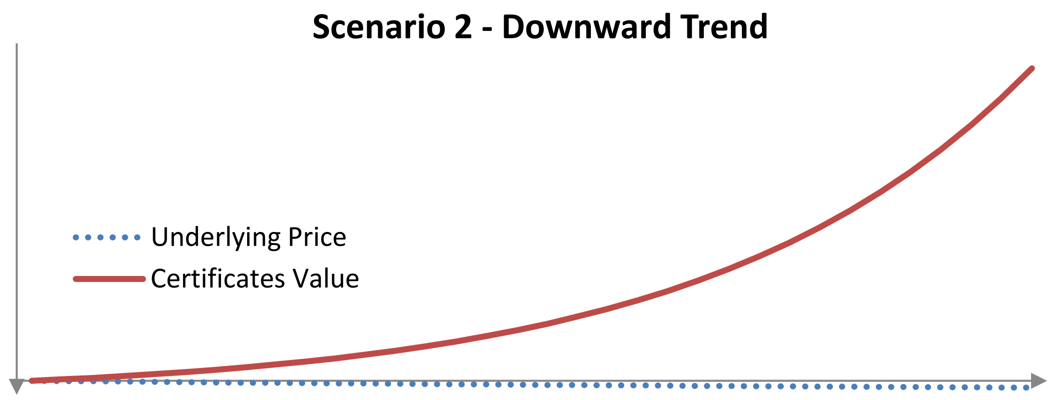
= 0.419 SGD

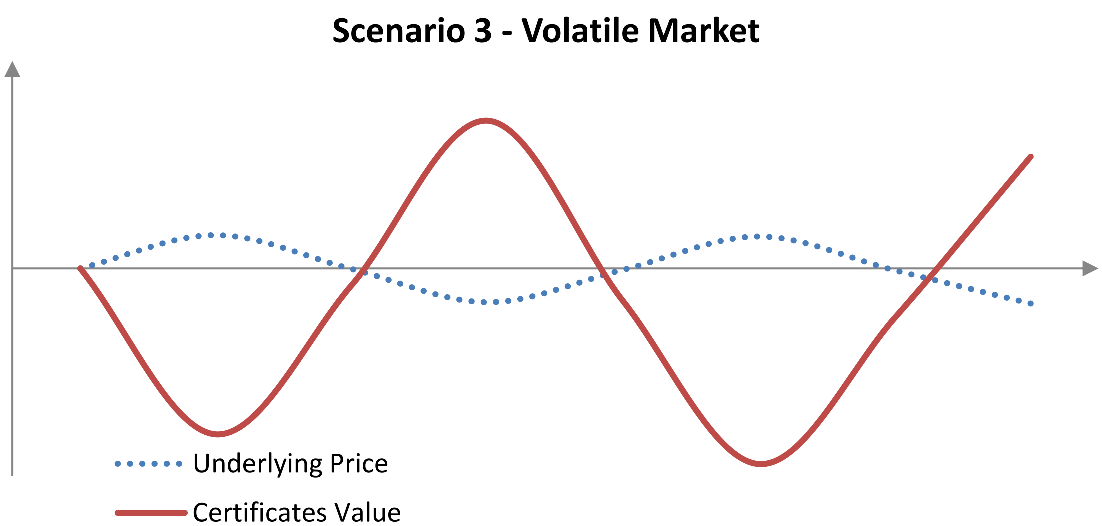
**Illustration on how returns and losses can occur under different scenarios**

*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. <u>Numerical Examples</u>

**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 | 0.35 | 0.32 | 0.28 | 0.26 | 0.23 | 0.21 |
| Accumulated Return | | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

**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 | 0.35 | 0.39 | 0.42 | 0.47 | 0.51 | 0.56 |
| Accumulated Return | | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

**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 | 0.35 | 0.32 | 0.35 | 0.38 | 0.34 | 0.31 |
| Accumulated Return | | -10.00% | -1.00% | 8.90% | -1.99% | -11.79% |

**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 maximum 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 Inverse Strategy is reset using the maximum 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 Inverse 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.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

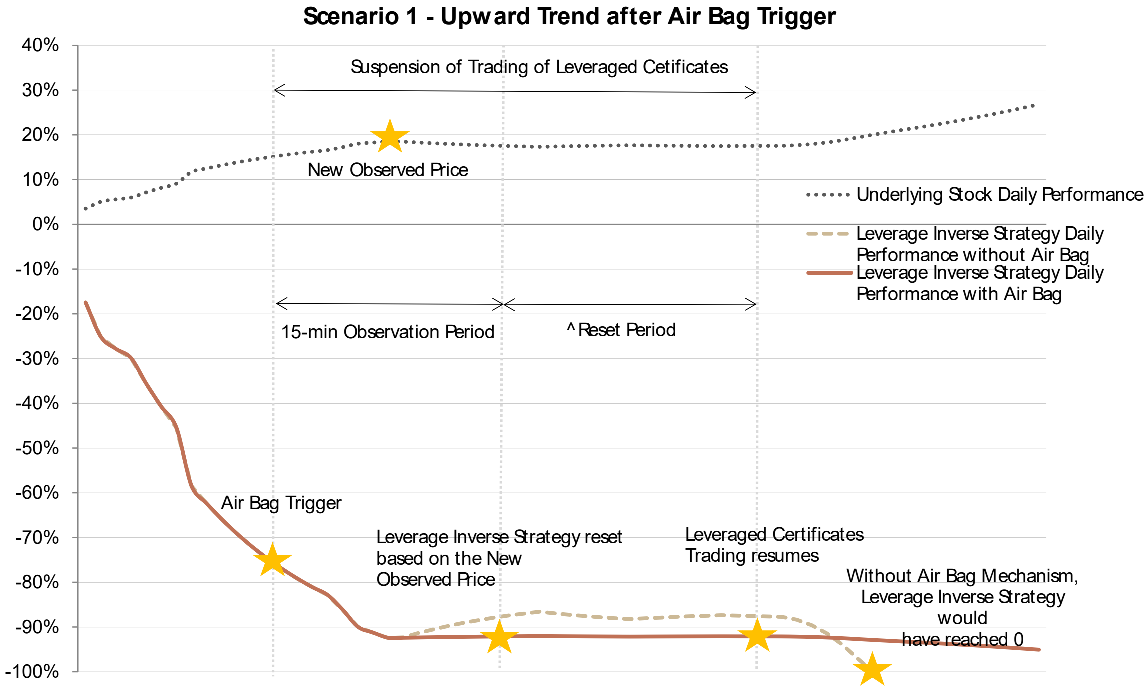
For the avoidance of doubt, if the Air Bag Mechanism was triggered with more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST's approval to resume trading. If the Air Bag Mechanism 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:

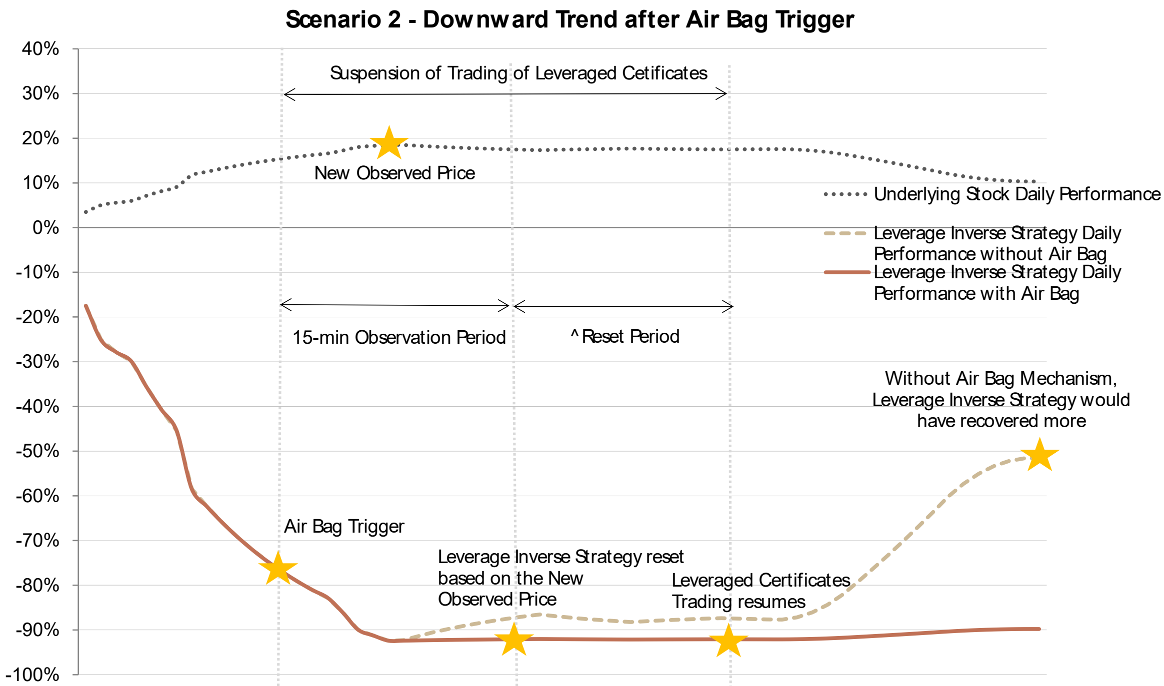
- Underlying Stock closing time with respect to the Observation Period including the closing auction session

- 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 Mechanism[9]




^ 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.

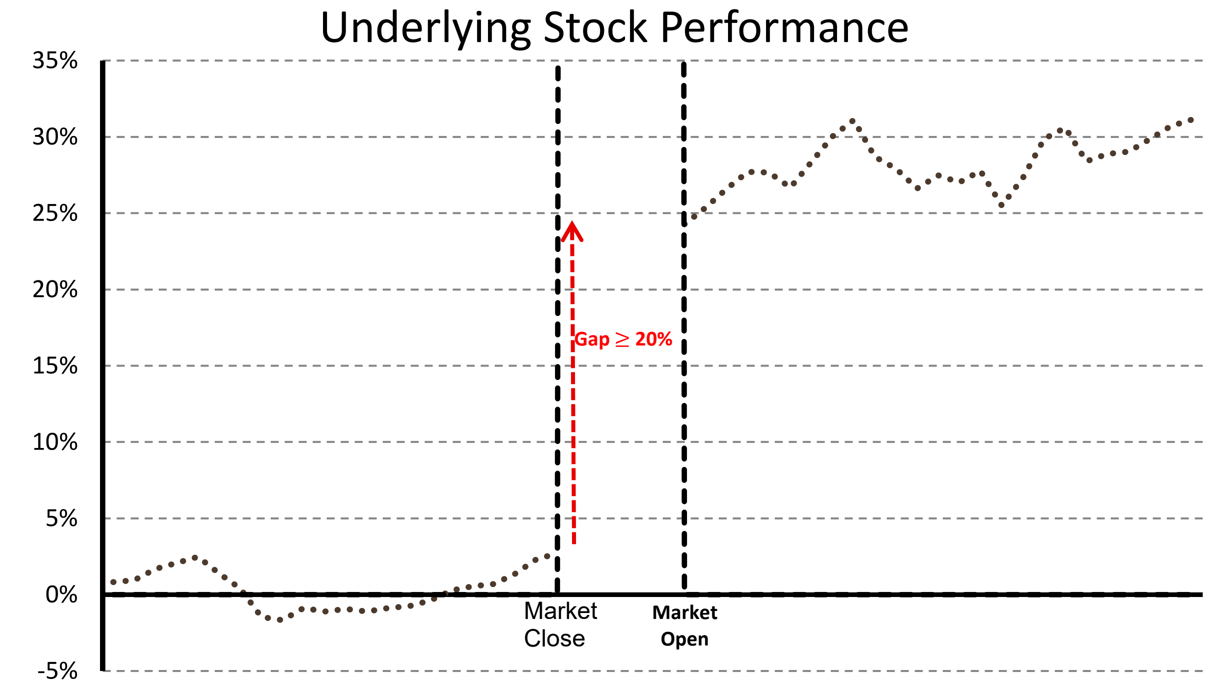
9 The illustrative examples are not exhaustive.

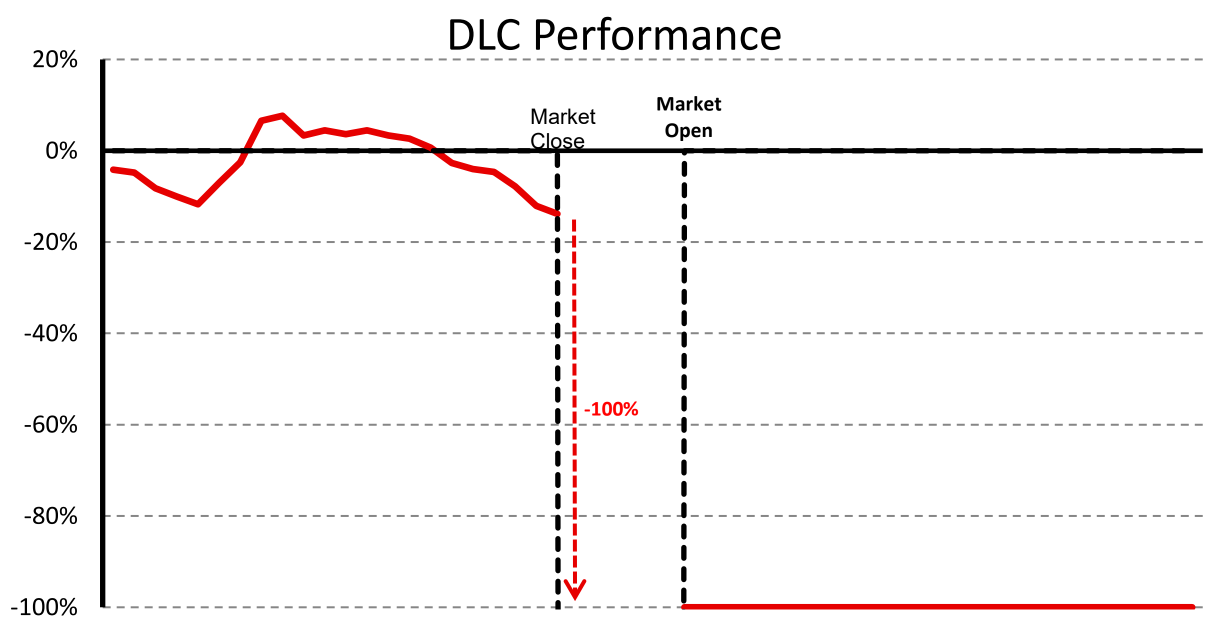
**Scenarios where the investor may lose the entire value of the investment**

*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.*

*<u>Scenario 1 – Overnight rise of the Underlying Stock</u>*

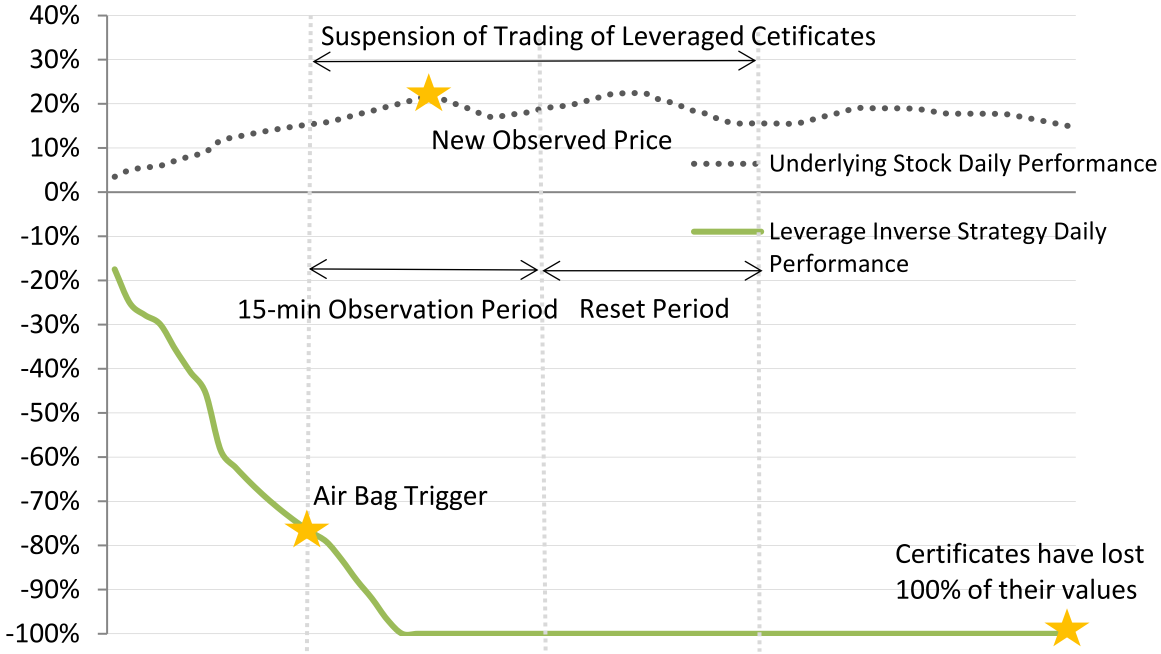
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.



*Scenario 2 – Sharp intraday rise 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 rises 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 :

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

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 rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ 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. <u>Stock split</u>

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

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

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

| $\mathrm{S_{r(t)}}$ | $\mathrm{S_{r(t)}} \times Rfactor_t$ | $\mathrm{S_t}$ | 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) |
|---|---|---|
| 0.35 | 0.315 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above $50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

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

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

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | $S_t$ | 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) |
|---|---|---|
| 0.35 | 0.3325 | -5% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

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

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

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

R = $40 (i.e. subscription price of $40)

M = 0.5 (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:

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

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | $S_t$ | 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) |
|---|---|---|
| 0.35 | 0.2625 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $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

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

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

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:

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

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | $S_t$ | 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) |
|---|---|---|
| 0.35 | 0.315 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $95.83, which is 15% above $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

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

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

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:

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

| $\mathrm{S_{r(t)}}$ | $\mathrm{S_{r(t)}} \times Rfactor_t$ | $\mathrm{S_t}$ | 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) |
|---|---|---|
| 0.35 | 0.2625 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$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://investor.lenovo.com. The Issuer has not independently verified any of such information.*

Lenovo Group Limited ("**Lenovo**" or the "**Company**") is a US$50 billion Fortune Global 500 company, with 63,000 employees and operating in 180 markets around the world.

Lenovo is an investment holding company principally engaged in personal computers and related businesses. The Company's main products include Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations and a family of mobile Internet devices, including tablets and smart phones. The Company operates its business through four geographical segments, including China, Asia Pacific (AP), Europe, the Middle East and Africa (EMEA) and Americas (AG). The Company also provides cloud service and other related services. The Company distributes its products in domestic market and to overseas markets.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2022 and has been extracted and reproduced from an announcement by the Company released on 10 June 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<br><br>(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, Chapter 289 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 first quarter ended 31 March 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 281 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 31 March 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 OF LENOVO GROUP LIMITED AND ITS SUBSIDIARIES

# Independent Auditor's Report

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF LENOVO GROUP LIMITED**
*(incorporated in Hong Kong with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 172 to 274, comprise:

- the consolidated balance sheet as at March 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarized as follows:

- Impairment assessment of goodwill and other intangible assets with indefinite useful lives
- Recognition of deferred income tax assets

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment of goodwill and other intangible assets with indefinite useful lives**<br><br>Refer to notes 4(a) and 16 to the consolidated financial statements.<br><br>As at March 31, 2022, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$6,136 million. The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment.<br><br>For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("CGUs"). The recoverable amount of each CGU was determined based on value in use calculations using cash flow projections.<br><br>We focused on the impairment of goodwill and other intangible assets with indefinite useful lives because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill and other intangible assets with indefinite useful lives is considered significant due to significant management judgement to appropriately identify CGUs and to determine the key assumptions, including revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19.<br><br>Management are of the view that there was no evidence of impairment of goodwill or other intangible assets with indefinite useful lives as at March 31, 2022. | Our procedures in relation to the Group's impairment assessment included:<br><br>• Assessing the value in use calculation methodology adopted by management.<br><br>• Understanding management's controls and processes for determining the recoverable amount and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied.<br><br>• Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business.<br><br>• Challenging the reasonableness of key assumptions such as revenue growth rates, operating margins and discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances.<br><br>• Reconciling input data to supporting evidence, such as approved forecasts of future profits and strategic plans.<br><br>• Considering the reasonableness of the forecasts of future profits and strategic plans by comparing them against past results achieved.<br><br>• Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives.<br><br>We found the judgements made by management in relation to the impairment assessment to be supportable based on the available evidence. |

## KEY AUDIT MATTERS *(continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Recognition of deferred income tax assets** | |
| Refer to notes 4(b) and 19 to the consolidated financial statements.<br><br>As at March 31, 2022, the Group had deferred income tax assets of US$2,528 million.<br><br>Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.<br><br>Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and expected to apply when the related deferred tax income asset is realized.<br><br>We focused on the recognition of deferred income tax assets because the estimation of future taxable profit is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of deferred income tax assets is considered significant due to significant management judgement regarding the future financial performance of the entity in which the deferred income tax asset has been recognized. A number of factors are evaluated in considering whether there is evidence that it is probable the deferred income tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, the length of time and severity of the impact of COVID-19, existence of taxable temporary differences, group relief and tax planning strategies.<br><br>Management has performed its assessment on the recognition of these deferred income tax assets and considers that the realization of these assets is probable as at March 31, 2022. | Our procedures in relation to the recognition of deferred income tax assets included:<br><br>• Understanding management's controls and processes for the recognition of deferred income tax assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied.<br><br>• Evaluating management's assessment as to whether there will be sufficient taxable profits in future periods by reference to forecasts of future profits/strategic plans and future reversals of taxable temporary differences to support the recognition of deferred income tax assets.<br><br>• Assessing the underlying assumptions used in management's approved forecasts of future profits such as revenue growth rates and operating margins by comparison to historical results and future strategic and tax plans and with reference to the business and industry circumstances.<br><br>• Testing management's reconciliations of forecast profits to forecast taxable profits to supporting evidence on a sample basis.<br><br>• Validating available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries.<br><br>• Testing the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted by the balance sheet date.<br><br>We found the judgements made by management in relation to recognition of deferred income tax assets to be supportable based on the available evidence. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Woon Yin Michael.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, May 26, 2022

# Consolidated income statement

For the year ended March 31, 2022

| | Note | **2022 US$'000** | 2021 US$'000 |
|---|---|---|---|
| Revenue | 5 | **71,618,216** | 60,742,312 |
| Cost of sales | | **(59,569,241)** | (50,974,425) |
| Gross profit | | **12,048,975** | 9,767,887 |
| Selling and distribution expenses | | **(3,746,290)** | (3,044,967) |
| Administrative expenses | | **(2,944,234)** | (2,984,356) |
| Research and development expenses | | **(2,073,461)** | (1,453,912) |
| Other operating income/(expenses) – net | | **(204,421)** | (104,245) |
| Operating profit | 6 | **3,080,569** | 2,180,407 |
| Finance income | 7(a) | **56,458** | 34,754 |
| Finance costs | 7(b) | **(362,384)** | (408,640) |
| Share of losses of associates and joint ventures | 17 | **(6,912)** | (32,323) |
| Profit before taxation | | **2,767,731** | 1,774,198 |
| Taxation | 8 | **(622,399)** | (461,199) |
| Profit for the year | | **2,145,332** | 1,312,999 |
| Profit attributable to: | | | |
| Equity holders of the Company | | **2,029,818** | 1,178,307 |
| Perpetual securities holders | | **-** | 32,532 |
| Other non-controlling interests | | **115,514** | 102,160 |
| | | **2,145,332** | 1,312,999 |
| Earnings per share attributable to equity holders of the Company | | | |
| Basic | 11(a) | **US17.45 cents** | US9.54 cents |
| Diluted | 11(b) | **US15.77 cents** | US8.91 cents |
| Dividends | 12 | **583,999** | 474,573 |

# Consolidated statement of comprehensive income

For the year ended March 31, 2022

| | Note | **2022 US$'000** | 2021 US$'000 |
|---|---|---|---|
| Profit for the year | | **2,145,332** | 1,312,999 |
| Other comprehensive income/(loss): | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of post-employment benefit obligations, net of taxes | 8, 34 | **58,194** | 35,735 |
| Fair value change on financial assets at fair value through other comprehensive income, net of taxes | 8, 20 | **(18,064)** | (5,081) |
| Items that have been reclassified or may be subsequently reclassified to profit or loss | | | |
| Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes | 8 | | |
| – Fair value gain/(loss), net of taxes | | **243,257** | (240,325) |
| – Reclassified to consolidated income statement | | **(268,500)** | 255,312 |
| Currency translation differences | 8 | **172,638** | 104,133 |
| Other comprehensive income for the year | | **187,525** | 149,774 |
| Total comprehensive income for the year | | **2,332,857** | 1,462,773 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | **2,244,669** | 1,336,074 |
| Perpetual securities holders | | **-** | 32,532 |
| Other non-controlling interests | | **88,188** | 94,167 |
| | | **2,332,857** | 1,462,773 |

# Consolidated balance sheet

At March 31, 2022

| | Note | **2022 US$'000** | 2021 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **1,636,629** | 1,573,875 |
| Right-of-use assets | 14 | **839,233** | 893,422 |
| Construction-in-progress | 15 | **510,211** | 207,614 |
| Intangible assets | 16 | **8,066,785** | 8,405,005 |
| Interests in associates and joint ventures | 17 | **339,547** | 65,455 |
| Deferred income tax assets | 19 | **2,527,955** | 2,344,740 |
| Financial assets at fair value through profit or loss | 20 | **1,104,408** | 805,013 |
| Financial assets at fair value through other comprehensive income | 20 | **64,572** | 84,796 |
| Other non-current assets | | **424,241** | 275,359 |
| | | **15,513,581** | 14,655,279 |
| **Current assets** | | | |
| Inventories | 21 | **8,300,658** | 6,380,576 |
| Trade receivables | 22(a) | **11,189,551** | 8,397,825 |
| Notes receivable | 22(b) | **99,996** | 78,939 |
| Derivative financial assets | | **113,757** | 118,299 |
| Deposits, prepayments and other receivables | 22(c) | **5,014,292** | 4,977,501 |
| Income tax recoverable | | **255,809** | 254,442 |
| Bank deposits | 23 | **92,513** | 59,385 |
| Cash and cash equivalents | 23 | **3,930,287** | 3,068,385 |
| | | **28,996,863** | 23,335,352 |
| **Total assets** | | **44,510,444** | 37,990,631 |

# Consolidated balance sheet

At March 31, 2022

| | Note | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|
| Share capital | 28 | **3,203,913** | 3,203,913 |
| Reserves | | **1,786,726** | 355,123 |
| Equity attributable to owners of the Company | | **4,990,639** | 3,559,036 |
| Other non-controlling interests | | **951,415** | 817,735 |
| Put option written on non-controlling interests | 27(b) | **(547,353)** | (766,238) |
| **Total equity** | | **5,394,701** | 3,610,533 |
| **Non-current liabilities** | | | |
| Borrowings | 26 | **2,633,348** | 3,299,582 |
| Warranty provision | 25(b) | **242,776** | 266,313 |
| Deferred revenue | | **1,459,582** | 1,183,247 |
| Retirement benefit obligations | 34 | **340,542** | 431,905 |
| Deferred income tax liabilities | 19 | **406,759** | 391,258 |
| Other non-current liabilities | 27 | **1,274,001** | 1,436,156 |
| | | **6,357,008** | 7,008,461 |
| **Current liabilities** | | | |
| Trade payables | 24(a) | **11,035,924** | 10,220,796 |
| Notes payable | 24(b) | **2,148,907** | 885,628 |
| Derivative financial liabilities | | **127,625** | 35,944 |
| Other payables and accruals | 25(a) | **15,744,911** | 13,178,498 |
| Provisions | 25(b) | **980,112** | 910,380 |
| Deferred revenue | | **1,440,022** | 1,046,677 |
| Income tax payable | | **493,312** | 395,443 |
| Borrowings | 26 | **787,922** | 698,271 |
| | | **32,758,735** | 27,371,637 |
| **Total liabilities** | | **39,115,743** | 34,380,098 |
| **Total equity and liabilities** | | **44,510,444** | 37,990,631 |

On behalf of the Board

**Yang Yuanqing**
*Chairman and Chief Executive Officer*

**Zhu Linan**
*Director*

# Consolidated cash flow statement

For the year ended March 31, 2022

| | Note | **2022 US$'000** | 2021 US$'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net cash generated from operations | 33 | **5,122,034** | 4,585,995 |
| Interest paid | | **(315,570)** | (309,361) |
| Tax paid | | **(729,485)** | (623,861) |
| Net cash generated from operating activities | | **4,076,979** | 3,652,773 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | **(396,358)** | (302,920) |
| Sale of property, plant and equipment | | **21,193** | 89,344 |
| Acquisition of subsidiaries, net of cash acquired | | **(76,294)** | (5,049) |
| Disposal of subsidiaries, net of cash disposed | | **114,312** | (37,289) |
| Deemed disposal of subsidiaries, net of cash disposed | | **-** | (1,816) |
| Interests acquired in associates and a joint venture | | **(160,194)** | (3,657) |
| Payment for construction-in-progress | | **(601,946)** | (394,084) |
| Payment for intangible assets | | **(285,777)** | (146,746) |
| Purchase of financial assets at fair value through profit or loss | | **(256,461)** | (210,661) |
| Purchase of financial assets at fair value through other comprehensive income | | **(2,000)** | (29,556) |
| Net proceeds from sale of financial assets at fair value through profit or loss | | **116,017** | 139,622 |
| Net proceeds from sale of financial assets at fair value through other comprehensive income | | **1,500** | 557 |
| Payment for contingent consideration | | **-** | (117,390) |
| (Increase)/decrease in bank deposits | | **(33,128)** | 7,095 |
| Dividends received | | **4,285** | 1,897 |
| Interest received | | **56,458** | 34,754 |
| Net cash used in investing activities | | **(1,498,393)** | (975,899) |

# Consolidated cash flow statement

For the year ended March 31, 2022

| | Note | **2022 US$'000** | 2021 US$'000 |
|---|---|---|---|
| Cash flows from financing activities | | | |
| Issue of warrant shares | | **-** | 17,990 |
| Capital contribution from other non-controlling interests | | **179,322** | 87,175 |
| Contribution to employee share trusts | | **(387,496)** | (737,867) |
| Issue of notes | | **-** | 2,003,500 |
| Issuing costs of notes | | **-** | (14,383) |
| Repayment of notes | | **(337,309)** | (791,555) |
| Principal elements of lease payments | | **(146,485)** | (165,150) |
| Dividends paid | | **(478,822)** | (434,269) |
| Dividends paid to other non-controlling interests | | **(30,877)** | (5,156) |
| Distribution to perpetual securities holders | | **-** | (34,772) |
| Dividends paid to convertible preferred shares holders | | **(16,385)** | (11,600) |
| Repurchase of convertible preferred shares | | **(254,490)** | (16,575) |
| Cash received for disposal of subsidiaries without loss of control | | **5,185** | – |
| Payment for written put option liabilities | | **(297,352)** | – |
| Proceeds from borrowings | | **10,311,552** | 4,925,628 |
| Repayments of borrowings | | **(10,304,211)** | (7,005,300) |
| Repurchase of perpetual securities | | **-** | (1,045,320) |
| Redemption of convertible bonds | | **-** | (500) |
| Net cash used in financing activities | | **(1,757,368)** | (3,228,154) |
| Increase/(decrease) in cash and cash equivalents | | **821,218** | (551,280) |
| Effect of foreign exchange rate changes | | **40,684** | 68,675 |
| Cash and cash equivalents at the beginning of the year | | **3,068,385** | 3,550,990 |
| Cash and cash equivalents at the end of the year | 23 | **3,930,287** | 3,068,385 |

# Consolidated statement of changes in equity

For the year ended March 31, 2022

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 | Investment revaluation reserve US$'000 | Employee share trusts US$'000 | Share-based compensation reserve US$'000 | Hedging reserve US$'000 | Exchange reserve US$'000 | Other reserves US$'000 | Retained earnings US$'000 | Perpetual securities US$'000 | Other non-controlling interests US$'000 | Put option written on non-controlling interests US$'000 | Total US$'000 |
| At April 1, 2020 | 3,185,923 | (48,716) | (101,467) | 287,574 | 58,489 | (1,799,017) | 176,642 | 1,438,114 | 993,670 | 634,321 | (766,238) | 4,059,295 |
| Profit for the year | - | - | - | - | - | - | - | 1,178,307 | 32,532 | 102,160 | - | 1,312,999 |
| Other comprehensive (loss)/income | - | (5,081) | - | - | 14,987 | 112,126 | - | 35,735 | - | (7,993) | - | 149,774 |
| Total comprehensive (loss)/income for the year | - | (5,081) | - | - | 14,987 | 112,126 | - | 1,214,042 | 32,532 | 94,167 | - | 1,462,773 |
| Transfer to statutory reserve | - | - | - | - | - | - | 8,890 | (8,890) | - | - | - | - |
| Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings | - | 4,664 | - | - | - | - | - | (4,664) | - | - | - | - |
| Repurchase of perpetual securities | - | - | - | - | - | - | (53,890) | - | (991,430) | - | - | (1,045,320) |
| Issue of warrant shares | 17,990 | - | - | - | - | - | - | - | - | - | - | 17,990 |
| Vesting of shares under long-term incentive program | - | - | 339,057 | (472,153) | - | - | - | - | - | - | - | (133,096) |
| Deferred tax in relation to long-term incentive program | - | - | - | 45,774 | - | - | - | - | - | - | - | 45,774 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 2,113 | - | 2,113 |
| Disposal and deemed disposal of subsidiaries | - | - | - | - | - | (4,057) | (1,819) | - | - | 3,006 | - | (2,870) |
| Settlement of bonus through long-term incentive program | - | - | - | 34,444 | - | - | - | - | - | - | - | 34,444 |
| Share-based compensation | - | - | - | 291,737 | - | - | - | - | - | - | - | 291,737 |
| Contribution to employee share trusts | - | - | (737,867) | - | - | - | - | - | - | - | - | (737,867) |
| Dividends paid | - | - | - | - | - | - | - | (434,269) | - | - | - | (434,269) |
| Dividends paid to other non-controlling interests | - | - | - | - | - | - | - | - | - | (5,156) | - | (5,156) |
| Capital contribution from other non-controlling interests | - | - | - | - | - | - | - | - | - | 89,758 | - | 89,758 |
| Change of ownership of subsidiaries without loss of control | - | - | - | - | - | - | 474 | - | - | (474) | - | - |
| Distribution to perpetual securities holders | - | - | - | - | - | - | - | - | (34,772) | - | - | (34,772) |
| Redemption of convertible bonds | - | - | - | - | - | - | (57) | 56 | - | - | - | (1) |
| At March 31, 2021 | 3,203,913 | (49,133) | (500,277) | 187,376 | 73,476 | (1,690,948) | 130,240 | 2,204,389 | - | 817,735 | (766,238) | 3,610,533 |

# Consolidated statement of changes in equity

For the year ended March 31, 2022

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 | Investment revaluation reserve US$'000 | Employee share trusts US$'000 | Share-based compensation reserve US$'000 | Hedging reserve US$'000 | Exchange reserve US$'000 | Other reserves US$'000 | Retained earnings US$'000 | Perpetual securities US$'000 | Other non-controlling interests US$'000 | Put option written on non-controlling interests US$'000 | Total US$'000 |
| At April 1, 2021 | 3,203,913 | (49,133) | (500,277) | 187,376 | 73,476 | (1,690,948) | 130,240 | 2,204,389 | - | 817,735 | (766,238) | 3,610,533 |
| Profit for the year | - | - | - | - | - | - | - | 2,029,818 | - | 115,514 | - | 2,145,332 |
| Other comprehensive (loss)/income | - | (18,064) | - | - | (25,243) | 199,964 | - | 58,194 | - | (27,326) | - | 187,525 |
| Total comprehensive (loss)/income for the year | - | (18,064) | - | - | (25,243) | 199,964 | - | 2,088,012 | - | 88,188 | - | 2,332,857 |
| Transfer to statutory reserve | - | - | - | - | - | - | 10,352 | (10,352) | - | - | - | - |
| Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings | - | 20 | - | - | - | - | - | (20) | - | - | - | - |
| Vesting of shares under long-term incentive program | - | - | 555,318 | (751,269) | - | - | - | - | - | - | - | (195,951) |
| Deferred tax in relation to long-term incentive program | - | - | - | (29,371) | - | - | - | - | - | - | - | (29,371) |
| Acquisition of a subsidiary | - | - | - | - | - | - | 680 | - | - | 4,803 | - | 5,483 |
| Disposal of subsidiaries | - | 1 | - | - | - | (15,295) | (552) | - | - | (365) | - | (16,211) |
| Settlement of bonus through long-term incentive program | - | - | - | 27,781 | - | - | - | - | - | - | - | 27,781 |
| Share-based compensation | - | - | - | 368,921 | - | - | - | - | - | - | - | 368,921 |
| Contribution to employee share trusts | - | - | (387,496) | - | - | - | - | - | - | - | - | (387,496) |
| Dividends paid | - | - | - | - | - | - | - | (478,822) | - | - | - | (478,822) |
| Dividends paid to other non-controlling interests | - | - | - | - | - | - | - | - | - | (30,877) | - | (30,877) |
| Capital contribution from other non-controlling interests | - | - | - | - | - | - | - | - | - | 183,252 | - | 183,252 |
| Change of ownership of subsidiaries without loss of control | - | - | - | - | - | - | 5,965 | - | - | (780) | - | 5,185 |
| Exercise of put option written on non-controlling interest | - | - | - | - | - | - | (108,927) | - | - | (110,541) | 218,885 | (583) |
| At March 31, 2022 | 3,203,913 | (67,176) | (332,455) | (196,562) | 48,233 | (1,506,279) | 37,758 | 3,803,207 | - | 951,415 | (547,353) | 5,394,701 |

# Notes to the financial statements

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that plan assets under defined benefit pension plans and certain financial assets and financial liabilities are stated at fair values, as explained in the significant accounting policies set out in Note 2.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### Changes in accounting policies and disclosures

The below amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Amendment to HKFRS 16, COVID-19-Related rent concessions

- Amendment to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

**Changes in accounting policies and disclosures** *(continued)*

***Interpretation, improvements and amendments to existing standards not yet effective***

The following interpretation, improvements and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended March 31, 2022 and have not been early adopted:

| | Effective for annual periods beginning on or after |
|---|---|
| Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract | January 1, 2022 |
| Annual improvements to HKFRS Standards 2018-2020 cycle | January 1, 2022 |
| Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use | January 1, 2022 |
| Amendments to HKFRS 3, Reference to the conceptual framework | January 1, 2022 |
| Accounting Guideline 5 (Revised), Merger accounting for common control combinations | January 1, 2022 |
| Amendments to HKAS 1, Classification of liabilities as current or non-current | January 1, 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policy | January 1, 2023 |
| Amendments to HKAS 8, Definition of accounting estimate | January 1, 2023 |
| Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction | January 1, 2023 |
| Hong Kong Interpretation 5 (2020), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause | January 1, 2023 |
| Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates | Date to be determined |

The Group is in the process of assessing what the impact of these developments is expected to be in the period of initial application. So far it has concluded that their adoption is unlikely to have a significant impact on the consolidated financial statements of the Group.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Principles of consolidation and equity accounting

#### *(i) Subsidiaries*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Intra-group transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2022 and 2021 have been used for the preparation of the Group's consolidated financial statements.

#### *(ii) Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (a) Principles of consolidation and equity accounting *(continued)*

#### *(ii) Business combinations* *(continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed (Note 2(g)(i)). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

#### *(iii) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (a) Principles of consolidation and equity accounting *(continued)*

#### *(iii) Changes in ownership interests* *(continued)*

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

A written put option liability is subsequently re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the option expires unexercised, the written put option liability is derecognized with a corresponding adjustment to equity.

#### *(iv) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income or loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income or loss are reclassified to the consolidated income statement.

#### *(v) Separate financial statements*

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Associates and joint arrangements *(continued)*

#### ***Associates and joint ventures***

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized as other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2022 and 2021 have been used for the preparation of the Group's consolidated financial statements.

#### ***Joint operation***

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

### (d) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the income statement within "Other operating income/(expenses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognized in other comprehensive income or loss.

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognized as other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized as other comprehensive income or loss and included in the exchange reserve in equity.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Translation of foreign currencies *(continued)*

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

### (e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Freehold land and buildings comprise mainly factories and office premises. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated. Depreciation of buildings, buildings related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

| | |
|---|---|
| Plant and machinery | |
| Tooling equipment | 50% – 100% |
| Other machinery | 14% – 20% |
| Furniture and fixtures | 20% – 25% |
| Office equipment | 20% – 33% |
| Motor vehicles | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for on construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

Gain on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

### (g) Intangible assets

#### *(i) Goodwill*

Goodwill represents the excess of the consideration of an acquisition transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

#### *(ii) Trademarks and trade names*

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

#### *(iii) Customer relationships*

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Intangible assets *(continued)*

#### *(iv) Internal use software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are amortized using the straight-line method over their estimated useful lives of not more than 8 years.

#### *(v) Patents and technology*

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and amortized using the straight-line method over their estimated useful lives of not more than 10 years.

#### *(vi) Exclusive right*

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### (i) Financial assets

#### *(i) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### *(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### *(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## (i) Financial assets *(continued)*

### *(iii) Measurement* *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3(d).

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Financial assets *(continued)*

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### (j) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach required by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are recognized in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

### (k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### *(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

## (k) Derivative financial instruments and hedging activities *(continued)*

### *(ii) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognized in the consolidated income statement within "Other operating income/(expenses) – net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the consolidated income statement immediately.

### *(iii) Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

## (l) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for components sold in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value, and subsequently measured at FVOCI, less loss allowance.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2(j) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### (o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

### (p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

### (q) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Borrowings and borrowing costs *(continued)*

Preferred shares, which are mandatory redeemable on a special date, are classified as liabilities. The dividends on these preferred shares are recognized in profit or loss as finance costs.

The Group designated the convertible preferred shares as financial liability at fair value through profit or loss ("FVPL"). Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss in the period in which it arises.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### (r) Trade and other payables

Trade payables are obligations to pay for components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### (s) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Provisions *(continued)*

#### *(i) Warranty provision*

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labor associated with warranty repair and service actions. The period ranges from one to three years. The Group reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

#### *(ii) Other provisions*

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

### (t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

### (v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

#### *(i) Sale of goods and provision of services*

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

The Group recognizes revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods or services are delivered and consideration is unconditional because only the passage of time is required before the payment is due.

#### *(ii) Interest income*

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

#### *(iii) Dividend income*

Dividend income is recognized when the right to receive payment is established.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (w) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

### (x) Employee benefits

#### *(i) Pension obligations*

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Past service costs are recognized immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(x) Employee benefits** *(continued)*

***(i) Pension obligations*** *(continued)*

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

***(ii) Post-employment medical benefits***

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

***(iii) Long-term incentive program***

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (x) Employee benefits *(continued)*

#### *(iv) Termination benefit*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### (y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as "Other operating income/(expenses) – net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

### (z) Leases (as the lessee)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

### (z) Leases (as the lessee) *(continued)*

Some property leases contain variable payment terms that are linked to sales generated from stores. There is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized as a profit or loss in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets mainly comprise office equipment.

The Group's right-of-use assets include interest in leasehold land and building and prepaid lease payments for leasehold land. Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years. Rental contracts for leasehold land and building are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease liabilities are presented within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

### (aa) Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

***(i) A person, or a close member of that person's family, is related to the Group if that person:***

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (aa) Related party transactions *(continued)*

#### *(ii) An entity is related to the Group if any of the following conditions applies:*

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.

- One entity is a joint venture of a third entity and the other entity is an associate of the third party.

- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- The entity is controlled or jointly controlled by a person identified in (i) above.

- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

- The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

### (ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

## 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

### (a) Financial risk factors

#### *(i) Foreign currency risk*

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Financial risk factors *(continued)*

#### *(i) Foreign currency risk (continued)*

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **United States dollar US$'000** | **Renminbi US$'000** | **Euro US$'000** | United States dollar US$'000 | Renminbi US$'000 | Euro US$'000 |
| Trade and other receivables | **784,653** | **7,445** | **208,688** | 345,911 | 23,149 | 175,220 |
| Bank deposits and cash and cash equivalents | **79,397** | **52,637** | **134,993** | 45,456 | 20,857 | 33,212 |
| Trade and other payables | **(658,185)** | **(85,265)** | **(96,903)** | (483,935) | (38,425) | (35,240) |
| Intercompany balances before elimination | **(1,817,641)** | **2,739,944** | **(116,399)** | (1,514,790) | 1,037,500 | (195,056) |
| Gross exposure | **(1,611,776)** | **2,714,761** | **130,379** | (1,607,358) | 1,043,081 | (21,864) |
| Notional amounts of forward exchange contracts used as economic hedges | **2,968,059** | **(895,931)** | **(379,822)** | 2,315,015 | (586,253) | 85,961 |
| Net exposure | **1,356,283** | **1,818,830** | **(249,443)** | 707,657 | 456,828 | 64,097 |

#### *(ii) Cash flow interest rate risk*

The Group's interest rate risk generally arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments when necessary. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

The Group participates in various trade financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Financial risk factors *(continued)*

#### *(iii) Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable, other receivables and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis. No credit limits were exceeded by any customers and subcontractors during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

Except for trade receivables, the Group measures the loss allowance equal to 12 months expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss. The expected credit loss was minimal.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and days past due. The gross carrying amount of the trade receivables and the loss allowance analyzed by aging band are set out below:

| **March 31, 2022** | **Gross carrying amount US$'000** | **Loss allowance US$'000** | **Expected credit loss rate** |
|---|---|---|---|
| Not past due | **10,410,855** | **(6,204)** | **0%** |
| Past due less than 31 days | **445,886** | **(15,661)** | **4%** |
| Past due within 31 to 60 days | **197,229** | **(6,136)** | **3%** |
| Past due within 61 to 90 days | **61,214** | **(1,499)** | **2%** |
| Past due over 90 days | **180,987** | **(77,120)** | **43%** |
| | **11,296,171** | **(106,620)** | |

| March 31, 2021 | Gross carrying amount US$'000 | Loss allowance US$'000 | Expected credit loss rate |
|---|---|---|---|
| Not past due | 7,835,578 | (401) | 0% |
| Past due less than 31 days | 332,967 | (183) | 0% |
| Past due within 31 to 60 days | 95,218 | (7) | 0% |
| Past due within 61 to 90 days | 53,418 | (177) | 0% |
| Past due over 90 days | 225,850 | (144,438) | 64% |
| | 8,543,031 | (145,206) | |

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Financial risk factors *(continued)*

#### *(iv) Liquidity risk*

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets, the COVID-19 impact and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market funds and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group held money market funds of US$314,904,000 (2021: nil) (Note 23).

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Financial risk factors *(continued)*

#### (iv) Liquidity risk *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

| | Repayable on demand or 3 months or less US$'000 | Over 3 months to 1 year US$'000 | Over 1 to 3 years US$'000 | Over 3 to 5 years US$'000 | Over 5 years US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| At March 31, 2021 | | | | | | |
| Borrowings | 66,924 | 802,622 | 1,630,089 | 1,157,539 | 1,173,711 | 4,830,885 |
| Trade, notes and other payables and accruals | 20,033,088 | 1,329,875 | - | - | - | 21,362,963 |
| Deferred consideration | - | - | 25,072 | - | - | 25,072 |
| Written put option liabilities | - | 338,370 | 542,691 | - | - | 881,061 |
| Lease liabilities | 32,085 | 121,863 | 201,583 | 107,650 | 78,641 | 541,822 |
| Others | - | - | 215,312 | 248,436 | - | 463,748 |
| Derivatives settled in gross: | | | | | | |
| Forward foreign exchange contracts | | | | | | |
| - outflow | 10,542,111 | 56,608 | - | - | - | 10,598,719 |
| - inflow | (10,616,227) | (58,000) | - | - | - | (10,674,227) |
| At March 31, 2022 | | | | | | |
| Borrowings | **79,089** | **864,188** | **886,658** | **1,097,715** | **1,136,175** | **4,063,825** |
| Trade, notes and other payables and accruals | **22,209,229** | **1,967,261** | **-** | **-** | **-** | **24,176,490** |
| Deferred consideration | **-** | **-** | **25,072** | **-** | **-** | **25,072** |
| Written put option liabilities | **-** | **-** | **509,694** | **56,297** | **-** | **565,991** |
| Lease liabilities | **36,356** | **123,078** | **166,111** | **94,121** | **41,058** | **460,724** |
| Others | **-** | **-** | **212,473** | **142,910** | **-** | **355,383** |
| Derivatives settled in net: | | | | | | |
| Forward foreign exchange contracts | **4,352** | **-** | **-** | **-** | **-** | **4,352** |
| Derivatives settled in gross: | | | | | | |
| Forward foreign exchange contracts | | | | | | |
| - outflow | **10,031,012** | **795,081** | **-** | **-** | **-** | **10,826,093** |
| - inflow | **(10,022,709)** | **(794,219)** | **-** | **-** | **-** | **(10,816,928)** |

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (b) Market risk sensitivity analysis

HKFRS 7 “Financial instruments: Disclosures” requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

#### *(i) Foreign currency exchange rate sensitivity analysis*

At March 31, 2022, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$2.1 million higher/lower (2021: US$1.9 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

#### *(ii) Interest rate sensitivity analysis*

At March 31, 2022, the Group’s short term borrowings at variable rate do not have significant impact on pre-tax profit for the year if interest rate on borrowings had been 25 basis points higher/lower with all other variable held constant (2021: do not have significant impact).

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (b) Market risk sensitivity analysis *(continued)*

#### *(iii) Price risk sensitivity analysis*

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet either as financial assets at FVPL (Note 20(a)) or FVOCI (Note 20(b)).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's listed equity investments are determined based on respective quoted market prices. The fair value of unlisted equity investments is determined based on valuation techniques, please refer to Note 3(d) for details.

Sensitivity

The table below summarizes the impact of increase/decrease of the quoted market prices of the listed equity investments and the prices of unlisted equity investments on the Group's equity and pre-tax profit for the year. The analysis is based on the assumption that the fair value of the equity investments had increased/decreased by 5% with all other variables held constant.

| | Impact on pre-tax profit | | Pre-tax impact on other components of equity | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| Increase by 5% | **55,220** | 40,251 | **3,229** | 4,240 |
| Decrease by 5% | **(55,220)** | (40,251) | **(3,229)** | (4,240) |

### (c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Capital risk management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net cash/(debt) position of the Group at March 31, 2022 and 2021 are as follows:

| | **2022 US$ million** | 2021 US$ million |
|---|---|---|
| Bank deposits and cash and cash equivalents | **4,023** | 3,128 |
| Less: total borrowings | **(3,421)** | (3,998) |
| Net cash/(debt) position | **602** | (870) |
| Total equity | **5,395** | 3,611 |
| Gearing ratio | **0.63** | 1.11 |

### (d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

# Notes to the financial statements

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (d) Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

– The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

– Other techniques, such as estimated discounted cash flows and recent transaction for similar instruments, are used to determine fair value for the remaining financial instruments.

The following table presents the assets and liabilities that are measured at fair value at March 31, 2022 and 2021.

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1 US$'000** | **Level 2 US$'000** | **Level 3 US$'000** | **Total US$'000** | Level 1 US$'000 | Level 2 US$'000 | Level 3 US$'000 | Total US$'000 |
| Assets | | | | | | | | |
| Financial assets at FVPL | | | | | | | | |
| Listed equity investments | **146,772** | **-** | **108,488** | **255,260** | 138,039 | - | 217,025 | 355,064 |
| Unlisted equity investments | **-** | **-** | **849,148** | **849,148** | - | - | 449,949 | 449,949 |
| Financial assets at FVOCI | | | | | | | | |
| Listed equity investments | **45,292** | **-** | **-** | **45,292** | 56,914 | - | - | 56,914 |
| Unlisted equity investments | **-** | **-** | **19,280** | **19,280** | - | - | 27,882 | 27,882 |
| Trade receivables | **-** | **11,189,551** | **-** | **11,189,551** | - | 8,397,825 | - | 8,397,825 |
| Derivative financial assets | **-** | **113,757** | **-** | **113,757** | - | 118,299 | - | 118,299 |
| | **192,064** | **11,303,308** | **976,916** | **12,472,288** | 194,953 | 8,516,124 | 694,856 | 9,405,933 |
| Liabilities | | | | | | | | |
| Derivative financial liabilities | **-** | **127,625** | **-** | **127,625** | - | 35,944 | - | 35,944 |
| Convertible preferred shares | **-** | **-** | **45,115** | **45,115** | - | - | 303,372 | 303,372 |
| | **-** | **127,625** | **45,115** | **172,740** | - | 35,944 | 303,372 | 339,316 |

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (d) Fair value estimation *(continued)*

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2022 and 2021 are as follows:

***Equity securities***

| | Financial assets at FVPL | | Financial assets at FVOCI | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| At the beginning of the year | **666,974** | 417,268 | **27,882** | 31,754 |
| Exchange adjustment | **19,841** | 34,212 | **735** | 1,629 |
| Fair value change recognized in other comprehensive income | **-** | – | **(9,837)** | (9,993) |
| Fair value change recognized in profit or loss | **198,527** | 8,157 | **-** | – |
| Transfer to Level 1 | **(178,862)** | – | **-** | – |
| Additions | **256,461** | 210,661 | **2,000** | 5,049 |
| Disposals | **(5,305)** | (3,324) | **(1,500)** | (557) |
| At the end of the year | **957,636** | 666,974 | **19,280** | 27,882 |

The Level 3 equity securities are valued primarily based on the latest available financial statements. The Group may make adjustments to the value based on considerations such as the value date of the net assets value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying equity securities. A reasonable possible change in key assumptions used in the fair value measurement of equity securities would not result in any significant potential financial impact.

During the year ended March 31, 2022, two investments which were categorized as Level 3 have listed their equity shares on the exchanges. With the published price quotations in active markets, related fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at March 31, 2022.

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### (d) Fair value estimation *(continued)*

***Contingent consideration***

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| At the beginning of the year | **-** | 117,387 |
| Exchange adjustment | **-** | 3 |
| Settlement | **-** | (117,390) |
| At the end of the year | **-** | – |
| Total losses for the year included in profit or loss under "finance costs" | **-** | – |

The contingent consideration was valued with reference to the performance indicators of Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL").

***Convertible preferred shares***

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| At the beginning of the year | **303,372** | 317,826 |
| Repurchase | **(254,490)** | (16,575) |
| Dividends paid | **(16,385)** | (11,600) |
| Fair value change recognized in profit or loss | **12,618** | 13,721 |
| At the end of the year | **45,115** | 303,372 |

If the discount rate increased/decreased by 0.5%, the convertible preferred shares would have decreased/increased by approximately US$0.2 million and US$0.2 million respectively (2021: US$7 million and US$8 million respectively) with the corresponding gain/loss recognized in the consolidated income statement.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

### (a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations use cash flow projection based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using constant projection of cash flows beyond the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

### (b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome taking into consideration precedent tax ruling in the relevant jurisdiction.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

### (b) Income taxes *(continued)*

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group taking into consideration the COVID-19 impact in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

### (c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

### (d) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

### (d) Revenue recognition *(continued)*

Revenue from sales of goods is recognized when the control of the goods is transferred to customers, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

### (e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

### (f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

## 5 SEGMENT INFORMATION

The Group has formed the Solutions and Services Group ("SSG") in addition to the existing Intelligent Devices Group ("IDG") and Infrastructure Solutions Group ("ISG", previously named as Data Center Group ("DCG")).

The SSG aims to bring together services teams and capabilities across the Group. This new business group will deliver enhanced services capabilities and new solutions to supercharge its growth momentum through three key segments – Attached Services, Managed Services, and Project and Vertical Solutions.

The Group has adopted the new business group structure as the reporting format effective for the year ended March 31, 2022 and the comparative segment information has been reclassified to conform to the reporting format under the current organizational structure. Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (the "LEC"), the chief operating decision-maker, that are used to make strategic decisions. Segments by business group comprise IDG, ISG and SSG.

The LEC assesses the performance of the operating segments based on a measure of operating profit/loss. This measurement basis excludes the effects of non-cash merger and acquisition related accounting charges and non-recurring expenses such as restructuring costs from the business groups. The measurement basis also excludes the effects of allocation from headquarters certain income and expenses such as fair value change of financial instruments and disposal gain/loss of property, plant and equipment that are from activities driven by headquarters and centralized functions. Certain finance income and costs are allocated to business groups when they are directly attributed to their business activities.

## 5 SEGMENT INFORMATION *(continued)*

### (a) Revenue and operating profit/(loss) for business groups

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Revenue US$'000 | Operating profit US$'000 | Revenue US$'000 | Operating profit/(loss) US$'000 |
| IDG | 62,310,410 | 4,737,823 | 53,006,909 | 3,744,006 |
| ISG | 7,140,055 | 6,703 | 6,301,320 | (130,227) |
| SSG | 5,441,528 | 1,195,386 | 4,192,645 | 854,507 |
| Total | 74,891,993 | 5,939,912 | 63,500,874 | 4,468,286 |
| Eliminations | (3,273,777) | (1,001,478) | (2,758,562) | (745,341) |
| | 71,618,216 | 4,938,434 | 60,742,312 | 3,722,945 |
| Unallocated: | | | | |
| Headquarters and corporate income/(expenses) – net | | (1,506,022) | | (1,429,187) |
| Depreciation and amortization | | (648,775) | | (552,086) |
| Impairment of intangible assets | | (31,434) | | (52,606) |
| Finance income | | 34,504 | | 19,685 |
| Finance costs | | (171,751) | | (234,244) |
| Share of losses of associates and joint ventures | | (6,912) | | (32,323) |
| Gain on disposal of property, plant and equipment | | 914 | | 85,038 |
| Fair value gain on financial assets at FVPL | | 135,075 | | 201,597 |
| Fair value loss on a financial liability at FVPL | | (12,618) | | (13,721) |
| Dilution gain on interest in an associate | | - | | 31,374 |
| Gain on deemed disposal of subsidiaries | | - | | 2,964 |
| Gain on disposal of subsidiaries | | 32,303 | | 22,978 |
| Dividend income | | 4,013 | | 1,784 |
| Consolidated profit before taxation | | 2,767,731 | | 1,774,198 |

### (b) Analysis of revenue by geography

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| China | 18,380,867 | 14,257,290 |
| Asia Pacific ("AP") | 11,712,396 | 11,797,083 |
| Europe-Middle East-Africa ("EMEA") | 18,274,144 | 15,882,576 |
| Americas ("AG") | 23,250,809 | 18,805,363 |
| | 71,618,216 | 60,742,312 |

## 5 SEGMENT INFORMATION *(continued)*

### (c) Analysis of revenue by timing of revenue recognition

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Point in time | **69,671,524** | 59,080,578 |
| Over time | **1,946,692** | 1,661,734 |
| | **71,618,216** | 60,742,312 |

### (d) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "other payables and accruals") amounting to US$3,167 million (2021: US$2,374 million) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$1,191 million (2021: US$1,002 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

### (e) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Within one year | **1,707,527** | 1,190,970 |
| More than one year | **1,459,582** | 1,183,247 |
| | **3,167,109** | 2,374,217 |

### (f) Other segment information

| | IDG | | ISG | | SSG | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2022 US$'000 | 2021 US$'000 | 2022 US$'000 | 2021 US$'000 | 2022 US$'000 | 2021 US$'000 | 2022 US$'000 | 2021 US$'000 |
| Depreciation and amortization | **458,742** | 372,335 | **153,838** | 131,955 | **3,009** | 3,642 | **615,589** | 507,932 |
| Finance income | **17,437** | 13,122 | **3,861** | 1,274 | **656** | 673 | **21,954** | 15,069 |
| Finance costs | **129,563** | 120,247 | **60,295** | 53,376 | **775** | 773 | **190,633** | 174,396 |

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in the Chinese Mainland and other countries is approximately US$5,459,792,000 (2021: US$5,097,235,000) and US$6,356,854,000 (2021: US$6,323,495,000) respectively.

# Notes to the financial statements

## 6 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Depreciation of property, plant and equipment | **344,498** | 301,483 |
| Depreciation of right-of-use assets | **136,993** | 99,795 |
| Amortization of intangible assets | **782,873** | 658,740 |
| Impairment of intangible assets | **31,434** | 52,606 |
| Impairment of property, plant and equipment | **10,189** | – |
| Employee benefit costs (Note 9) | **5,829,480** | 5,149,862 |
| Cost of inventories sold | **56,131,752** | 48,230,328 |
| Auditor's remuneration (Note) | | |
| – Audit services | **13,063** | 9,871 |
| – Non-audit services | **3,211** | 1,625 |
| Rental expenses | **29,862** | 14,361 |
| Government grants (Note 27(c)) | **(59,859)** | (54,623) |
| Net foreign exchange loss | **156,981** | 116,046 |
| Net (gain)/loss on foreign exchange forward contracts for cash flow hedges reclassified from equity | **(268,500)** | 255,312 |
| Loss/(gain) on disposal of property, plant and equipment | **2,265** | (110,004) |
| Loss on disposal of intangible assets | **8,399** | 1,574 |
| Fair value gain on financial assets at FVPL | **(135,075)** | (201,597) |
| Fair value loss on a financial liability at FVPL | **12,618** | 13,721 |
| Dilution gain on interest in an associate | **-** | (31,374) |
| Gain on deemed disposal of subsidiaries | **-** | (2,964) |
| Gain on disposal of subsidiaries | **(32,303)** | (36,029) |

Note: Included in the above audit services fee, US$11,956,000 (2021: US$8,172,000) is paid or payable to the Company's auditor. For the year ended March 31, 2022, audit services fee of US$2,960,000 and non-audit services fee of US$2,460,000 paid or payable to the Company's auditor relating to the proposed issuance of Chinese depository receipts was recognized in profit or loss.

## 7 FINANCE INCOME AND COSTS

### (a) Finance income

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Interest on bank deposits and trust | **56,114** | 32,788 |
| Interest on money market funds | **344** | 1,966 |
| | **56,458** | 34,754 |

### (b) Finance costs

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Interest on bank loans and overdrafts | **34,226** | 43,845 |
| Interest on convertible bonds | **40,360** | 39,853 |
| Interest on notes | **141,282** | 136,983 |
| Interest on lease liabilities | **19,098** | 20,005 |
| Factoring costs | **99,653** | 136,820 |
| Interest on written put option liabilities | **23,587** | 26,329 |
| Others | **4,178** | 4,805 |
| | **362,384** | 408,640 |

## 8 TAXATION

The amount of taxation in the consolidated income statement represents:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Current tax | | |
| – Profits tax in Hong Kong S.A.R. of China | **160,855** | 118,751 |
| – Taxation outside Hong Kong S.A.R. of China | **661,373** | 537,973 |
| Deferred tax (Note 19) | | |
| – Credit for the year | **(199,829)** | (195,525) |
| | **622,399** | 461,199 |

## 8 TAXATION *(continued)*

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Profit before taxation | **2,767,731** | 1,774,198 |
| Tax calculated at domestic rates applicable in countries concerned | **724,912** | 576,223 |
| Income not subject to taxation | **(607,424)** | (517,533) |
| Expenses not deductible for taxation purposes | **429,836** | 279,905 |
| Recognition/utilization of previously unrecognized temporary differences/tax losses | **(24,443)** | (46,216) |
| Deferred income tax assets not recognized | **108,460** | 155,670 |
| (Over)/under-provision in prior years | **(8,942)** | 13,150 |
| | **622,399** | 461,199 |

The weighted average applicable tax rate for the year was 26.2% (2021: 32.5%). The decrease is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

The tax credit/(charge) relating to components of other comprehensive income is as follows:

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Before tax US$'000** | **Tax credit US$'000** | **After tax US$'000** | Before tax US$'000 | Tax charge US$'000 | After tax US$'000 |
| Fair value change on financial assets at FVOCI | **(18,776)** | **712** | **(18,064)** | (4,398) | (683) | (5,081) |
| Fair value change on cash flow hedges | **(25,243)** | **-** | **(25,243)** | 14,987 | - | 14,987 |
| Remeasurements of post-employment benefit obligations (Note 34) | **58,194** | **-** | **58,194** | 35,735 | - | 35,735 |
| Currency translation differences | **172,638** | **-** | **172,638** | 104,133 | - | 104,133 |
| Other comprehensive income/(loss) | **186,813** | **712** | **187,525** | 150,457 | (683) | 149,774 |
| Deferred tax (Note 19) | | **712** | | | (683) | |

## 9 EMPLOYEE BENEFIT COSTS

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Wages and salaries (2021: including severance and other related costs of US$75,006,000) | **4,548,105** | 4,028,934 |
| Social security costs | **337,046** | 282,753 |
| Long-term incentive awards granted (Note 28) | **368,921** | 291,737 |
| Pension costs | | |
| – Defined contribution plans | **281,222** | 188,551 |
| – Defined benefit plans (Note 34) | **19,561** | 26,157 |
| Others | **274,625** | 331,730 |
| | **5,829,480** | 5,149,862 |

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 34.

# Notes to the financial statements

## 10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

### (a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2022 and 2021 is set out below:

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Fees US$'000 | Salaries US$'000 | Discretionary bonuses (i) US$'000 | Long-term incentive awards (ii), (iii) US$'000 | Retirement payments and employer's contribution to pension schemes US$'000 | Other benefits in-kind US$'000 | Total US$'000 |
| ***Executive director*** | | | | | | | |
| Mr. Yang Yuanqing (CEO) | - | 1,455 | 6,752 | 18,502 | 154 | 429 | 27,292 |
| ***Non-executive directors*** | | | | | | | |
| Mr. Zhu Linan | 100 | - | - | 242 | - | - | 342 |
| Mr. Zhao John Huan | 100 | - | - | 242 | - | - | 342 |
| ***Independent non-executive directors*** | | | | | | | |
| Mr. Nicholas C. Allen | 71 | - | - | 226 | - | - | 297 |
| Mr. William O. Grabe | 135 | - | - | 242 | - | - | 377 |
| Mr. William Tudor Brown | 120 | - | - | 242 | - | - | 362 |
| Mr. Yang Chih-Yuan Jerry | 100 | - | - | 242 | - | - | 342 |
| Mr. Gordon Robert Halyburton Orr | 100 | - | - | 242 | - | - | 342 |
| Mr. Woo Chin Wan Raymond | 113 | - | - | 237 | - | - | 350 |
| Ms. Yang Lan | 100 | - | - | 176 | - | - | 276 |
| | 939 | 1,455 | 6,752 | 20,593 | 154 | 429 | 30,322 |

## 10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

### (a) Directors' and senior management's emoluments *(continued)*

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Fees US$'000 | Salaries US$'000 | Discretionary bonuses (i) US$'000 | Long-term incentive awards (iii) US$'000 | Retirement payments and employer's contribution to pension schemes US$'000 | Other benefits in-kind US$'000 | Total US$'000 |
| ***Executive director*** | | | | | | | |
| Mr. Yang Yuanqing (CEO) | - | 1,301 | 6,050 | 20,009 | 137 | 425 | 27,922 |
| ***Non-executive directors*** | | | | | | | |
| Mr. Zhu Linan | 100 | - | - | 220 | - | - | 320 |
| Mr. Zhao John Huan | 100 | - | - | 220 | - | - | 320 |
| ***Independent non-executive directors*** | | | | | | | |
| Mr. Nicholas C. Allen | 128 | - | - | 220 | - | - | 348 |
| Mr. Nobuyuki Idei | 53 | - | - | 289 | - | - | 342 |
| Mr. William O. Grabe | 135 | - | - | 220 | - | - | 355 |
| Mr. William Tudor Brown | 120 | - | - | 220 | - | - | 340 |
| Mr. Yang Chih-Yuan Jerry | 100 | - | - | 220 | - | - | 320 |
| Mr. Gordon Robert Halyburton Orr | 100 | - | - | 220 | - | - | 320 |
| Mr. Woo Chin Wan Raymond | 100 | - | - | 182 | - | - | 282 |
| Ms. Yang Lan | 63 | - | - | 62 | - | - | 125 |
| | 999 | 1,301 | 6,050 | 22,082 | 137 | 425 | 30,994 |

## 10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

### (a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2022 and 2021 in connection with the performance bonuses for the respective two fiscal years then ended. Comparative figure for the year ended March 31, 2021 has been restated to conform to the current year's presentation. In the previous years, discretionary bonuses presented in the respective years were the amounts received in connection with the performance bonuses for the prior year.

(ii) Mr. Yang Yuanqing made the personal decision to donate 35,644,748 units of SARs and 2,070,957 units of RSUs (being a part of the share awards by the Company in June 2021) at a total grant value of approximately US$12.5 million, and the Company agreed to pay the equivalent amounts as special cash bonuses to eligible factory workers and other frontline employees who committed to their roles to keep Lenovo's continuous operation during the pandemic. Figure shown in the table above for the year ended March 31, 2022 is the net amount after the donation.

(iii) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2022 and 2021.

(iv) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 28) for the two years ended March 31, 2022 and 2021.

(v) During the years ended March 31, 2022 and 2021, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(vi) Mr. Nicholas C. Allen retired from the position of an independent non-executive director on July 20, 2021.

(vii) Ms. Yang Lan was appointed as an independent non-executive director on May 15, 2020.

(viii) Mr. Nobuyuki Idei retired from the position of an independent non-executive director on July 9, 2020.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2021: nil). No consideration was provided to or receivable by third parties for making available directors' service (2021: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2021: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: nil).

## 10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director, who is the CEO of the Group, whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2021: four) individuals during the year are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Basic salaries, allowances, and other benefits-in-kind | **3,652** | 4,490 |
| Discretionary bonuses (i), (ii) | **25,949** | 26,427 |
| Retirement payments and employer's contribution to pension schemes (iii) | **20,225** | 4,736 |
| Long-term incentive awards (ii), (iv) | **44,252** | 28,722 |
| Others | **2,802** | 942 |
| | **96,880** | 65,317 |

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2022 and 2021 in connection with the performance bonuses for the respective two fiscal years then ended. Comparative figure for the year ended March 31, 2021 has been restated to conform to the current year's presentation. In the previous years, discretionary bonuses presented in the respective years were the amounts received in connection with the performance bonuses for the prior year.

(ii) Figures shown in the table above for the year ended March 31, 2022 include a special incentive payment of US$25 million to an executive, delivered in the form of cash and shares, for multi-year performance achieved.

(iii) Retirement payments and employer's contribution to pension schemes includes US$20 million paid to one of the executives retired during the year ended March 31, 2022.

(iv) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2022 and 2021.

The emoluments fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2022** | 2021 |
| Emolument bands | | |
| US$9,249,195 – US$9,313,425 | **–** | 1 |
| US$10,019,961 – US$10,084,191 | **–** | 1 |
| US$10,212,653 – US$10,276,882 | **–** | 1 |
| US$10,341,114 – US$10,405,343 | **1** | – |
| US$11,882,646 – US$11,946,876 | **1** | – |
| US$35,712,170 – US$35,776,399 | **–** | 1 |
| US$36,739,858 – US$36,804,087 | **1** | – |
| US$37,767,546 – US$37,831,776 | **1** | – |

## 11 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year after adjusting shares held by the employee share trusts for the purposes of awarding shares to eligible employees under the long term incentive program.

| | **2022** | 2021 |
|---|---|---|
| Weighted average number of ordinary shares in issue | **12,041,705,614** | 12,024,746,107 |
| Adjustment for shares held by employee share trusts | **(412,831,508)** | (114,835,047) |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **11,628,874,106** | 11,909,911,060 |

| | **2022**<br>**US$'000** | 2021<br>US$'000 |
|---|---|---|
| Profit attributable to equity holders of the Company | **2,029,818** | 1,178,307 |
| Adjustment for tender premium on repurchase of perpetual securities | **-** | (42,609) |
| Profit attributable to equity holders of the Company used in calculating basic earnings per share | **2,029,818** | 1,135,698 |

### (b) Diluted

The calculation of the diluted earnings per share is based on the profit attributable to equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares that would have been outstanding, as appropriate. The weighted average number of ordinary shares used in calculating diluted earnings per share is the weighted average number of ordinary shares, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 11 EARNINGS PER SHARE *(continued)*

### (b) Diluted *(continued)*

The Group has four (2021: five) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares (2021: long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares). Long-term incentive awards and convertible bonds were dilutive for the years ended March 31, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2022 and 2021. Bonus warrants were anti-dilutive for the year ended March 31, 2021.

| | **2022** | 2021 |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **11,628,874,106** | 11,909,911,060 |
| Adjustment for long-term incentive awards | **683,274,532** | 471,364,397 |
| Adjustment for convertible bonds | **769,980,531** | 741,902,700 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | **13,082,129,169** | 13,123,178,157 |

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Profit attributable to equity holders of the Company used in calculating basic earnings per share | **2,029,818** | 1,135,698 |
| Adjustment for interest on convertible bonds, net of tax | **33,701** | 33,278 |
| Profit attributable to equity holders of the Company used in calculating diluted earnings per share | **2,063,519** | 1,168,976 |

## 12 DIVIDENDS

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Interim dividend of HK8.0 cents (2021: HK6.6 cents) per ordinary share, paid on December 10, 2021 | **123,771** | 102,298 |
| Proposed final dividend – HK30.0 cents (2021: HK24.0 cents) per ordinary share | **460,228** | 372,275 |
| | **583,999** | 474,573 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and buildings US$'000 | Leasehold improvements US$'000 | Plant and machinery US$'000 | Furniture and fixtures US$'000 | Office equipment US$'000 | Motor vehicles US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| At April 1, 2020 | | | | | | | |
| Cost | 833,471 | 515,678 | 837,614 | 92,798 | 677,408 | 8,210 | 2,965,179 |
| Accumulated depreciation and impairment losses | 126,781 | 283,084 | 603,323 | 58,808 | 490,574 | 4,169 | 1,566,739 |
| Net book amount | 706,690 | 232,594 | 234,291 | 33,990 | 186,834 | 4,041 | 1,398,440 |
| Year ended March 31, 2021 | | | | | | | |
| Opening net book amount | 706,690 | 232,594 | 234,291 | 33,990 | 186,834 | 4,041 | 1,398,440 |
| Exchange adjustment | 30,960 | 2,292 | 5,053 | 1,295 | 5,026 | 171 | 44,797 |
| Acquisition of subsidiaries | 322 | - | - | - | 19 | 7 | 348 |
| Disposal of subsidiaries | (7) | (206) | (207) | (27) | (2,011) | - | (2,458) |
| Additions | 21,092 | 25,877 | 150,333 | 5,377 | 99,298 | 943 | 302,920 |
| Transfers | 124,225 | 14,761 | 46,360 | 34,121 | 6,823 | 6 | 226,296 |
| Disposals | (71,899) | (3,886) | (13,110) | (301) | (5,342) | (447) | (94,985) |
| Depreciation | (24,920) | (53,437) | (105,327) | (29,863) | (86,577) | (1,359) | (301,483) |
| Closing net book amount | 786,463 | 217,995 | 317,393 | 44,592 | 204,070 | 3,362 | 1,573,875 |
| At March 31, 2021 | | | | | | | |
| Cost | 946,688 | 547,309 | 955,603 | 128,635 | 651,667 | 8,262 | 3,238,164 |
| Accumulated depreciation and impairment losses | 160,225 | 329,314 | 638,210 | 84,043 | 447,597 | 4,900 | 1,664,289 |
| Net book amount | 786,463 | 217,995 | 317,393 | 44,592 | 204,070 | 3,362 | 1,573,875 |
| Year ended March 31, 2022 | | | | | | | |
| Opening net book amount | **786,463** | **217,995** | **317,393** | **44,592** | **204,070** | **3,362** | **1,573,875** |
| Exchange adjustment | **12,758** | **(361)** | **(2,526)** | **(3,045)** | **2,319** | **134** | **9,279** |
| Acquisition of subsidiaries | **-** | **9** | **-** | **-** | **291** | **33** | **333** |
| Disposal of subsidiaries | **-** | **-** | **(27,912)** | **(150)** | **(607)** | **-** | **(28,669)** |
| Additions | **5,738** | **18,583** | **207,337** | **4,527** | **157,315** | **2,858** | **396,358** |
| Transfers | **3,974** | **15,228** | **15,817** | **27,689** | **890** | **-** | **63,598** |
| Disposals | **(1,515)** | **(514)** | **(13,372)** | **(242)** | **(7,571)** | **(244)** | **(23,458)** |
| Depreciation | **(27,484)** | **(49,680)** | **(145,396)** | **(29,775)** | **(90,650)** | **(1,513)** | **(344,498)** |
| Impairment | **-** | **-** | **(10,189)** | **-** | **-** | **-** | **(10,189)** |
| Closing net book amount | **779,934** | **201,260** | **341,152** | **43,596** | **266,057** | **4,630** | **1,636,629** |
| At March 31, 2022 | | | | | | | |
| Cost | **969,952** | **577,966** | **1,097,985** | **144,738** | **735,022** | **10,267** | **3,535,930** |
| Accumulated depreciation and impairment losses | **190,018** | **376,706** | **756,833** | **101,142** | **468,965** | **5,637** | **1,899,301** |
| Net book amount | **779,934** | **201,260** | **341,152** | **43,596** | **266,057** | **4,630** | **1,636,629** |

## 14 RIGHT-OF-USE ASSETS

| | 2022<br>US$'000 | 2021<br>US$'000 |
|---|---|---|
| At the beginning of the year | **893,422** | 812,235 |
| Exchange adjustment | **12,093** | 37,743 |
| Acquisition of subsidiaries | **863** | 28 |
| Disposal of subsidiaries | **(629)** | (16) |
| Additions | **89,530** | 168,750 |
| Disposals | **(7,484)** | (14,842) |
| Depreciation | **(148,562)** | (110,476) |
| At the end of the year | **839,233** | 893,422 |

## 15 CONSTRUCTION-IN-PROGRESS

| | Buildings under construction | | Internal use software | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2022<br>US$'000 | 2021<br>US$'000 | 2022<br>US$'000 | 2021<br>US$'000 | 2022<br>US$'000 | 2021<br>US$'000 | 2022<br>US$'000 | 2021<br>US$'000 |
| At the beginning of the year | **23,290** | 62,918 | **168,900** | 228,234 | **15,424** | 13,089 | **207,614** | 304,241 |
| Exchange adjustment | **960** | 15,771 | **8,201** | 7,115 | **(4,258)** | (1,394) | **4,903** | 21,492 |
| Disposal of subsidiaries | **-** | (36,626) | **-** | - | **-** | - | **-** | (36,626) |
| Additions | **79,601** | 137,155 | **450,570** | 277,386 | **71,775** | 52,077 | **601,946** | 466,618 |
| Transfers | **(14,156)** | (155,928) | **(239,461)** | (343,835) | **(50,635)** | (48,348) | **(304,252)** | (548,111) |
| At the end of the year | **89,695** | 23,290 | **388,210** | 168,900 | **32,306** | 15,424 | **510,211** | 207,614 |

# Notes to the financial statements

## 16 INTANGIBLE ASSETS

(a)

| | Goodwill (b) US$'000 | Trademarks and trade names (b) US$'000 | Internal use software US$'000 | Customer relationships US$'000 | Patent and technology (c) US$'000 | Exclusive right US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| At April 1, 2020 | | | | | | | |
| Cost | 4,715,313 | 1,304,568 | 1,467,163 | 1,528,255 | 2,269,831 | 46,159 | 11,331,289 |
| Accumulated amortization and impairment losses | - | 36,854 | 1,030,646 | 727,071 | 1,548,608 | 3,528 | 3,346,707 |
| Net book amount | 4,715,313 | 1,267,714 | 436,517 | 801,184 | 721,223 | 42,631 | 7,984,582 |
| Year ended March 31, 2021 | | | | | | | |
| Opening net book amount | 4,715,313 | 1,267,714 | 436,517 | 801,184 | 721,223 | 42,631 | 7,984,582 |
| Exchange adjustment | 120,972 | 4,143 | 33,613 | 11,741 | 3,547 | 4,339 | 178,355 |
| Acquisition of subsidiaries | 11,106 | - | 568 | 156 | 297 | 4,807 | 16,934 |
| Disposals of subsidiaries | - | - | (145) | - | - | - | (145) |
| Additions | - | - | 34,905 | - | 581,479 | - | 616,384 |
| Transfer from construction-in-progress | - | - | 252,049 | - | 69,766 | - | 321,815 |
| Disposals | - | - | (658) | - | (916) | - | (1,574) |
| Amortization | - | - | (190,786) | (142,865) | (321,848) | (3,241) | (658,740) |
| Impairment | - | - | - | - | (52,606) | - | (52,606) |
| Closing net book amount | 4,847,391 | 1,271,857 | 566,063 | 670,216 | 1,000,942 | 48,536 | 8,405,005 |
| At March 31, 2021 | | | | | | | |
| Cost | 4,847,391 | 1,308,752 | 1,811,116 | 1,553,325 | 2,835,244 | 55,693 | 12,411,521 |
| Accumulated amortization and impairment losses | - | 36,895 | 1,245,053 | 883,109 | 1,834,302 | 7,157 | 4,006,516 |
| Net book amount | 4,847,391 | 1,271,857 | 566,063 | 670,216 | 1,000,942 | 48,536 | 8,405,005 |
| Year ended March 31, 2022 | | | | | | | |
| Opening net book amount | **4,847,391** | **1,271,857** | **566,063** | **670,216** | **1,000,942** | **48,536** | **8,405,005** |
| Exchange adjustment | **9,853** | **(3,380)** | **8,534** | **(15,366)** | **924** | **1,033** | **1,598** |
| Acquisition of subsidiaries | **10,672** | **-** | **-** | **-** | **-** | **-** | **10,672** |
| Disposals of subsidiaries | **-** | **-** | **(2,160)** | **-** | **-** | **-** | **(2,160)** |
| Additions | **-** | **-** | **36,242** | **174** | **197,306** | **-** | **233,722** |
| Transfer from construction-in-progress | **-** | **-** | **133,802** | **790** | **106,062** | **-** | **240,654** |
| Disposals | **-** | **-** | **(2,900)** | **(1)** | **(5,498)** | **-** | **(8,399)** |
| Amortization | **-** | **-** | **(218,040)** | **(141,545)** | **(420,040)** | **(3,248)** | **(782,873)** |
| Impairment | **-** | **-** | **(16,434)** | **-** | **(15,000)** | **-** | **(31,434)** |
| Closing net book amount | **4,867,916** | **1,268,477** | **505,107** | **514,268** | **864,696** | **46,321** | **8,066,785** |
| At March 31, 2022 | | | | | | | |
| Cost | **4,867,916** | **1,305,877** | **1,988,197** | **1,515,847** | **3,127,189** | **57,935** | **12,862,961** |
| Accumulated amortization and impairment losses | **-** | **37,400** | **1,483,090** | **1,001,579** | **2,262,493** | **11,614** | **4,796,176** |
| Net book amount | **4,867,916** | **1,268,477** | **505,107** | **514,268** | **864,696** | **46,321** | **8,066,785** |

## 16 INTANGIBLE ASSETS *(continued)*

**(a)** *(continued)*

Amortization of US$115,339,000 (2021: US$43,154,000), US$9,934,000 (2021: US$11,057,000), US$432,665,000 (2021: US$445,904,000) and US$224,935,000 (2021: US$158,625,000) are included in the 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' in the consolidated income statement respectively.

### (b) Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

| | China US$ million | AP US$ million | EMEA US$ million | AG US$ million | Mature Market US$ million | Emerging Market US$ million | Total US$ million |
|---|---|---|---|---|---|---|---|
| At March 31, 2022 | | | | | | | |
| Goodwill | | | | | | | |
| - PC and Smart Device Business Group ("PCSD") | **1,009** | **565** | **200** | **256** | **N/A** | **N/A** | **2,030** |
| - Mobile Business Group ("MBG") | **N/A** | **N/A** | **N/A** | **N/A** | **673** | **825** | **1,498** |
| - ISG | **515** | **151** | **69** | **345** | **N/A** | **N/A** | **1,080** |
| - SSG (Note) | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **260** |
| Trademarks and trade names with indefinite useful lives | | | | | | | |
| - PCSD | **186** | **53** | **95** | **56** | **N/A** | **N/A** | **390** |
| - MBG | **N/A** | **N/A** | **N/A** | **N/A** | **197** | **263** | **460** |
| - ISG | **161** | **54** | **31** | **123** | **N/A** | **N/A** | **369** |
| - SSG (Note) | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **49** |
| At March 31, 2021 | | | | | | | |
| Goodwill | | | | | | | |
| - PCSD | 1,089 | 683 | 234 | 295 | N/A | N/A | 2,301 |
| - MBG | N/A | N/A | N/A | N/A | 676 | 774 | 1,450 |
| - DCG | 508 | 159 | 85 | 344 | N/A | N/A | 1,096 |
| Trademarks and trade names with indefinite useful lives | | | | | | | |
| - PCSD | 209 | 59 | 107 | 67 | N/A | N/A | 442 |
| - MBG | N/A | N/A | N/A | N/A | 197 | 263 | 460 |
| - DCG | 162 | 54 | 31 | 123 | N/A | N/A | 370 |

Note: SSG is monitored as a whole and there is no allocation to geography or market.

## 16 INTANGIBLE ASSETS *(continued)*

### (b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

Future cash flows are discounted at the rate of 10%, 12%, 11% and 11% for PCSD, MBG, ISG and SSG respectively (2021: 10%, 12% and 11% for PCSD, MBG, DCG respectively). The estimated compound annual growth rates of revenue used for value-in-use calculations under the five-year financial budgets period are as follows:

| | 2022 | | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | PCSD | MBG | ISG | SSG | PCSD | MBG | DCG |
| China | 4% | N/A | 16% | N/A | -1% | N/A | 16% |
| AP | 0% | N/A | 17% | N/A | -4% | N/A | 20% |
| EMEA | 0% | N/A | 14% | N/A | -5% | N/A | 17% |
| AG | 1% | N/A | 23% | N/A | -4% | N/A | 24% |
| Mature Market | N/A | 15% | N/A | N/A | N/A | 25% | N/A |
| Emerging Market | N/A | 14% | N/A | N/A | N/A | 19% | N/A |
| SSG | N/A | N/A | N/A | 23% | N/A | N/A | N/A |

Management determined budgeted gross margins based on past performance and its expectations for the market development. Key assumptions include the revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at March 31, 2022 (2021: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

**(c)** At March 31, 2022, patent and technology of US$31,385,000 (2021: US$77,163,000) is under development.

## 17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Share of net assets | | |
| – Associates | 91,207 | 60,618 |
| – Joint ventures | 119,709 | 4,837 |
| | 210,916 | 65,455 |
| Loans to | | |
| – An associate (a) | 98,073 | – |
| – A joint venture (a) | 30,558 | – |
| | 128,631 | – |
| Interests in associates and joint ventures (b) | 339,547 | 65,455 |

Notes:

(a) The loan forms an integral part of the Group's equity investment in the associate/joint venture and is recognized as such.

(b) At March 31, 2022 and 2021, there is no unrecognized share of losses, commitments and contingent liabilities.

The following is a list of the principal associates and joint ventures:

| Company name | Place of incorporation/ establishment | Interest held indirectly 2022 | Interest held indirectly 2021 | Principal activities |
|---|---|---|---|---|
| **Associates** | | | | |
| 北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (ii) | Chinese Mainland | 23.7% | 23.7% | Distribution and development of IT technology |
| 茄子技術控股有限公司 (SHAREit Technology Holdings Inc.) (ii) | Cayman Islands | 37.3% | 38.0% | Software development |
| 北京平安聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Limited) (ii) | Chinese Mainland | 25.4% | 25.4% | Development of hospital and regional healthcare information system |
| 北京聯想協同科技有限公司 (Beijing Lenovo Collaborative Technology Co., Limited) (ii), (iii) | Chinese Mainland | 34.1% | 50.5% | Distribution and development of IT technology |
| 天津聯博基業科技發展有限公司 (Tianjin Lianbo Foundation Technology Development Co., Limited) (ii) | Chinese Mainland | 39.0% | - | Distribution and development of IT technology |
| **Joint ventures** | | | | |
| 聯想新視界(北京)科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Limited) (ii) | Chinese Mainland | 37.6% | 37.6% | Software development |
| 深圳市浦瑞置業有限公司 (Shenzhen Purui Real Estate Co., Limited) (ii) | Chinese Mainland | 50.0% | - | Property development |

# Notes to the financial statements

## 17 INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

Notes:

(i) Majority of the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(iii) The company was reclassified from a subsidiary to an associate upon partial disposal during the year.

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Share of losses of associates | **5,478** | 27,087 |
| Share of losses of joint ventures | **1,434** | 5,236 |
| | **6,912** | 32,323 |

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | **Financial assets at amortized cost** US$'000 | **Financial assets at FVPL** US$'000 | **Derivatives used for hedging** US$'000 | **Financial assets at FVOCI (non-recycling)** US$'000 | **Other financial assets at FVOCI (recycling)** US$'000 | **Total** US$'000 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| At March 31, 2022 | | | | | | |
| Financial assets at FVPL | **-** | **1,104,408** | **-** | **-** | **-** | **1,104,408** |
| Financial assets at FVOCI | **-** | **-** | **-** | **64,572** | **-** | **64,572** |
| Derivative financial assets | **-** | **-** | **113,757** | **-** | **-** | **113,757** |
| Trade receivables | **-** | **-** | **-** | **-** | **11,189,551** | **11,189,551** |
| Notes receivable | **99,996** | **-** | **-** | **-** | **-** | **99,996** |
| Deposits and other receivables | **3,673,023** | **-** | **-** | **-** | **-** | **3,673,023** |
| Bank deposits | **92,513** | **-** | **-** | **-** | **-** | **92,513** |
| Cash and cash equivalents | **3,930,287** | **-** | **-** | **-** | **-** | **3,930,287** |
| | **7,795,819** | **1,104,408** | **113,757** | **64,572** | **11,189,551** | **20,268,107** |
| At March 31, 2021 | | | | | | |
| Financial assets at FVPL | - | 805,013 | - | - | - | 805,013 |
| Financial assets at FVOCI | - | - | - | 84,796 | - | 84,796 |
| Derivative financial assets | - | 179 | 118,120 | - | - | 118,299 |
| Trade receivables | - | - | - | - | 8,397,825 | 8,397,825 |
| Notes receivable | 78,939 | - | - | - | - | 78,939 |
| Deposits and other receivables | 3,804,465 | - | - | - | - | 3,804,465 |
| Bank deposits | 59,385 | - | - | - | - | 59,385 |
| Cash and cash equivalents | 3,068,385 | - | - | - | - | 3,068,385 |
| | 7,011,174 | 805,192 | 118,120 | 84,796 | 8,397,825 | 16,417,107 |

## 18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

| | Financial liabilities at amortized cost US$'000 | Financial liabilities at FVPL US$'000 | Derivatives used for hedging US$'000 | Total US$'000 |
|---|---|---|---|---|
| Liabilities | | | | |
| At March 31, 2022 | | | | |
| Trade payables | **11,035,924** | **–** | **–** | **11,035,924** |
| Notes payable | **2,148,907** | **–** | **–** | **2,148,907** |
| Derivative financial liabilities | **–** | **348** | **127,277** | **127,625** |
| Other payables and accruals | **10,991,659** | **–** | **–** | **10,991,659** |
| Lease liabilities | **407,997** | **–** | **–** | **407,997** |
| Borrowings | **3,376,155** | **45,115** | **–** | **3,421,270** |
| Deferred consideration | **25,072** | **–** | **–** | **25,072** |
| Written put option liabilities | **528,060** | **–** | **–** | **528,060** |
| Others | **355,383** | **–** | **–** | **355,383** |
| | **28,869,157** | **45,463** | **127,277** | **29,041,897** |
| At March 31, 2021 | | | | |
| Trade payables | 10,220,796 | – | – | 10,220,796 |
| Notes payable | 885,628 | – | – | 885,628 |
| Derivative financial liabilities | – | 202 | 35,742 | 35,944 |
| Other payables and accruals | 10,256,539 | – | – | 10,256,539 |
| Lease liabilities | 466,926 | – | – | 466,926 |
| Borrowings | 3,694,481 | 303,372 | – | 3,997,853 |
| Deferred consideration | 25,072 | – | – | 25,072 |
| Written put option liabilities | 842,776 | – | – | 842,776 |
| Others | 463,748 | – | – | 463,748 |
| | 26,855,966 | 303,574 | 35,742 | 27,195,282 |

## 19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Deferred income tax assets: | | |
| Recoverable within 12 months | **1,113,264** | 935,870 |
| Recoverable after 12 months | **1,414,691** | 1,408,870 |
| | **2,527,955** | 2,344,740 |
| Deferred income tax liabilities: | | |
| Settled after 12 months | **(406,759)** | (391,258) |
| Net deferred income tax assets | **2,121,196** | 1,953,482 |

The movements in the net deferred income tax assets are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| At the beginning of the year | **1,953,482** | 1,716,777 |
| Reclassification and exchange adjustment | **(3,456)** | (2,465) |
| Credited to consolidated income statement (Note 8) | **199,829** | 195,525 |
| Credited/(charged) to other comprehensive income (Note 8) | **712** | (683) |
| (Charged)/credited to share-based compensation reserve | **(29,371)** | 45,774 |
| Acquisition of subsidiaries | **-** | (1,446) |
| At the end of the year | **2,121,196** | 1,953,482 |

## 19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

**(a)** The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

| | Provisions and accruals US$'000 | Tax losses US$'000 | Tax depreciation allowance US$'000 | Deferred revenue US$'000 | Share-based payment US$'000 | Others US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| At April 1, 2020 | 522,614 | 1,314,799 | 84,250 | 151,921 | 17,571 | 1,236 | 2,092,391 |
| Reclassification and exchange adjustments | 6,430 | 992 | 318 | (788) | - | (151) | 6,801 |
| Credited to consolidated income statement | 46,634 | 86,658 | 11,425 | 35,321 | 45,600 | - | 225,638 |
| Credited to share-based compensation reserve | - | - | - | - | 45,774 | - | 45,774 |
| At March 31, 2021 | **575,678** | **1,402,449** | **95,993** | **186,454** | **108,945** | **1,085** | **2,370,604** |
| Reclassification and exchange adjustments | **8,426** | **(38,289)** | **3,013** | **(5,636)** | **(64)** | **(484)** | **(33,034)** |
| Credited/(charged) to consolidated income statement | **167,935** | **23,735** | **33,257** | **19,040** | **(20,835)** | **-** | **223,132** |
| Charged to share-based compensation reserve | **-** | **-** | **-** | **-** | **(29,371)** | **-** | **(29,371)** |
| At March 31, 2022 | **752,039** | **1,387,895** | **132,263** | **199,858** | **58,675** | **601** | **2,531,331** |

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

## 19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

**(a)** *(continued)*

At March 31, 2022, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of approximately US$2,471,851,000 (2021: US$1,841,623,000) and tax losses of approximately US$2,797,660,000 (2021: US$2,667,943,000) that can be carried forward against future taxable income, of which, tax losses of US$1,405,442,000 (2021: US$1,269,280,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Expiring in | | |
| – 2021 | **-** | 321,978 |
| – 2022 | **195,433** | 185,616 |
| – 2023 | **308,289** | 297,610 |
| – 2024 | **35,914** | 79,408 |
| – 2025 | **208,061** | 175,976 |
| – 2026 | **203,512** | 250,998 |
| – 2027 | **324,843** | 17,618 |
| – 2028 | **2,977** | 3,198 |
| – 2029 | **14** | 187 |
| – 2030 | **109,868** | 66,074 |
| – 2031 | **3,307** | – |
| | **1,392,218** | 1,398,663 |

## 19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

**(b)** The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

| | Intangible valuation US$'000 | Undistributed earnings US$'000 | Property valuation US$'000 | Accelerated tax depreciation US$'000 | Others US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| At April 1, 2020 | 128,268 | 81,794 | 1,737 | 161,002 | 2,813 | 375,614 |
| Reclassification and exchange adjustments | (1,447) | (768) | 1,936 | 9,642 | (97) | 9,266 |
| (Credited)/charged to consolidated income statement | (16,782) | 17,434 | - | 18,999 | 10,462 | 30,113 |
| Charged to other comprehensive income | - | - | - | - | 683 | 683 |
| Acquisition of subsidiaries | 1,446 | - | - | - | - | 1,446 |
| At March 31, 2021 | **111,485** | **98,460** | **3,673** | **189,643** | **13,861** | **417,122** |
| Reclassification and exchange adjustments | **(975)** | **(5,569)** | **(2,139)** | **(19,548)** | **(1,347)** | **(29,578)** |
| (Credited)/charged to consolidated income statement | **(25,291)** | **20,933** | **-** | **10,466** | **17,195** | **23,303** |
| Credited to other comprehensive income | **-** | **-** | **-** | **-** | **(712)** | **(712)** |
| At March 31, 2022 | **85,219** | **113,824** | **1,534** | **180,561** | **28,997** | **410,135** |

## 20 FINANCIAL ASSETS

### (a) Financial assets at FVPL

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| At the beginning of the year | **805,013** | 494,807 |
| Exchange adjustment | **23,876** | 37,570 |
| Fair value change recognized in profit or loss | **135,075** | 201,597 |
| Additions | **256,461** | 210,661 |
| Disposals | **(116,017)** | (139,622) |
| At the end of the year | **1,104,408** | 805,013 |
| Listed equity securities: | | |
| – In Hong Kong S.A.R. of China | **7,824** | 42,613 |
| – Outside Hong Kong S.A.R. of China | **247,436** | 312,451 |
| | **255,260** | 355,064 |
| Unlisted equity securities | **849,148** | 449,949 |
| | **1,104,408** | 805,013 |

### (b) Financial assets at FVOCI

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| At the beginning of the year | **84,796** | 56,136 |
| Exchange adjustment | **(1,948)** | 4,059 |
| Fair value change recognized in other comprehensive income | **(18,776)** | (4,398) |
| Additions | **2,000** | 29,556 |
| Disposals | **(1,500)** | (557) |
| At the end of the year | **64,572** | 84,796 |
| Listed equity securities: | | |
| – In Hong Kong S.A.R. of China | **16,136** | 14,211 |
| – Outside Hong Kong S.A.R. of China | **29,156** | 42,703 |
| | **45,292** | 56,914 |
| Unlisted equity securities | **19,280** | 27,882 |
| | **64,572** | 84,796 |

## 21 INVENTORIES

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Raw materials and work-in-progress | **5,527,420** | 4,155,268 |
| Finished goods | **2,315,797** | 1,920,660 |
| Service parts | **457,441** | 304,648 |
| | **8,300,658** | 6,380,576 |

## 22 RECEIVABLES

**(a)** Customers are generally granted credit terms ranging from 0 to 120 days. Aging analysis of trade receivables of the Group at the balance sheet date, based on invoice date, is as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| 0 – 30 days | **8,908,669** | 6,301,112 |
| 31 – 60 days | **1,392,704** | 1,315,788 |
| 61 – 90 days | **433,934** | 457,658 |
| Over 90 days | **560,864** | 468,473 |
| | **11,296,171** | 8,543,031 |
| Less: loss allowance | **(106,620)** | (145,206) |
| Trade receivables – net | **11,189,551** | 8,397,825 |

At March 31, 2022, trade receivables, net of loss allowance, of US$784,900,000 (2021: US$562,648,000) were past due. The aging of these receivables, based on due date, is as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Within 30 days | **430,225** | 332,784 |
| 31 – 60 days | **191,093** | 95,211 |
| 61 – 90 days | **59,715** | 53,241 |
| Over 90 days | **103,867** | 81,412 |
| | **784,900** | 562,648 |

## 22 RECEIVABLES *(continued)*

**(a)** *(continued)*

Movements in the loss allowance of trade receivables are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| At the beginning of the year | **145,206** | 95,456 |
| Exchange adjustment | **(357)** | (4,954) |
| Increase in loss allowance recognized in profit or loss | **90,311** | 142,663 |
| Uncollectible receivables written off | **(27,267)** | (53,366) |
| Unused amounts reversed in profit or loss | **(101,273)** | (34,593) |
| At the end of the year | **106,620** | 145,206 |

**(b)** Notes receivable of the Group are bank accepted notes mainly with maturity dates within six months.

**(c)** Details of deposits, prepayments and other receivables are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Deposits | **97,428** | 16,731 |
| Other receivables | **3,699,539** | 3,787,734 |
| Prepayments | **1,217,325** | 1,173,036 |
| | **5,014,292** | 4,977,501 |

Note: Other receivables mainly comprise amounts due from subcontractors for components sold in the ordinary course of business.

**(d)** The carrying amounts of trade receivables, notes receivable, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

## 23 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Bank deposits | | |
| – maturing between three to twelve months | **34,205** | 13,211 |
| – restricted bank balances | **58,308** | 46,174 |
| | **92,513** | 59,385 |
| Cash and cash equivalents | | |
| – cash at bank and in hand | **3,615,383** | 3,068,385 |
| – money market funds | **314,904** | – |
| | **3,930,287** | 3,068,385 |
| | **4,022,800** | 3,127,770 |
| Maximum exposure to credit risk | **4,022,800** | 3,127,770 |
| Effective annual interest rates | **0%-11.75%** | 0%-2.75% |

## 24 PAYABLES

**(a)** Aging analysis of trade payables of the Group at the balance sheet date, based on invoice date, is as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| 0 – 30 days | **7,217,768** | 6,824,377 |
| 31 – 60 days | **2,401,203** | 2,049,369 |
| 61 – 90 days | **920,426** | 949,294 |
| Over 90 days | **496,527** | 397,756 |
| | **11,035,924** | 10,220,796 |

**(b)** Notes payable of the Group are mainly repayable within three months.

**(c)** The carrying amounts of trade payables and notes payable approximate their fair values.

## 25 PROVISIONS, OTHER PAYABLES AND ACCRUALS

**(a)** Details of other payables and accruals are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Accruals | **4,441,470** | 3,385,903 |
| Allowance for billing adjustments (i) | **3,599,717** | 2,464,020 |
| Written put option liabilities (Note 27(b)(ii)) | **-** | 324,277 |
| Other payables (ii) | **7,558,629** | 6,870,636 |
| Lease liabilities | **145,095** | 133,662 |
| | **15,744,911** | 13,178,498 |

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

(ii) Majority of other payables are obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors.

(iii) The carrying amounts of other payables and accruals approximate their fair values.

## 25 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

**(b)** The components of provisions of the Group are as follows:

| | Warranty US$'000 | Environmental restoration US$'000 | Total US$'000 |
|---|---|---|---|
| Year ended March 31, 2021 | | | |
| At the beginning of the year | 974,839 | 35,604 | 1,010,443 |
| Exchange adjustment | 42,328 | (431) | 41,897 |
| Provisions made | 992,112 | 18,172 | 1,010,284 |
| Amounts utilized | (835,397) | (21,195) | (856,592) |
| | 1,173,882 | 32,150 | 1,206,032 |
| Long-term portion classified as non-current liabilities | (266,313) | (29,339) | (295,652) |
| At the end of the year | 907,569 | 2,811 | 910,380 |
| Year ended March 31, 2022 | | | |
| At the beginning of the year | **1,173,882** | **32,150** | **1,206,032** |
| Exchange adjustment | **(1,053)** | **(2,656)** | **(3,709)** |
| Provisions made | **983,035** | **26,367** | **1,009,402** |
| Amounts utilized | **(936,966)** | **(25,074)** | **(962,040)** |
| | **1,218,898** | **30,787** | **1,249,685** |
| Long-term portion classified as non-current liabilities | **(242,776)** | **(26,797)** | **(269,573)** |
| At the end of the year | **976,122** | **3,990** | **980,112** |

The Group records its warranty liability at the time of sales based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty accrual is reviewed quarterly to verify it properly reflects the outstanding obligation over the warranty period. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with them.

The Group records its environmental restoration provision at the time of sales based on estimated costs of environmentally-sound disposal of waste electrical and electronic equipment upon return from end-customers and with reference to the historical or projected future return rate. The environmental restoration provision is reviewed at least annually to assess its adequacy to meet the Group's obligation.

# Notes to the financial statements

## 26 BORROWINGS

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Current liabilities | | |
| Short-term loans (a) | **57,427** | 58,190 |
| Notes (b) | **685,380** | 336,709 |
| Convertible preferred shares (d) | **45,115** | 303,372 |
| | **787,922** | 698,271 |
| Non-current liabilities | | |
| Long-term loan (a) | **1,045** | 2,070 |
| Notes (b) | **1,990,888** | 2,673,688 |
| Convertible bonds (c) | **641,415** | 623,824 |
| | **2,633,348** | 3,299,582 |
| | **3,421,270** | 3,997,853 |

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At March 31, 2022, the Group has total revolving and short-term loan facilities of US$3,154 million (2021: US$3,029 million) which has been utilized to the extent of US$54 million (2021: US$47 million).

(b)

| Issue date | Outstanding principal amount | Term | Interest rate per annum | Due date | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|---|---|---|
| March 16, 2017 | US$337 million | 5 years | 3.875% | March 2022 | **-** | 336,709 |
| March 29, 2018 | US$687 million | 5 years | 4.75% | March 2023 | **685,380** | 683,982 |
| April 24, 2020 and May 12, 2020 | US$1 billion | 5 years | 5.875% | April 2025 | **999,397** | 999,199 |
| November 2, 2020 | US$1 billion | 10 years | 3.421% | November 2030 | **991,491** | 990,507 |
| | | | | | **2,676,268** | 3,010,397 |

(c) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$6.87 per share effective on December 1, 2021. Assuming full conversion of the Bonds at the adjusted conversion price of HK$6.87 per share, the Bonds will be convertible into 769,980,531 shares.

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognized on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

The outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount and US$0.5 million were redeemed. The remaining principal amount of the Bonds has been reclassified to non-current liabilities as a result of the lapse of the redemption option.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of the Bonds not exercised on maturity.

(d) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited ("LETCL"). The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. The Group has purchased 136,986 convertible preferred shares during the year ended March 31, 2021 at the consideration of approximately US$17 million.

During the year, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Holders of 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US$254 million.

The aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL during the year.

During the year, additional 54,794 convertible preferred shares have been issued as dividend shares. At March 31, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of these convertible preferred shares not exercised.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at March 31, 2022 and 2021 are as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Within 1 year | **787,922** | 698,271 |
| Over 1 to 2 years | **642,460** | 685,008 |
| Over 2 to 5 years | **999,397** | 1,624,067 |
| Over 5 years | **991,491** | 990,507 |
| | **3,421,270** | 3,997,853 |

The fair values of the notes and convertible bonds at March 31, 2022 were US$2,661 million and US$904 million respectively (2021: US$3,215 million and US$1,140 million respectively). The carrying amounts of other borrowings are either at fair value or approximate their fair values as the impact of discounting is not significant.

## 26 BORROWINGS *(continued)*

Total bank facilities of the Group are as follows:

| | Total facilities | | Utilized amounts | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| Revolving loans | **2,000,000** | 2,000,000 | **-** | – |
| Short-term loans | **1,154,439** | 1,028,706 | **53,800** | 46,958 |
| Foreign exchange contracts | **12,522,372** | 12,022,799 | **12,446,610** | 11,975,409 |
| Other trade finance facilities | **4,053,446** | 2,002,760 | **2,812,538** | 1,637,437 |
| | **19,730,257** | 17,054,265 | **15,312,948** | 13,659,804 |

All borrowings are unsecured and the effective annual interest rates at March 31, 2022 and 2021 are as follows:

| | United States dollar | |
|---|---|---|
| | **2022** | 2021 |
| Short-term and long-term loans | **1.08%-4.35%** | 1.72%-5.85% |
| Convertible bonds | **6.15%** | 6.15% |

## 27 OTHER NON-CURRENT LIABILITIES

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Deferred consideration (a) | **25,072** | 25,072 |
| Written put option liabilities (b) | **528,060** | 518,499 |
| Lease liabilities | **262,902** | 333,264 |
| Environmental restoration (Note 25(b)) | **26,797** | 29,339 |
| Government incentives and grants received in advance (c) | **75,787** | 66,234 |
| Others | **355,383** | 463,748 |
| | **1,274,001** | 1,436,156 |

## 27 OTHER NON-CURRENT LIABILITIES *(continued)*

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At March 31, 2022, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US$25 million (2021: US$25 million).

(b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited ("Fujitsu"), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in FCCL. Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

(ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd ("ZJSB") acquired the 49% interest in a joint venture company ("JV Co") from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB.

During the option exercise period, Yuan Jia notified the Group of its intention to exercise its put option. On December 28, 2021, ZJSB, Yuan Jia and the Group entered into an agreement pursuant to which ZJSB transferred 39% interest in the JV Co to the Group at an exercise price of RMB1,895 million (approximately US$297 million). Upon completion on January 10, 2022, the Company and ZJSB respectively owns 90% and 10% of the interest in the JV Co.

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US$79 million).

The financial liability that may become payable under the put option is initially recognized at present value of redemption amount within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest.

The put option liability shall be re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

(c) Government incentives and grants received in advance by certain group companies included in other non-current liabilities mainly relate to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentives and grants, upon fulfillment of those conditions, are credited to the consolidated income statement immediately or recognized on a straight line basis over the expected life of the related assets.

## 28 SHARE CAPITAL

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Number of shares** | **US$'000** | Number of shares | US$'000 |
| ***Issued and fully paid:*** | | | | |
| Voting ordinary shares: | | | | |
| At the beginning of the year | **12,041,705,614** | **3,203,913** | 12,014,791,614 | 3,185,923 |
| Issue of warrant shares | **-** | **-** | 26,914,000 | 17,990 |
| At the end of the year | **12,041,705,614** | **3,203,913** | 12,041,705,614 | 3,203,913 |

### Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

***(i) Share Appreciation Rights ("SARs")***

An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

***(ii) Restricted Share Units ("RSUs")***

An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

## 28 SHARE CAPITAL *(continued)*

### Long-term incentive program *(continued)*

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

| | Number of units | |
|---|---|---|
| | SARs | RSUs |
| Outstanding at April 1, 2020 | 1,168,850,235 | 537,129,247 |
| Granted during the year | 777,991,660 | 395,749,492 |
| Vested during the year | (766,516,032) | (358,490,323) |
| Cancelled during the year | (72,718,578) | (35,268,323) |
| Outstanding at March 31, 2021 | **1,107,607,285** | **539,120,093** |
| Granted during the year | **300,485,737** | **280,501,462** |
| Vested during the year | **(756,046,576)** | **(390,776,616)** |
| Cancelled during the year | **(77,958,404)** | **(30,166,210)** |
| Outstanding at March 31, 2022 | **574,088,042** | **398,678,729** |
| Average fair value per unit (HK$) | | |
| – At March 31, 2021 | 0.71 | 4.69 |
| – At March 31, 2022 | **1.34** | **7.71** |

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2022, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 40.6 percent (2021: 32.82 percent), expected dividends during the vesting periods of 4.00 percent (2021: 4.75 percent), contractual life of 4.4 years (2021: 4.4 years), and a risk-free interest rate of 0.44 percent (2021: 0.39 percent).

The remaining vesting periods of the awards under the long-term incentive program at March 31, 2022 ranged from 0.14 to 2.92 years (2021: 0.15 to 2.84 years).

## 29 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

### (a) Balance sheet of the Company

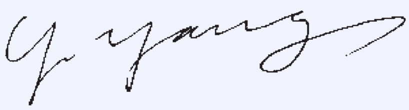
| | At March 31 | |
|---|---|---|
| | **2022** **US$'000** | 2021 US$'000 |
| **Non-current assets** | | |
| Property, plant and equipment | **602** | 1,398 |
| Right-of-use assets | **3,591** | 561 |
| Intangible assets | **185** | 425 |
| Interest in an associate | **1,887** | 1,887 |
| Investments in subsidiaries | **12,395,100** | 9,676,753 |
| Financial assets at FVPL | **54,597** | 35,633 |
| Financial assets at FVOCI | **17,267** | 15,080 |
| | **12,473,229** | 9,731,737 |
| **Current assets** | | |
| Derivative financial assets | **858** | 179 |
| Deposits, prepayments and other receivables | **274,145** | 292,028 |
| Amounts due from subsidiaries | **7,487,005** | 6,802,788 |
| Income tax recoverable | **4,564** | – |
| Cash and cash equivalents | **17,961** | 185,150 |
| | **7,784,533** | 7,280,145 |
| **Total assets** | **20,257,762** | 17,011,882 |

## 29 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

### (a) Balance sheet of the Company *(continued)*

| | At March 31 | |
|---|---|---|
| | **2022** **US$'000** | 2021 US$'000 |
| Share capital | **3,203,913** | 3,203,913 |
| Reserves (Note 29(b)) | **1,437,588** | 1,565,116 |
| **Total equity** | **4,641,501** | 4,769,029 |
| **Non-current liabilities** | | |
| Borrowings | **2,632,303** | 3,297,512 |
| Deferred income tax liabilities | **5,044** | 1,345 |
| Other non-current liabilities | **27,783** | 25,579 |
| | **2,665,130** | 3,324,436 |
| **Current liabilities** | | |
| Derivative financial liabilities | **348** | 202 |
| Other payables and accruals | **113,724** | 91,269 |
| Borrowings | **685,380** | 336,709 |
| Amounts due to subsidiaries | **12,151,679** | 8,490,237 |
| | **12,951,131** | 8,918,417 |
| **Total liabilities** | **15,616,261** | 12,242,853 |
| **Total equity and liabilities** | **20,257,762** | 17,011,882 |

On behalf of the Board



**Yang Yuanqing**
*Chairman and Chief Executive Officer*

**Zhu Linan**
*Director*

## 29 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

### (b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2022 and 2021 are as follows:

| | Investment revaluation reserve US$'000 | Share-based compensation reserve US$'000 | Exchange reserve US$'000 | Other reserves US$'000 | Retained earnings US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| At April 1, 2020 | (23,573) | 287,575 | 10,204 | 79,557 | 1,227,188 | 1,580,951 |
| Profit for the year | - | - | - | - | 562,621 | 562,621 |
| Other comprehensive income | 3,280 | - | - | - | - | 3,280 |
| Total comprehensive income for the year | 3,280 | - | - | - | 562,621 | 565,901 |
| Vesting of shares under long-term incentive program | - | (472,153) | - | - | - | (472,153) |
| Share-based compensation | - | 291,737 | - | - | - | 291,737 |
| Settlement of bonus through long-term incentive program | - | 34,444 | - | - | - | 34,444 |
| Redemption of convertible bonds | - | - | - | (57) | 56 | (1) |
| Dividends paid | - | - | - | - | (435,763) | (435,763) |
| **At March 31, 2021** | **(20,293)** | **141,603** | **10,204** | **79,500** | **1,354,102** | **1,565,116** |
| Profit for the year | **-** | **-** | **-** | **-** | **720,375** | **720,375** |
| Other comprehensive income | **1,777** | **-** | **-** | **-** | **-** | **1,777** |
| Total comprehensive income for the year | **1,777** | **-** | **-** | **-** | **720,375** | **722,152** |
| Vesting of shares under long-term incentive program | **-** | **(751,269)** | **-** | **-** | **-** | **(751,269)** |
| Share-based compensation | **-** | **368,921** | **-** | **-** | **-** | **368,921** |
| Settlement of bonus through long-term incentive program | **-** | **27,781** | **-** | **-** | **-** | **27,781** |
| Transfer of investment revaluation reserve upon disposal of financial assets at FVOCI to retained earnings | **20** | **-** | **-** | **-** | **(20)** | **-** |
| Dividends paid | **-** | **-** | **-** | **-** | **(495,113)** | **(495,113)** |
| At March 31, 2022 | **(18,496)** | **(212,964)** | **10,204** | **79,500** | **1,579,344** | **1,437,588** |

## 30 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) The Group had the following significant related party transactions in the normal course of business during the year:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| 閃聯信息技術工程中心有限公司 | | |
| (IGRS Engineering Lab Limited) (an associate) (i) | | |
| – Purchase of goods | **24,767** | 7,186 |
| 異能者(南京)電子科技有限公司 | | |
| (Superman (Nanjing) Electronic Technology Limited) (an associate) (i) | | |
| – Purchase of goods | **6,720** | 420 |
| – Sale of goods | **7,345** | 2,700 |
| 浙江恆雲智聯數字科技有限公司 | | |
| (Zhejiang Hengyun Zhilian Digital Technology Co., Ltd.) (an associate) (i) | | |
| – Sale of goods | **11,605** | 1,179 |
| 來酷智能科技(南京)有限公司 | | |
| (Lecco Smart Technology (Nanjing) Limited) (an associate) (i) | | |
| – Sale of goods | **7,974** | – |

Note:

(i) The English name of the company is a direct translation or transliteration of its Chinese registered name.

### (b) Key management compensation

Details on key management compensation are set out as below. The emoluments shown below include one (2021: one) director and thirteen (2021: twelve) senior management during the year.

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Basic salaries, allowances, and other benefits-in-kind | **11,544** | 11,295 |
| Discretionary bonuses | **44,172** | 39,002 |
| Retirement payments and employer's contribution to pension schemes | **21,461** | 5,220 |
| Long-term incentive awards | **94,509** | 75,521 |
| Others | **4,077** | 2,301 |
| | **175,763** | 133,339 |

## 31 CAPITAL COMMITMENTS

Apart from disclosed elsewhere in these financial statements, on March 31, 2022 and 2021, the Group had the following other capital commitments:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| – Property, plant and equipment | **178,997** | 131,073 |
| – Intangible assets | **964** | 2,927 |
| – Investment in financial assets | **11,138** | 7,578 |
| | **191,099** | 141,578 |

## 32 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

## 33 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Profit before taxation | **2,767,731** | 1,774,198 |
| Share of losses of associates and joint ventures | **6,912** | 32,323 |
| Finance income | **(56,458)** | (34,754) |
| Finance costs | **362,384** | 408,640 |
| Depreciation of property, plant and equipment | **344,498** | 301,483 |
| Depreciation of right-of-use assets | **136,993** | 99,795 |
| Amortization of intangible assets | **782,873** | 658,740 |
| Impairment of intangible assets | **31,434** | 52,606 |
| Impairment of property, plant and equipment | **10,189** | – |
| Share-based compensation | **368,921** | 291,737 |
| Loss/(gain) on disposal of property, plant and equipment | **2,265** | (110,004) |
| Loss on disposal of intangible assets | **8,399** | 1,574 |
| Dilution gain on interest in an associate | **–** | (31,374) |
| Gain on deemed disposal of subsidiaries | **–** | (2,964) |
| Gain on disposal of subsidiaries | **(32,303)** | (36,029) |
| Fair value change on bonus warrants | **–** | (1,138) |
| Fair value change on financial instruments | **70,980** | (1,201) |
| Fair value change on financial assets at FVPL | **(135,075)** | (201,597) |
| Fair value change on a financial liability at FVPL | **12,618** | 13,721 |
| Dividend income | **(4,285)** | (1,897) |
| Increase in inventories | **(1,925,105)** | (1,481,367) |
| Increase in trade receivables, notes receivable, deposits, prepayments and other receivables | **(2,795,512)** | (3,646,837) |
| Increase in trade payables, notes payable, provisions, other payables and accruals | **5,086,067** | 6,789,649 |
| Effect of foreign exchange rate changes | **78,508** | (289,309) |
| Net cash generated from operations | **5,122,034** | 4,585,995 |

## 33 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

### (a) Reconciliation of financing liabilities

This section sets out an analysis of financing liabilities and the movements in financing liabilities for the years presented.

| Financing liabilities | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Short-term loans – current | **57,427** | 58,190 |
| Long-term loan – non-current | **1,045** | 2,070 |
| Notes – current | **685,380** | 336,709 |
| Notes – non-current | **1,990,888** | 2,673,688 |
| Convertible bonds – non-current | **641,415** | 623,824 |
| Convertible preferred shares – current | **45,115** | 303,372 |
| Lease liabilities – current | **145,095** | 133,662 |
| Lease liabilities – non-current | **262,902** | 333,264 |
| | **3,829,267** | 4,464,779 |
| Short-term loans – variable interest rates | **56,400** | 39,672 |
| Short-term loans – fixed interest rates | **1,027** | 18,518 |
| Long-term loan – fixed interest rates | **1,045** | 2,070 |
| Notes – fixed interest rates | **2,676,268** | 3,010,397 |
| Convertible bonds – fixed interest rates | **641,415** | 623,824 |
| Convertible preferred shares – fair value | **45,115** | 303,372 |
| Lease liabilities – fixed interest rates | **407,997** | 466,926 |
| | **3,829,267** | 4,464,779 |

## 33 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

### (a) Reconciliation of financing liabilities *(continued)*

| | Short-term loans current | Long-term loan non-current | Notes Current | Notes non-current | Convertible bonds current | Convertible bonds non-current | Convertible preferred shares current | Convertible preferred shares non-current | Lease liabilities current | Lease liabilities non-current | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Financing liabilities at April 1, 2020 | 2,124,562 | 3,079 | 563,249 | 1,243,714 | 607,169 | - | - | 317,826 | 91,976 | 346,806 | 5,298,381 |
| Proceeds from borrowings | 4,925,628 | - | - | - | - | - | - | - | - | - | 4,925,628 |
| Repayments of borrowings | (7,005,300) | - | - | - | - | - | - | - | - | - | (7,005,300) |
| Repayment of notes | - | - | (565,643) | (225,912) | - | - | - | - | - | - | (791,555) |
| Repurchase of convertible preferred shares | - | - | - | - | - | - | - | (16,575) | - | - | (16,575) |
| Redemption of convertible bonds | - | - | - | - | - | (500) | - | - | - | - | (500) |
| Transfer | 1,009 | (1,009) | 336,709 | (336,709) | (619,537) | 619,537 | 303,372 | (303,372) | 107,474 | (107,474) | - |
| Issue of notes | - | - | - | 2,003,500 | - | - | - | - | - | - | 2,003,500 |
| Issuing costs of notes | - | - | - | (14,383) | - | - | - | - | - | - | (14,383) |
| Principal elements of lease payments | - | - | - | - | - | - | - | - | (165,150) | - | (165,150) |
| Acquisition of a subsidiary | 1,770 | - | - | - | - | - | - | - | - | - | 1,770 |
| Dividends paid | - | - | - | - | - | - | - | (11,600) | - | - | (11,600) |
| Foreign exchange adjustments | 292 | - | 2,058 | - | - | - | - | - | 13,907 | 5,474 | 21,731 |
| Other non-cash movements | 10,229 | - | 336 | 3,478 | 12,368 | 4,787 | - | 13,721 | 85,455 | 88,458 | 218,832 |
| **Financing liabilities at March 31, 2021** | **58,190** | **2,070** | **336,709** | **2,673,688** | **-** | **623,824** | **303,372** | **-** | **133,662** | **333,264** | **4,464,779** |
| Proceeds from borrowings | **10,311,552** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **10,311,552** |
| Repayments of borrowings | **(10,304,211)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(10,304,211)** |
| Repayment of notes | **-** | **-** | **(337,309)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(337,309)** |
| Repurchase of convertible preferred shares | **-** | **-** | **-** | **-** | **-** | **-** | **(254,490)** | **-** | **-** | **-** | **(254,490)** |
| Transfer | **1,025** | **(1,025)** | **685,380** | **(685,380)** | **-** | **-** | **-** | **-** | **131,342** | **(131,342)** | **-** |
| Principal elements of lease payments | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(146,485)** | **-** | **(146,485)** |
| Disposal of a subsidiary | **(9,319)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(9,319)** |
| Dividends paid | **-** | **-** | **-** | **-** | **-** | **-** | **(16,385)** | **-** | **-** | **-** | **(16,385)** |
| Foreign exchange adjustments | **190** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,358** | **3,152** | **5,700** |
| Other non-cash movements | **-** | **-** | **600** | **2,580** | **-** | **17,591** | **12,618** | **-** | **24,218** | **57,828** | **115,435** |
| Financing liabilities at March 31, 2022 | **57,427** | **1,045** | **685,380** | **1,990,888** | **-** | **641,415** | **45,115** | **-** | **145,095** | **262,902** | **3,829,267** |

# Notes to the financial statements

## 34 RETIREMENT BENEFIT OBLIGATIONS

| | 2022<br>US$'000 | 2021<br>US$'000 |
|---|---|---|
| Pension obligation included in non-current liabilities | | |
| Pension benefits | **312,176** | 401,699 |
| Post-employment medical benefits | **28,366** | 30,206 |
| | **340,542** | 431,905 |
| Expensed in consolidated income statement | | |
| Pension benefits (Note 9) | **19,561** | 26,157 |
| Post-employment medical benefits | **1,289** | 894 |
| | **20,850** | 27,051 |
| Remeasurements for: | | |
| Defined pension benefits | **(56,173)** | (37,211) |
| Post-employment medical benefits | **(2,021)** | 1,476 |
| | **(58,194)** | (35,735) |

The Group's largest pension liabilities are now in Germany. The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola Mobility in Germany contains no employees, only a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only less than 1.0% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

## 34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### (a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Present value of funded obligations | **554,263** | 641,174 |
| Fair value of plan assets | **(409,527)** | (444,172) |
| Deficit of funded plans | **144,736** | 197,002 |
| Present value of unfunded obligations | **167,440** | 204,697 |
| Liability in the consolidated balance sheet | **312,176** | 401,699 |
| Representing: | | |
| Pension benefits obligation | **312,176** | 401,699 |

The principal actuarial assumptions used are as follows:

| | **2022** | 2021 |
|---|---|---|
| Discount rate | **0.5%-3.6%** | 0.3%-2.5% |
| Future salary increases | **0%-3.0%** | 0%-3.0% |
| Future pension increases | **0%-2.0%** | 0%-2.0% |
| Life expectancy for male aged 60 | **25** | 25 |
| Life expectancy for female aged 60 | **26** | 26 |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | **Impact on defined benefit obligation** | | |
|---|---|---|---|
| **2022** | **Change in assumption** | **Increase in assumption** | **Decrease in assumption** |
| Discount rate | **0.5%** | **Decrease by 6.6%** | **Increase by 7.2%** |
| Salary growth rate | **0.5%** | **Increase by 1.2%** | **Decrease by 1.8%** |
| Pension growth rate | **0.5%** | **Increase by 6.2%** | **Decrease by 6.1%** |
| Life expectancy | **1 year** | **Increase by 1.6%** | **Decrease by 1.6%** |

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| 2021 | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.5% | Decrease by 7.3% | Increase by 8.3% |
| Salary growth rate | 0.5% | Increase by 0.5% | Decrease by 1.1% |
| Pension growth rate | 0.5% | Increase by 6.9% | Decrease by 6.5% |
| Life expectancy | 1 year | Increase by 1.9% | Decrease by 2.0% |

## 34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### (a) Pension benefits *(continued)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

### (b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account Plan) is currently an unfunded plan, and benefits to eligible retirees and dependents will be made through general assets.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The liability recognized in the consolidated balance sheet of US$28,366,000 (2021: US$30,206,000) represents the present value of unfunded obligations.

## 34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### (c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Quoted US$'000** | **Unquoted US$'000** | **Total US$'000** | Quoted US$'000 | Unquoted US$'000 | Total US$'000 |
| Pension plan | | | | | | |
| Equity instruments | | | | | | |
| Information technology | **2,418** | **-** | **2,418** | 2,610 | – | 2,610 |
| Energy | **316** | **-** | **316** | 270 | – | 270 |
| Manufacturing | **2,207** | **-** | **2,207** | 2,675 | – | 2,675 |
| Others | **9,150** | **-** | **9,150** | 10,240 | – | 10,240 |
| | **14,091** | **-** | **14,091** | 15,795 | – | 15,795 |
| Debt instruments | | | | | | |
| Government | **84,314** | **-** | **84,314** | 108,187 | – | 108,187 |
| Corporate bonds (investment grade) | **59,985** | **-** | **59,985** | 79,419 | – | 79,419 |
| Corporate bonds (Non-investment grade) | **52,460** | **-** | **52,460** | 55,083 | – | 55,083 |
| | **196,759** | **-** | **196,759** | 242,689 | – | 242,689 |
| Others | | | | | | |
| Property | **-** | **16,360** | **16,360** | – | 16,595 | 16,595 |
| Qualifying insurance policies | **-** | **61,365** | **61,365** | – | 76,232 | 76,232 |
| Cash and cash equivalents | **22,027** | **-** | **22,027** | 12,092 | – | 12,092 |
| Investment funds | **-** | **68,309** | **68,309** | – | 32,813 | 32,813 |
| Structured bonds | **-** | **24,893** | **24,893** | – | 42,356 | 42,356 |
| Others | **-** | **5,723** | **5,723** | – | 5,600 | 5,600 |
| | **22,027** | **176,650** | **198,677** | 12,092 | 173,596 | 185,688 |
| | **232,877** | **176,650** | **409,527** | 270,576 | 173,596 | 444,172 |

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 14.01 years.

## 34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### (c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

| At March 31, 2022 | Less than a year US$'000 | Between 1-2 years US$'000 | Between 2-5 years US$'000 | Over 5 years US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| Pension benefits | 30,836 | 28,625 | 93,304 | 770,661 | 923,426 |
| Post-employment medical benefits | 1,339 | 1,500 | 5,414 | 34,934 | 43,187 |
| Total | 32,175 | 30,125 | 98,718 | 805,595 | 966,613 |

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2021: nil).

Reconciliation of fair value of plan assets of the Group:

| | Pension | | Medical | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| Opening fair value | **444,172** | 396,192 | **-** | 468 |
| Exchange adjustment | **(25,507)** | 29,379 | **-** | 1 |
| Interest income | **4,140** | 3,050 | **19** | 20 |
| *Remeasurements:* | | | | |
| Experience (loss)/gain | **(17,780)** | 6,314 | **-** | (118) |
| Contributions by the employer | **23,497** | 26,326 | **1,123** | 447 |
| Contributions by plan participants | **1,933** | 1,698 | **-** | – |
| Benefits paid | **(20,928)** | (18,787) | **(1,142)** | (818) |
| Closing fair value | **409,527** | 444,172 | **-** | – |
| Actual return on plan assets | **(13,640)** | 9,364 | **19** | (98) |

Contributions of US$22,056,000 are estimated to be made for the year ending March 31, 2023.

## 34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### (c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligation of the Group:

| | Pension | | Medical | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| Opening defined benefit obligation | **845,871** | 826,464 | **30,206** | 28,582 |
| Exchange adjustment | **(50,481)** | 42,417 | **15** | 170 |
| Current service cost | **16,897** | 22,733 | **454** | 453 |
| Past service cost | **-** | (925) | **-** | - |
| Interest cost | **7,829** | 6,223 | **854** | 461 |
| *Remeasurements:* | | | | |
| (Gain)/loss from changes in demographic assumptions | **(495)** | 188 | **(2)** | (22) |
| (Gain)/loss from changes in financial assumptions | **(86,364)** | (31,747) | **(1,964)** | 1,424 |
| Experience loss/(gain) | **12,906** | 662 | **(55)** | (44) |
| Contributions by plan participants | **921** | 896 | **-** | - |
| Benefits paid | **(24,356)** | (22,216) | **(1,142)** | (818) |
| Curtailment (gain)/loss | **(1,025)** | 1,176 | **-** | - |
| Closing defined benefit obligation | **721,703** | 845,871 | **28,366** | 30,206 |

During the year, benefits of US$3,428,000 were settled directly by the Group (2021: US$3,429,000).

Summary of pensions and post-retirement medical benefits of the Group:

| | **2022 US$'000** | 2021 US$'000 | 2020 US$'000 | 2019 US$'000 | 2018 US$'000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **750,069** | 876,077 | 855,046 | 782,047 | 750,470 |
| Fair value of plan assets | **409,527** | 444,172 | 396,660 | 347,801 | 336,988 |
| Deficit | **340,542** | 431,905 | 458,386 | 434,246 | 413,482 |
| Actuarial losses/(gains) arising on plan assets | **17,780** | (6,196) | (11,476) | (3,639) | (5,962) |
| Actuarial (gains)/losses arising on plan liabilities | **(75,974)** | (29,539) | 57,751 | 29,280 | 25,759 |
| | **(58,194)** | (35,735) | 46,275 | 25,641 | 19,797 |

## 34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### (c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

| | Pension | | Medical | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| Current service cost | **16,897** | 22,733 | **454** | 453 |
| Past service cost | **–** | (925) | **–** | – |
| Interest cost | **7,829** | 6,223 | **854** | 461 |
| Interest income | **(4,140)** | (3,050) | **(19)** | (20) |
| Curtailment (gain)/loss | **(1,025)** | 1,176 | **–** | – |
| Total expense recognized in the consolidated income statement | **19,561** | 26,157 | **1,289** | 894 |

## 35 PRINCIPAL SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| ***Held directly:*** | | | | | |
| 聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise) | Chinese Mainland | HK$5,650,000,000 | **100%** | 100% | Manufacturing and distribution of IT products and provision of IT services |
| 聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise) | Chinese Mainland | HK$400,000,000 | **100%** | 100% | Distribution of IT products and provision of IT services |

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| ***Held indirectly:*** | | | | | |
| Fujitsu Client Computing Limited | Japan | JPY400,000,000 | **51%** | 51% | Manufacturing and distribution of IT products |
| 聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise) | Chinese Mainland | US$265,000,000 | **90%** | 51% | Manufacturing and distribution of IT products |
| Lenovo (Asia Pacific) Limited | Hong Kong S.A.R. of China | HK$3,045,209,504.92 | **100%** | 100% | Investment holding and distribution of IT products |
| 北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise) | Chinese Mainland | HK$5,000,000 | **100%** | 100% | Provision of IT services and distribution of IT products |
| Lenovo (Australia & New Zealand) Pty Limited | Australia | AUD45,860,993.40 | **100%** | 100% | Distribution of IT products |
| Lenovo (Belgium) BV | Belgium | EUR1,317,700,834.94 | **100%** | 100% | Investment holding and distribution of IT products |
| 聯想(北京)信息技術有限公司 (Lenovo (Beijing) Information Technology Limited)[1] (wholly foreign-owned enterprise) | Chinese Mainland | US$272,300,000.00 | **100% (iv)** | 100% (iv) | Investment holding and distribution of IT products |
| 聯想(北京)電子科技有限公司 (Lenovo (Beijing) Electronic Technology Limited)[1] | Chinese Mainland | RMB150,000,000 | **100%** | 100% | Provision of IT services and distribution of IT products |
| Lenovo (Canada) Inc. | Canada | CAD100 | **100%** | 100% | Distribution of IT products |
| Lenovo Computer Limited | Hong Kong S.A.R. of China | HK$2 | **100%** | 100% | Procurement agency and distribution of IT products |
| Lenovo (Danmark) ApS | Denmark | DKK126,000 | **100%** | 100% | Distribution of IT products |

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| Lenovo (Deutschland) GmbH | Germany | EUR25,100 | **100%** | 100% | Distribution of IT products |
| Lenovo Enterprise Solutions (Singapore) Pte. Ltd. | Singapore | SGD55,958,592 | **100%** | 100% | Manufacturing and wholesaling of computers, computer hardware and peripheral equipment |
| Lenovo Enterprise Solutions LLC | Japan | JPY50,000,000 | **100%** | 100% | Distribution of IT products |
| Lenovo Enterprise Technology Company Limited | Hong Kong S.A.R. of China | US$1,459,999,584 (ordinary shares) and US$39,999,912 (convertible preferred shares) | **100% (iv)** | 100% (iv) | Investment holding and distribution of IT products |
| Lenovo (France) SAS | France | EUR1,837,000 | **100%** | 100% | Distribution of IT products |
| Lenovo HK Services Limited | Hong Kong S.A.R. of China | HK$2 | **100%** | 100% | Provision of business planning, management, global supply chain, financial accounting, and administration support services |
| Lenovo Global Technology (Asia Pacific) Limited | Hong Kong S.A.R. of China | US$2,128,924.89 | **100%** | 100% | Investment holding and distribution of IT products |
| Lenovo Global Technology HK Limited | Hong Kong S.A.R. of China | US$10,000,001 | **100%** | 100% | Procurement agency and distribution of IT products |
| Lenovo Global Technology (Hong Kong) Distribution Limited | Hong Kong S.A.R. of China | US$1 | **100%** | 100% | Distribution of IT products |

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| Lenovo Global Technologies International Limited | Hong Kong S.A.R. of China | US$941,072,637 | **100%** | 100% | Investment holding and intellectual properties |
| Lenovo Global Technology (United States) Inc. | United States | US$10 | **100%** | 100% | Provision of IT services and distribution of IT products |
| Lenovo (Hong Kong) Limited | Hong Kong S.A.R. of China | HK$74,256,023 | **100%** | 100% | Distribution of IT products |
| 惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise) | Chinese Mainland | HK$31,955,500 | **100%** | 100% | Manufacturing and distribution of IT products |
| Lenovo (India) Private Limited | India | INR8,607,471,514 | **100%** | 100% | Manufacturing and distribution of IT products |
| 聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity)) | Chinese Mainland | RMB643,966,800 | **100%** | 100% | Manufacturing and distribution of IT products |
| Lenovo (Israel) Ltd. | Israel | ILS132,853.12 | **100%** | 100% | Distribution of IT products |
| Lenovo (Italy) S.r.l | Italy | EUR100,000 | **100%** | 100% | Distribution of IT products |
| Lenovo Japan LLC | Japan | JPY100,000,000 | **95.10% (v)** | 95.10% (v) | Distribution of IT products |
| Lenovo Korea LLC | Korea | KRW3,580,940,000 | **100%** | 100% | Wholesale and retail trade of computer, peripheral equipment and software |
| Lenovo Mexico, S. de R.L. de C.V. | Mexico | MXN3,426,638,114 | **100%** | 100% | Distribution of IT products |

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| 摩托羅拉移動通信技術有限公司 (Motorola Mobile Communication Technology Ltd.)[1] 前稱"聯想移動通信科技有限公司" (formerly known as "Lenovo Mobile Communication Technology Ltd.")[1] (foreign-investment enterprise wholly-owned entity) | Chinese Mainland | RMB187,500,000 | **100%** | 100% | Manufacturing and distribution of IT products and provision of IT services |
| 摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] 前稱"聯想移動通信(武漢)有限公司" (formerly known as "Lenovo Mobile Communication (Wuhan) Limited")[1] (foreign-investment enterprise wholly-owned entity) | Chinese Mainland | RMB60,000,000 | **100%** | 100% | Manufacturing of mobile products |
| 聯想凌拓科技有限公司 (Lenovo NetApp Technology Limited)[1] (Chinese-foreign equity joint venture) | Chinese Mainland | US$10,000,000 | **51% (iv)** | 51% (iv) | Delivering IT products and data management solution |
| Lenovo PC HK Limited | Hong Kong S.A.R. of China | HK$2,377,934,829.50 (ordinary shares) and HK$1,000,000 (non-voting deferred shares) | **100%** | 100% | Procurement agency and distribution of IT products |
| Lenovo PC International Limited | Hong Kong S.A.R. of China | HK$4,758,857,785 | **100%** | 100% | Intellectual properties |
| Lenovo (Schweiz) GmbH | Switzerland | CHF2,000,000 | **100%** | 100% | Manufacturing and distribution of IT products |
| Lenovo (Singapore) Pte. Ltd. | Singapore | SGD5,519,432,283.14 | **100%** | 100% | Manufacturing and wholesaling of computers, computer hardware and peripheral equipment |

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| Lenovo (South Africa) (Pty) Limited | South Africa | ZAR177,500 | **100%** | 100% | Distribution and marketing of IT products |
| Lenovo (Spain), S.L. | Spain | EUR37,475,456.40 | **100%** | 100% | Distribution of IT products |
| Lenovo (Sweden) AB | Sweden | SEK200,000 | **100%** | 100% | Distribution of IT products |
| 聯想系統集成（深圳）有限公司 (Lenovo Systems Technology Company Limited)[1] (limited liability company (wholly-owned entity)) | Chinese Mainland | RMB263,407,660 | **100%** | 100% | Manufacturing and distribution of IT products |
| Lenovo Technology (United Kingdom) Limited | United Kingdom | GBP8,629,511 | **100%** | 100% | Distribution of IT products |
| Lenovo Technology B.V. | Netherlands | EUR20,000 | **100%** | 100% | Distribution of IT products |
| Lenovo Technology Sdn. Bhd. | Malaysia | MYR1,000,000 | **100%** | 100% | Retail sale of computers, computer equipment and supplies |
| Lenovo Tecnologia (Brasil) Ltda | Brazil | BRL6,911,200,307 | **100%** | 100% | Manufacturing and distribution of IT products |
| Lenovo (Thailand) Limited | Thailand | THB252,000,000 | **100%** | 100% | Distribution of IT products as well as mobile phone, smartphone and tablet, server and storage |
| Lenovo (United States) Inc. | United States | US$1 | **100%** | 100% | Distribution of IT products |
| Lenovo (Venezuela), SA | Venezuela | VEB717,184,632 | **100%** | 100% | Distribution of IT products |

# Notes to the financial statements

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| 聯想(西安)有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture) | Chinese Mainland | RMB10,000,000 | **100%** | 100% | Provision of IT services and distribution of IT products |
| LLC "Lenovo (East Europe/Asia)" | Russia | RUB1,910,000 | **100%** | 100% | Distribution and marketing of IT products |
| Medion AG | Germany | EUR48,418,400 | **80.08% (iii)** | 80.08% (iii) | Retail and service business for consumer electronic products and complementary digital services |
| Motorola Mobility Comércio de Produtos Eletronicos Ltda. | Brazil | BRL756,663,401 | **100%** | 100% | Distribution of communication products, developer, owner, licensor and seller of communications hardware and software |
| Motorola Mobility International Sales LLC | United States | - | **100%** | 100% | Holding company |
| Motorola Mobility LLC | United States | - | **100%** | 100% | Developer, owner, licensor and seller of communications hardware and software |
| NEC Personal Computers, Ltd. | Japan | JPY500,000,000 | **95.10% (v)** | 95.10% (v) | Manufacturing and distribution of IT products |
| 深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise) | Chinese Mainland | US$776,822,799.24 | **100%** | 100% | Investment management |

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

| Company name | Place of incorporation/ establishment | Issued and fully paid up capital/ registered capital | Percentage of issued share capital held 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|
| Shimane Fujitsu Limited | Japan | JPY450,000,000 | **51%** | 51% | Manufacturing and distribution of IT products |
| Stoneware, Inc. | United States | US$1 | **100%** | 100% | Development and distribution of IT products |
| 陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)[1] (Chinese-foreign equity joint venture) | Chinese Mainland | RMB50,000,000 | **47.25%** | 100% | Maintenance of electronic equipment (including repair services for computer hardware and software systems), and provision of IT outsourcing and systems integration services |
| Edgebricks Pte. Limited | Singapore | SGD10 | **90%** | - | Development of software and applications |

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2022 and 2021 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 86.77% (2021: 86.77%) excluding treasury shares.

(iv) At March 31, 2022, the Group held 100% in the ordinary shares of LETCL, the immediate holding company of Lenovo (Beijing) Information Technology Limited and intermediate holding company of Lenovo NetApp Technology Limited. 328,766 convertible preferred shares issued by LETCL remain outstanding and held by independent third parties, please refer to Note 26(d) for details.

(v) At March 31, 2022 and 2021, the Group held 95.10% in the ordinary shares of Lenovo NEC Holdings B.V., the immediate holding company of Lenovo Japan LLC and NEC Personal Computers, Ltd., while the remaining 4.90% ordinary shares and 42,700 deferred shares of Lenovo NEC Holdings B.V. were held by NEC Corporation.

(vi) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

## 35 PRINCIPAL SUBSIDIARIES *(continued)*

### Material non-controlling interests

Set out below is the summarized financial information of FCCL. The amounts disclosed are before inter-company eliminations.

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Revenue | **2,381,704** | 2,939,273 |
| Profit for the year | **108,387** | 152,433 |
| Other comprehensive loss | **(53,238)** | (7,454) |
| Total comprehensive income | **55,149** | 144,979 |
| Net assets | | |
| Non-current assets | **154,395** | 168,974 |
| Current assets | **1,067,324** | 1,197,049 |
| Current liabilities | **(590,852)** | (748,828) |
| Non-current liabilities | **(70,086)** | (59,051) |
| | **560,781** | 558,144 |
| Cash flows | | |
| Net cash generated from operating activities | **33,363** | 113,417 |
| Net cash used in investing activities | **(28,640)** | (25,453) |
| Net cash used in financing activities | **(6,116)** | (6,861) |
| Effect of foreign exchange rate changes | **(21,296)** | (6,184) |
| Cash and cash equivalents at the beginning of the year | **238,295** | 163,376 |
| Cash and cash equivalents at the end of the year | **215,606** | 238,295 |

## 36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on May 26, 2022.

# Five-year financial summary

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | **2022 US$'000** | 2021 US$'000 | 2020 US$'000 | 2019 US$'000 | 2018 US$'000 |
|---|---|---|---|---|---|
| Revenue | **71,618,216** | 60,742,312 | 50,716,349 | 51,037,943 | 45,349,943 |
| Profit before taxation | **2,767,731** | 1,774,198 | 1,017,707 | 856,664 | 153,202 |
| Taxation | **(622,399)** | (461,199) | (213,204) | (199,460) | (279,977) |
| Profit/(loss) for the year | **2,145,332** | 1,312,999 | 804,503 | 657,204 | (126,775) |
| Profit/(loss) attributable to: | | | | | |
| Equity holders of the Company | **2,029,818** | 1,178,307 | 665,091 | 596,343 | (189,323) |
| Perpetual securities holders | **-** | 32,532 | 53,760 | 53,760 | 53,680 |
| Other non-controlling interests | **115,514** | 102,160 | 85,652 | 7,101 | 8,868 |
| | **2,145,332** | 1,312,999 | 804,503 | 657,204 | (126,775) |
| Earnings/(loss) per share attributable to equity holders of the Company (US cents) | | | | | |
| Basic | **17.45** | 9.54 | 5.58 | 5.01 | (1.67) |
| Diluted | **15.77** | 8.91 | 5.43 | 4.96 | (1.67) |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | **2022 US$'000** | 2021 US$'000 | 2020 US$'000 | 2019 US$'000 | 2018 US$'000 |
|---|---|---|---|---|---|
| Non-current assets | **15,513,581** | 14,655,279 | 13,394,726 | 13,102,282 | 12,830,853 |
| Current assets | **28,996,863** | 23,335,352 | 18,733,441 | 16,886,203 | 15,663,318 |
| Total assets | **44,510,444** | 37,990,631 | 32,128,167 | 29,988,485 | 28,494,171 |
| Non-current liabilities | **6,357,008** | 7,008,461 | 4,810,751 | 5,401,079 | 4,488,461 |
| Current liabilities | **32,758,735** | 27,371,637 | 23,258,121 | 20,490,343 | 19,459,722 |
| Total liabilities | **39,115,743** | 34,380,098 | 28,068,872 | 25,891,422 | 23,948,183 |
| Net assets | **5,394,701** | 3,610,533 | 4,059,295 | 4,097,063 | 4,545,988 |

## 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 31 March 2022, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 14.3%, the CET1 leverage ratio was 4.16%, the total loss-absorbing capacity ratio was 34.2%, and the total loss-absorbing capacity leverage ratio was 9.9%.[1] On the same date, invested assets stood at USD 4,380 billion, equity attributable to shareholders was USD 58,855 million and market capitalisation was USD 65,775 million. On the same date, UBS employed 71,697 people.[2]

On 31 March 2022, UBS AG consolidated CET1 capital ratio was 13.4%, the CET1 leverage ratio was 3.88%, the total loss-absorbing capacity ratio was 33.1%, and the total loss-absorbing capacity leverage ratio was 9.6%.[1] On the same date, invested assets stood at USD 4,380 billion and equity attributable to UBS AG shareholders was USD 57,962 million. On the same date, UBS AG Group employed 47,139 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

[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 First Quarter 2022 Report for more information.
[2] Full-time equivalents.

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

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 BFM8T61CT2L1QCEMIK50.

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 characterized 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 quarter ended 31 March 2022 and 31 March 2021 was derived from the UBS AG First 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 First Quarter 2022 Report and should not rely solely on the summarized information set out below.

| | As of or for the quarter ended | | As of or for the year ended | | |
|---|---|---|---|---|---|
| *USD million, except where indicated* | 31.3.22 | 31.3.21 | 31.12.21 | 31.12.20 | 31.12.19 |
| | *unaudited* | | *audited, except where indicated* | | |
| **Results** | | | | | |
| **Income statement** | | | | | |
| Operating income | 9,475 | 8,836 | 35,976 | 32,780 | 29,307 |
| Net interest income | 1,746 | 1,589 | 6,605 | 5,788 | 4,415 |
| Net fee and commission income | 5,384 | 5,719 | 22,438 | 19,207 | 17,460 |

| | | | | | |
|---|---|---|---|---|---|
| Credit loss (expense) / release | (18) | 28 | 148 | (695) | (78) |
| Other net income from financial instruments measured at fair value through profit or loss | 2,225 | 1,314 | 5,844 | 6,930 | 6,833 |
| Operating expenses | 6,916 | 6,684 | 27,012 | 25,081 | 24,138 |
| Operating profit / (loss) before tax | 2,559 | 2,151 | 8,964 | 7,699 | 5,169 |
| Net profit / (loss) attributable to shareholders | 2,004 | 1,710 | 7,032 | 6,196 | 3,965 |
| **Balance sheet** [1] | | | | | |
| Total assets | 1,139,876 | | 1,116,145 | 1,125,327 | 971,927 |
| Total financial liabilities measured at amortized cost | 749,052 | | 744,762 | 732,364 | 617,429 |
| *of which: customer deposits* | 542,984 | | 544,834 | 527,929 | 450,591 |
| *of which: debt issued measured at amortized cost* | 75,013 | | 82,432 | 85,351 | 62,835 |
| *of which: subordinated debt* | 5,056 | | 5,163 | 7,744 | 7,431 |
| Total financial liabilities measured at fair value through profit or loss | 322,941 | | 300,916 | 325,080 | 291,452 |
| *of which: debt issued designated at fair value* | 69,421 | | 71,460 | 59,868 | 66,592 |
| Loans and advances to customers | 393,960 | | 398,693 | 380,977 | 327,992 |
| Total equity | 58,319 | | 58,442 | 58,073 | 53,896 |
| Equity attributable to shareholders | 57,962 | | 58,102 | 57,754 | 53,722 |
| **Profitability and growth** | | | | | |
| Return on equity (%) [2] | 13.8 | 11.9 | 12.3* | 10.9* | 7.4* |
| Return on tangible equity (%) [3] | 15.5 | 13.4 | 13.9* | 12.4* | 8.5* |
| Return on common equity tier 1 capital (%) [4] | 19.3 | 17.8 | 17.6* | 16.6* | 11.3* |
| Return on risk-weighted assets, gross (%) [5] | 12.5 | 12.3 | 12.3* | 11.9* | 11.2* |
| Return on leverage ratio denominator, gross (%) [6, 7] | 3.5 | 3.4 | 3.4* | 3.4* | 3.2* |
| Cost / income ratio (%) [8] | 72.8 | 75.9 | 75.4* | 74.9* | 82.1* |
| Net profit growth (%) [9] | 17.2 | 20.3 | 13.5* | 56.3* | (3.4)* |
| **Resources** | | | | | |
| Common equity tier 1 capital [10] | 41,577 | 38,826 | 41,594 | 38,181 | 35,233* |
| Risk-weighted assets [10] | 309,374 | 285,119 | 299,005* | 286,743* | 257,831* |
| Common equity tier 1 capital ratio (%) [10] | 13.4 | 13.6 | 13.9* | 13.3* | 13.7* |
| Going concern capital ratio (%) [10] | 18.1 | 18.7 | 18.5* | 18.3* | 18.3* |
| Total loss-absorbing capacity ratio (%) [10] | 33.1 | 34.2 | 33.3* | 34.2* | 33.9* |
| Leverage ratio denominator [6, 10] | 1,072,766 | 1,039,736 | 1,067,679* | 1,036,771* | 911,228* |
| Common equity tier 1 leverage ratio (%) [6, 10] | 3.88 | 3.73 | 3.90* | 3.68* | 3.87* |
| Going concern leverage ratio (%) [6, 10] | 5.2 | 5.1 | 5.2* | 5.1* | 5.2* |
| Total loss-absorbing capacity leverage ratio (%) [10] | 9.6 | 9.4 | 9.3* | 9.5* | 9.6* |
| **Other** | | | | | |
| Invested assets (USD billion) [11] | 4,380 | 4,306 | 4,596 | 4,187 | 3,607 |
| Personnel (full-time equivalents) | 47,139 | 47,592 | 47,067* | 47,546* | 47,005* |

* unaudited

[1] 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.
[2] 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.
[3] 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.
[4] 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.
[5] Calculated as annualized operating income before credit loss expense or release divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.
[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 operating income before credit loss expense or release divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.
[8] Calculated as operating expenses divided by operating income before credit loss expense or release (annualized as applicable). 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 in comparison with the prior 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, 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*" under "*Risk management and control*" in the UBS Group First 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 Americans for Oxford; member of the Oxford Chancellor's Court of Benefactors; and member of the Advisory Council of the British Museum. |
| Lukas Gähwiler | Member | 2023 | Vice Chairman of the Board of Directors of UBS Group AG; member 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; 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 Treliant 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; 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; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; chairman of Primavera Capital Ltd and of Primavera Capital Group; member of the Board of Ant Group; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong; co-chairman of the Nature Conservancy Asia Pacific Council; member of the Board of Trustees of the Institute for Advanced Studies (IAS). |
| Mark Hughes | 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). |
| 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 and Marco Insurance, Malta; 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. |

### 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. In addition, Sarah Youngwood joined the GEB at the beginning of March 2022, and will take over as Group Chief Financial Officer from 16 May 2022 succeeding Kirt Gardner, who will retire from the firm.

| **Member and business address** | **Function** | **Current principal activities outside UBS AG** |
|---|---|---|
| Ralph Hamers<br><br>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 World Economic Forum (Financial Services). |
| Christian Bluhm<br><br>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Risk Officer | Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute. |
| Mike Dargan<br><br>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Digital and Information Officer | Member of the Group Executive Board and Chief Digital and Information Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of Directors of Done Next Holdings AG; member of the Board of Trustees of the Inter-Community School Zurich. |

| | | |
|---|---|---|
| Kirt Gardner<br><br>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Financial Officer | Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG. |
| Suni Harford<br><br>UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA | President Asset Management | Member of the Executive Board and President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; chair of the Board of UBS Optimus Foundation; member of the Leadership Council of the Bob Woodruff Foundation. |
| Robert Karofsky<br><br>UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA | President Investment Bank | Member of the Group Executive Board and President Investment Bank of UBS Group AG; president of UBS Securities LLC; 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. |
| Iqbal Khan<br><br>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Co-President Global Wealth Management and President UBS Europe, Middle East and Africa | Member of the Executive Board, co-President Global Wealth Management and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; member of the board of UBS Optimus Foundation; board member of Room to Read Switzerland. |
| Edmund Koh<br><br>UBS AG, One Raffles Quay North Tower, Singapore 048583 | President UBS Asia Pacific | Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of 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; 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; Council member of the KidSTART program of the Early Childhood Development Agency Singapore; trustee of the Cultural Matching Fund, Singapore; member of University of Toronto's International Leadership Council for Asia. |
| Barbara Levi<br><br>UBS AG, | General Counsel | 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; |

| | | |
|---|---|---|
| Bahnhofstrasse 45, CH-8001 Zurich | | member of the Board of Directors of the European General Counsel Association. |
| Tom Naratil<br><br>UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA | Co-President Global Wealth Management and President UBS Americas | Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation. |
| Markus Ronner<br><br>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Compliance and Governance Officer | Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG. |
| Sarah Youngwood<br><br>UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Designated Chief Financial Officer as of 16 May 2022 | Member of the Group Executive Board of UBS Group AG, and Designated Group Chief Financial Officer as of May 2022; Advisory Board Member – Wall Street Women's Alliance. |

### 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 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. 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 15 Provisions and contingent liabilities*" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG First 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 31 March 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 FIRST QUARTER ENDED 31 MARCH 2022

# UBS AG interim consolidated financial statements (unaudited)

## Income statement

| | | For the quarter ended | | |
|---|---|---|---|---|
| *USD million* | Note | 31.3.22 | 31.12.21 | 31.3.21 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 2,145 | 2,152 | 2,098 |
| Interest expense from financial instruments measured at amortized cost | 3 | (809) | (794) | (859) |
| Net interest income from financial instruments measured at fair value through profit or loss | 3 | 410 | 388 | 351 |
| Net interest income | 3 | 1,746 | 1,746 | 1,589 |
| Other net income from financial instruments measured at fair value through profit or loss | | 2,225 | 1,364 | 1,314 |
| Credit loss (expense) / release | 8 | (18) | 27 | 28 |
| Fee and commission income | 4 | 5,868 | 6,054 | 6,197 |
| Fee and commission expense | 4 | (485) | (513) | (478) |
| Net fee and commission income | 4 | 5,384 | 5,541 | 5,719 |
| Other income | | 139 | 169 | 185 |
| Total operating income | | 9,475 | 8,846 | 8,836 |
| Personnel expenses | 5 | 4,233 | 3,552 | 4,086 |
| General and administrative expenses | 6 | 2,233 | 3,164 | 2,141 |
| Depreciation, amortization and impairment of non-financial assets | | 449 | 511 | 457 |
| Total operating expenses | | 6,916 | 7,227 | 6,684 |
| Operating profit / (loss) before tax | | 2,559 | 1,619 | 2,151 |
| Tax expense / (benefit) | 7 | 547 | 353 | 439 |
| Net profit / (loss) | | 2,012 | 1,266 | 1,713 |
| Net profit / (loss) attributable to non-controlling interests | | 8 | 11 | 3 |
| **Net profit / (loss) attributable to shareholders** | | 2,004 | 1,255 | 1,710 |

## Statement of comprehensive income

| | For the quarter ended | | |
|---|---|---|---|
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| **Comprehensive income attributable to shareholders** | | | |
| Net profit / (loss) | 2,004 | 1,255 | 1,710 |
| 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 | (465) | 296 | (1,407) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | 212 | (184) | 705 |
| Foreign currency translation differences on foreign operations reclassified to the income statement | 0 | 0 | 1 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | 0 | 3 | 0 |
| Income tax relating to foreign currency translations, including the impact of net investment hedges | 2 | (24) | 10 |
| Subtotal foreign currency translation, net of tax | (251) | 91 | (691) |
| Financial assets measured at fair value through other comprehensive income | | | |
| Net unrealized gains / (losses), before tax | (439) | (49) | (131) |
| Net realized gains / (losses) reclassified to the income statement from equity | 0 | 0 | (6) |
| Income tax relating to net unrealized gains / (losses) | 112 | 13 | 35 |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | (327) | (37) | (102) |
| Cash flow hedges of interest rate risk | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | (2,465)[1] | (250) | (1,172) |
| Net (gains) / losses reclassified to the income statement from equity | (237) | (269) | (254) |
| Income tax relating to cash flow hedges | 518 | 98 | 266 |
| Subtotal cash flow hedges, net of tax | (2,184) | (421) | (1,160) |
| Cost of hedging | | | |
| Cost of hedging, before tax | 77 | (14) | (6) |
| Income tax relating to cost of hedging | 0 | 6 | 0 |
| Subtotal cost of hedging, net of tax | 77 | (8) | (6) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | (2,685) | (375) | (1,958) |
| Other comprehensive income that will not be reclassified to the income statement | | | |
| Defined benefit plans | | | |
| Gains / (losses) on defined benefit plans, before tax | 128 | 153 | (35) |
| Income tax relating to defined benefit plans | (17) | (26) | 3 |
| Subtotal defined benefit plans, net of tax | 110 | 127 | (32) |
| Own credit on financial liabilities designated at fair value[2] | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | 423 | 55 | (29) |
| Income tax relating to own credit on financial liabilities designated at fair value | 0 | 0 | 0 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | 423 | 55 | (29) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 533 | 182 | (61) |
| Total other comprehensive income | (2,152) | (194) | (2,019) |
| Total comprehensive income attributable to shareholders | (148) | 1,062 | (309) |
| **Comprehensive income attributable to non-controlling interests** | | | |
| Net profit / (loss) | 8 | 11 | 3 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 18 | (4) | (12) |
| Total comprehensive income attributable to non-controlling interests | 26 | 7 | (9) |
| **Total comprehensive income** | | | |
| Net profit / (loss) | 2,012 | 1,266 | 1,713 |
| Other comprehensive income | (2,134) | (197) | (2,032) |
| *of which: other comprehensive income that may be reclassified to the income statement* | *(2,685)* | *(375)* | *(1,958)* |
| *of which: other comprehensive income that will not be reclassified to the income statement* | *551* | *178* | *(73)* |
| Total comprehensive income | (121) | 1,069 | (319) |

1 Mainly reflects net unrealized losses on US dollar hedging derivatives resulting from significant increases in the relevant US dollar long-term interest rates. 2 Refer to Note 9 for more information.

## Balance sheet

| *USD million* | Note | 31.3.22 | 31.12.21 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | 206,773 | 192,817 |
| Loans and advances to banks | | 17,781 | 15,360 |
| Receivables from securities financing transactions | | 69,452 | 75,012 |
| Cash collateral receivables on derivative instruments | 10 | 39,254 | 30,514 |
| Loans and advances to customers | 8 | 393,960 | 398,693 |
| Other financial assets measured at amortized cost | 11 | 28,766 | 26,236 |
| **Total financial assets measured at amortized cost** | | 755,987 | 738,632 |
| Financial assets at fair value held for trading | 9 | 114,995 | 131,033 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | | *40,217* | *43,397* |
| Derivative financial instruments | 9,10 | 140,311 | 118,145 |
| Brokerage receivables | 9 | 20,762 | 21,839 |
| Financial assets at fair value not held for trading | 9 | 60,575 | 59,642 |
| **Total financial assets measured at fair value through profit or loss** | | 336,643 | 330,659 |
| **Financial assets measured at fair value through other comprehensive income** | 9 | 9,093 | 8,844 |
| Investments in associates | | 1,150 | 1,243 |
| Property, equipment and software | | 11,365 | 11,712 |
| Goodwill and intangible assets | | 6,383 | 6,378 |
| Deferred tax assets | | 9,097 | 8,839 |
| Other non-financial assets | 11 | 10,158 | 9,836 |
| **Total assets** | | 1,139,876 | 1,116,145 |
| **Liabilities** | | | |
| Amounts due to banks | | 16,649 | 13,101 |
| Payables from securities financing transactions | | 7,110 | 5,533 |
| Cash collateral payables on derivative instruments | 10 | 39,609 | 31,801 |
| Customer deposits | | 542,984 | 544,834 |
| Funding from UBS Group AG | | 57,520 | 57,295 |
| Debt issued measured at amortized cost | 13 | 75,013 | 82,432 |
| Other financial liabilities measured at amortized cost | 11 | 10,167 | 9,765 |
| **Total financial liabilities measured at amortized cost** | | 749,052 | 744,762 |
| Financial liabilities at fair value held for trading | 9 | 34,687 | 31,688 |
| Derivative financial instruments | 9,10 | 138,444 | 121,309 |
| Brokerage payables designated at fair value | 9 | 48,015 | 44,045 |
| Debt issued designated at fair value | 9,12 | 69,421 | 71,460 |
| Other financial liabilities designated at fair value | 9,11 | 32,374 | 32,414 |
| **Total financial liabilities measured at fair value through profit or loss** | | 322,941 | 300,916 |
| Provisions | 15 | 3,413 | 3,452 |
| Other non-financial liabilities | 11 | 6,152 | 8,572 |
| **Total liabilities** | | 1,081,558 | 1,057,702 |
| **Equity** | | | |
| Share capital | | 338 | 338 |
| Share premium | | 24,660 | 24,653 |
| Retained earnings | | 30,450 | 27,912 |
| Other comprehensive income recognized directly in equity, net of tax | | 2,514 | 5,200 |
| **Equity attributable to shareholders** | | 57,962 | 58,102 |
| Equity attributable to non-controlling interests | | 356 | 340 |
| **Total equity** | | 58,319 | 58,442 |
| **Total liabilities and equity** | | 1,139,876 | 1,116,145 |

## Statement of changes in equity

| *USD million* | Share capital | Share premium | Retained earnings |
|---|---|---|---|
| Balance as of 1 January 2021 | 338 | 24,580 | 25,251 |
| Tax (expense) / benefit | | 1 | |
| Dividends | | | |
| Translation effects recognized directly in retained earnings | | | 23 |
| Share of changes in retained earnings of associates and joint ventures | | | 2 |
| New consolidations / (deconsolidations) and other increases / (decreases) | | (1) | |
| Total comprehensive income for the period | | | 1,649 |
| *of which: net profit / (loss)* | | | *1,710* |
| *of which: OCI, net of tax* | | | *(61)* |
| Balance as of 31 March 2021 | 338 | 24,579 | 26,926 |
| | | | |
| Balance as of 1 January 2022 | 338 | 24,653 | 27,912 |
| Tax (expense) / benefit | | 3 | |
| Dividends | | | |
| Translation effects recognized directly in retained earnings | | | 1 |
| Share of changes in retained earnings of associates and joint ventures | | | 0 |
| New consolidations / (deconsolidations) and other increases / (decreases) | | 5 | |
| Total comprehensive income for the period | | | 2,537 |
| *of which: net profit / (loss)* | | | *2,004* |
| *of which: OCI, net of tax* | | | *533* |
| Balance as of 31 March 2022 | 338 | 24,660 | 30,450 |

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

| *Other comprehensive income recognized directly in equity, net of tax* [1] | *of which: foreign currency translation* | *of which: financial assets measured at fair value through OCI* | *of which: cash flow hedges* | *of which: cost of hedging* | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **7,585** | *5,126* | *151* | *2,321* | *(13)* | **57,754** | **319** | **58,073** |
| | | | | | 1 | | 1 |
| | | | | | 0 | (3) | (3) |
| (23) | | *0* | *(23)* | *0* | 0 | | 0 |
| | | | | | 2 | | 2 |
| | | | | | (1) | 0 | (1) |
| (1,958) | *(691)* | *(102)* | *(1,160)* | *(6)* | (309) | (9) | (319) |
| | | | | | *1,710* | *3* | *1,713* |
| *(1,958)* | *(691)* | *(102)* | *(1,160)* | *(6)* | *(2,019)* | *(12)* | *(2,032)* |
| **5,603** | *4,436* | *49* | *1,138* | *(19)* | **57,446** | **307** | **57,753** |
| | | | | | | | |
| 5,200 | *4,617* | *(7)* | *628* | *(39)* | 58,102 | 340 | 58,442 |
| | | | | | 3 | | 3 |
| | | | | | 0 | (3) | (3) |
| (1) | | *0* | *(1)* | *0* | 0 | | 0 |
| | | | | | 0 | | 0 |
| | | | | | 5 | (7) | (3) |
| (2,685) | *(251)* | *(327)* | *(2,184)* | *77* | (148) | 26 | (121) |
| | | | | | *2,004* | *8* | *2,012* |
| *(2,685)* | *(251)* | *(327)* | *(2,184)* | *77* | *(2,152)* | *18* | *(2,134)* |
| 2,514 | *4,366* | *(334)* | *(1,556)* | *38* | 57,962 | 356 | 58,319 |

## Statement of cash flows

| | Year-to-date | |
|---|---|---|
| *USD million* | 31.3.22 | 31.3.21 |
| **Cash flow from / (used in) operating activities** | | |
| Net profit / (loss) | 2,012 | 1,713 |
| **Non-cash items included in net profit and other adjustments:** | | |
| Depreciation, amortization and impairment of non-financial assets | 449 | 457 |
| Credit loss expense / (release) | 0 | (28) |
| Share of net (profit) / loss of associates and joint ventures and impairment related to associates | 4 | (53) |
| Deferred tax expense / (benefit) | 212 | 61 |
| Net loss / (gain) from investing activities | 19 | (146) |
| Net loss / (gain) from financing activities | (4,599) | (1,570) |
| Other net adjustments | 1,920 | 6,619 |
| **Net change in operating assets and liabilities:** | | |
| Loans and advances to banks and amounts due to banks | 3,869 | 1,995 |
| Securities financing transactions | 7,011 | (8,614) |
| Cash collateral on derivative instruments | (959) | (3,068) |
| Loans and advances to customers | 791 | (12,847) |
| Customer deposits | 3,002 | (2,661) |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | 8,197 | 1,705 |
| Brokerage receivables and payables | 5,081 | 7,329 |
| Financial assets at fair value not held for trading and other financial assets and liabilities | (52) | 8,948 |
| Provisions and other non-financial assets and liabilities | (1,415) | (961) |
| Income taxes paid, net of refunds | (644) | (201) |
| **Net cash flow from / (used in) operating activities** | 24,899 | (1,322) |
| | | |
| **Cash flow from / (used in) investing activities** | | |
| Purchase of subsidiaries, associates and intangible assets | 0 | (1) |
| Purchase of property, equipment and software | (371) | (368) |
| Purchase of financial assets measured at fair value through other comprehensive income | (1,645) | (1,376) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 1,092 | 1,412 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (2,547) | 4 |
| **Net cash flow from / (used in) investing activities** | (3,472) | (329) |

## Statement of cash flows (continued)

| | Year-to-date | |
|---|---|---|
| *USD million* | 31.3.22 | 31.3.21 |
| **Cash flow from / (used in) financing activities** | | |
| Net short-term debt issued / (repaid) | (5,188) | 1,054 |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost[1] | 24,824 | 36,336 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost[1] | (21,201) | (22,965) |
| Net cash flows from other financing activities | (219) | (150) |
| Net cash flow from / (used in) financing activities | (1,784) | 14,275 |
| **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 | 19,644 | 12,624 |
| Effects of exchange rate differences on cash and cash equivalents | (2,729) | (7,983) |
| Cash and cash equivalents at the end of the period[2] | 224,669 | 178,071 |
| *of which: cash and balances at central banks*[3] | *206,666* | *158,769* |
| *of which: loans and advances to banks* | *16,485* | *17,050* |
| *of which: money market paper* | *1,518* | *2,252* |
| **Additional information** | | |
| Net cash flow from / (used in) operating activities includes: | | |
| Interest received in cash | 2,889 | 2,758 |
| Interest paid in cash | 1,428 | 1,679 |
| Dividends on equity investments, investment funds and associates received in cash | 456 | 624 |

1 Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG on the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value on the balance sheet). 2 USD 4,359 million and USD 4,064 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 March 2022 and 31 March 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. 3 Includes only balances with an original maturity of three months or less.

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

## Note 1 Basis of accounting

### 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. 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.

## Note 2 Segment reporting

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

› **Refer to "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2021 for more information about UBS AG's reporting segments**

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|---|---|---|---|---|---|---|
| **For the quarter ended 31 March 2022** | | | | | | |
| Net interest income | 1,141 | 535 | (4) | 133 | (60) | 1,746 |
| Non-interest income | 3,763 | 552 | 582 | 2,777 | 74 | 7,748 |
| Income | 4,904 | 1,087 | 578 | 2,910 | 14 | 9,494 |
| Credit loss (expense) / release | 7 | (23) | 0 | (4) | 0 | (18) |
| Total operating income | 4,912 | 1,064 | 578 | 2,907 | 15 | 9,475 |
| Total operating expenses | 3,629 | 644 | 402 | 1,999 | 242 | 6,916 |
| **Operating profit / (loss) before tax** | **1,283** | **420** | **176** | **908** | **(227)** | **2,559** |
| Tax expense / (benefit) | | | | | | 547 |
| **Net profit / (loss)** | | | | | | **2,012** |
| **As of 31 March 2022** | | | | | | |
| **Total assets**[1] | **407,861** | **231,993** | **22,579** | **381,574** | **95,869** | **1,139,876** |

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|---|---|---|---|---|---|---|
| **For the quarter ended 31 March 2021** | | | | | | |
| Net interest income | 997 | 513 | (4) | 114 | (31) | 1,589 |
| Non-interest income | 3,848 | 500 | 641 | 2,161 | 68 | 7,218 |
| Income | 4,845 | 1,013 | 637 | 2,274 | 37 | 8,807 |
| Credit loss (expense) / release | 3 | 23 | 0 | 2 | 0 | 28 |
| Total operating income | 4,848 | 1,037 | 637 | 2,276 | 37 | 8,836 |
| Total operating expenses | 3,457 | 647 | 410 | 1,882 | 288 | 6,684 |
| **Operating profit / (loss) before tax** | **1,391** | **390** | **227** | **394** | **(251)** | **2,151** |
| Tax expense / (benefit) | | | | | | 439 |
| **Net profit / (loss)** | | | | | | **1,713** |
| As of 31 December 2021 | | | | | | |
| **Total assets** | **395,235** | **225,425** | **25,202** | **346,641** | **123,641** | **1,116,145** |

1 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 17 billion higher, of which USD 14 billion related to the Investment Bank.

## Note 3 Net interest income

| | For the quarter ended | | |
|---|---|---|---|
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| **Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income** | | | |
| Interest income from loans and deposits[1] | 1,661 | 1,647 | 1,586 |
| Interest income from securities financing transactions[2] | 118 | 120 | 135 |
| Interest income from other financial instruments measured at amortized cost | 72 | 71 | 73 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 41 | 31 | 35 |
| Interest income from derivative instruments designated as cash flow hedges | 253 | 284 | 268 |
| **Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income** | **2,145** | **2,152** | **2,098** |
| Interest expense on loans and deposits[3] | 429 | 393 | 439 |
| Interest expense on securities financing transactions[4] | 224 | 252 | 258 |
| Interest expense on debt issued | 135 | 126 | 137 |
| Interest expense on lease liabilities | 22 | 23 | 26 |
| **Total interest expense from financial instruments measured at amortized cost** | **809** | **794** | **859** |
| **Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income** | **1,336** | **1,358** | **1,239** |
| **Net interest income from financial instruments measured at fair value through profit or loss** | **410** | **388** | **351** |
| **Total net interest income** | **1,746** | **1,746** | **1,589** |

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

| | For the quarter ended | | |
|---|---|---|---|
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| Underwriting fees | 203 | 346 | 420 |
| M&A and corporate finance fees | 237 | 218 | 238 |
| Brokerage fees | 1,078 | 971 | 1,358 |
| Investment fund fees | 1,388 | 1,520 | 1,437 |
| Portfolio management and related services | 2,463 | 2,535 | 2,284 |
| Other | 501 | 462 | 461 |
| **Total fee and commission income[1]** | **5,868** | **6,054** | **6,197** |
| *of which: recurring* | *3,860* | *4,015* | *3,621* |
| *of which: transaction-based* | *1,989* | *1,940* | *2,482* |
| *of which: performance-based* | *19* | *99* | *94* |
| **Fee and commission expense** | **485** | **513** | **478** |
| **Net fee and commission income** | **5,384** | **5,541** | **5,719** |

1 Reflects third-party fee and commission income for the first quarter of 2022 of USD 3,637 million for Global Wealth Management (fourth quarter of 2021: USD 3,624 million; first quarter of 2021: USD 3,673 million), USD 447 million for Personal & Corporate Banking (fourth quarter of 2021: USD 427 million; first quarter of 2021: USD 389 million), USD 762 million for Asset Management (fourth quarter of 2021: USD 902 million; first quarter of 2021: USD 815 million), USD 1,018 million for the Investment Bank (fourth quarter of 2021: USD 1,095 million; first quarter of 2021: USD 1,305 million) and USD 4 million for Group Functions (fourth quarter of 2021: USD 6 million; first quarter of 2021: USD 15 million).

## Note 5 Personnel expenses

| | For the quarter ended | | |
|---|---|---|---|
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| Salaries and variable compensation | 2,465 | 1,822 | 2,370 |
| Financial advisor compensation[1] | 1,220 | 1,269 | 1,170 |
| Contractors | 28 | 35 | 36 |
| Social security | 228 | 159 | 211 |
| Post-employment benefit plans | 182 | 124 | 194 |
| Other personnel expenses | 109 | 144 | 105 |
| **Total personnel expenses** | **4,233** | **3,552** | **4,086** |

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 6 General and administrative expenses

| | For the quarter ended | | |
|---|---|---|---|
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| Outsourcing costs | 106 | 130 | 89 |
| IT expenses | 122 | 127 | 125 |
| Consulting, legal and audit fees | 104 | 155 | 84 |
| Real estate and logistics costs | 124 | 140 | 127 |
| Market data services | 93 | 96 | 89 |
| Marketing and communication | 31 | 69 | 32 |
| Travel and entertainment | 19 | 29 | 8 |
| Litigation, regulatory and similar matters[1] | 57 | 826 | 9 |
| Other | 1,577 | 1,592 | 1,578 |
| *of which: shared services costs charged by UBS Group AG or its subsidiaries* | *1,390* | *1,365* | *1,375* |
| *of which: UK and German bank levies* | *33* | *38* | *41* |
| **Total general and administrative expenses** | 2,233 | 3,164 | 2,141 |

1 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 15b for more information.

## Note 7 Income taxes

Income tax expenses of USD 547 million were recognized for the first quarter of 2022, representing an effective tax rate of 21.4%, compared with USD 439 million for the first quarter of 2021 and an effective tax rate of 20.4%.

Current tax expenses were USD 335 million, compared with USD 377 million, and related to taxable profits of UBS Switzerland AG and other entities.

Net deferred tax expenses were USD 212 million, compared with USD 61 million, and primarily related 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.

## Note 8 Expected credit loss measurement

### a) Credit loss expense / release

Total net credit loss expenses in the first quarter of 2022 were USD 18 million, reflecting USD 11 million net credit loss expenses related to stage 1 and 2 positions and USD 7 million net credit loss expenses related to stage 3 positions.

Stage 1 and 2 net expenses included scenario-related net expenses of USD 18 million, model change-related net releases of USD 14 million, and net expenses of USD 7 million including additional effects from book quality and size changes.

Stage 3 net credit loss expenses were USD 7 million, including USD 10 million net expenses in Personal & Corporate Banking, across various corporate lending positions.

**Credit loss (expense) / release**

| *USD million* | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|---|---|---|---|---|---|---|
| For the quarter ended 31.3.22 | | | | | | |
| Stages 1 and 2 | 5 | (13) | 0 | (3) | 0 | (11) |
| Stage 3 | 2 | (10) | 0 | 0 | 0 | (7) |
| **Total credit loss (expense) / release** | 7 | (23) | 0 | (4) | 0 | (18) |
| | | | | | | |
| For the quarter ended 31.12.21 | | | | | | |
| Stages 1 and 2 | 2 | (4) | 0 | 2 | 0 | (1) |
| Stage 3 | 1 | 14 | (1) | 14 | 0 | 28 |
| **Total credit loss (expense) / release** | **2** | **10** | **(1)** | **16** | **0** | **27** |
| | | | | | | |
| For the quarter ended 31.3.21 | | | | | | |
| Stages 1 and 2 | 4 | 16 | 0 | 5 | 0 | 26 |
| Stage 3 | (2) | 8 | 0 | (4) | 0 | 3 |
| **Total credit loss (expense) / release** | **3** | **23** | **0** | **2** | **0** | **28** |

**Note 8 Expected credit loss measurement (continued)**

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

### Scenarios

The expected credit loss (ECL) scenarios, along with the related macroeconomic factors, were reviewed in light of the economic and political conditions prevailing in the first quarter of 2022 through a series of governance meetings, with input and feedback from UBS Risk and Finance experts across the business divisions and regions.

As a response to inflationary developments and Russia's invasion of Ukraine, UBS AG has replaced the mild global interest rate steepening scenario with a severe global interest rate steepening scenario, applied more adverse weightings and reflected updated scenario data as of the end of the first quarter of 2022 in the calculations.

The baseline scenario assumptions on a calendar-year basis are included in the table below and imply a weaker economic forecast for 2022 compared with 2021.

The shocks in the newly adopted severe global interest rate steepening scenario are more severe compared with the previously applied mild global interest rate steepening scenario; for example, inflation and interest rates are higher and GDP growth substantially lower.

The global crisis scenario remains materially unchanged.

### Scenario weights and post-model adjustments

In response to recent developments, UBS AG changed the scenario weights for the first quarter of 2022: upside at 0% (31 December 2021: 5%), baseline at 55% (unchanged), severe global interest rate steepening scenario at 25% (31 December 2021: mild global interest rate steepening scenario 10%) and the global crisis scenario at 20% (31 December 2021: 30%).

The post-model adjustment amounted to USD 204 million as of 31 March 2022 (31 December 2021: USD 224 million) and includes effects from the uncertainty caused by the continued COVID-19 pandemic and heightened geopolitical tensions, which cannot be fully and reliably modeled due to a lack of sufficiently supportable data. The post-model adjustment was reduced during the first quarter of 2022 following the scenario substitution and weighting changes noted above, which resulted in higher modeled ECL and addressed some of the uncertainties that had not been reflected in the modeling approach in prior periods.

**Comparison on shock factors**

| | Baseline | | |
|---|---|---|---|
| Key parameters | 2021 | 2022 | 2023 |
| Real GDP growth (annual percentage change) | | | |
| United States | 5.5 | 3.5 | 2.4 |
| Eurozone | 5.1 | 2.9 | 2.2 |
| Switzerland | 3.1 | 2.5 | 1.5 |
| Unemployment rate (%, annual average) | | | |
| United States | 5.4 | 3.5 | 3.3 |
| Eurozone | 7.7 | 7.0 | 6.9 |
| Switzerland | 3.0 | 2.3 | 2.1 |
| Real estate (annual percentage change, Q4) | | | |
| United States | 16.1 | 2.0 | 1.7 |
| Eurozone | 7.9 | 5.0 | 1.7 |
| Switzerland | 6.0 | 3.0 | 0.0 |

**Economic scenarios and weights applied**

| | Assigned weights in % | | |
|---|---|---|---|
| **ECL scenario** | 31.3.22 | 31.12.21 | 31.3.21 |
| Upside | 0.0 | 5.0 | 0.0 |
| Baseline | 55.0 | 55.0 | 60.0 |
| Mild global interest rate steepening | - | 10.0 | 0.0 |
| Severe global interest rate steepening | 25.0 | - | - |
| Global crisis | 20.0 | 30.0 | 40.0 |

## Note 8 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 million* | 31.3.22 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] / Total exposure | | | | ECL allowances / provisions | | | |
| 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 | 206,773 | 206,728 | 46 | 0 | (6) | (0) | (6) | 0 |
| Loans and advances to banks | 17,781 | 17,717 | 65 | 0 | (9) | (8) | (1) | (0) |
| Receivables from securities financing transactions | 69,452 | 69,452 | (0) | 0 | (2) | (2) | (0) | 0 |
| Cash collateral receivables on derivative instruments | 39,254 | 39,254 | 0 | 0 | (0) | (0) | 0 | 0 |
| Loans and advances to customers | 393,960 | 376,969 | 15,513 | 1,478 | (801) | (121) | (155) | (525) |
| *of which: Private clients with mortgages* | *153,645* | *145,272* | *7,702* | *671* | *(126)* | *(27)* | *(71)* | *(28)* |
| *of which: Real estate financing* | *43,920* | *40,006* | *3,907* | *7* | *(57)* | *(17)* | *(40)* | *(0)* |
| *of which: Large corporate clients* | *13,432* | *11,966* | *1,169* | *296* | *(143)* | *(21)* | *(14)* | *(108)* |
| *of which: SME clients* | *13,911* | *11,995* | *1,508* | *407* | *(260)* | *(22)* | *(20)* | *(218)* |
| *of which: Lombard* | *144,398* | *144,374* | *0* | *24* | *(34)* | *(7)* | *0* | *(27)* |
| *of which: Credit cards* | *1,709* | *1,341* | *341* | *28* | *(36)* | *(10)* | *(9)* | *(17)* |
| *of which: Commodity trade finance* | *4,441* | *4,425* | *7* | *9* | *(103)* | *(6)* | *(0)* | *(96)* |
| Other financial assets measured at amortized cost | 28,766 | 28,297 | 302 | 168 | (109) | (27) | (7) | (75) |
| *of which: Loans to financial advisors* | *2,388* | *2,164* | *86* | *138* | *(86)* | *(20)* | *(3)* | *(63)* |
| **Total financial assets measured at amortized cost** | **755,987** | **738,416** | **15,925** | **1,646** | **(928)** | **(158)** | **(170)** | **(600)** |
| **Financial assets measured at fair value through other comprehensive income** | **9,093** | **9,093** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total on-balance sheet financial assets in scope of ECL requirements** | **765,080** | **747,509** | **15,925** | **1,646** | **(928)** | **(158)** | **(170)** | **(600)** |
| Off-balance sheet (in scope of ECL) | | | | | | | | |
| Guarantees | 22,496 | 21,264 | 1,072 | 159 | (66) | (17) | (10) | (39) |
| *of which: Large corporate clients* | *3,459* | *2,621* | *736* | *102* | *(32)* | *(3)* | *(4)* | *(26)* |
| *of which: SME clients* | *1,318* | *1,154* | *107* | *57* | *(11)* | *(1)* | *(1)* | *(9)* |
| *of which: Financial intermediaries and hedge funds* | *11,428* | *11,307* | *121* | *0* | *(16)* | *(12)* | *(5)* | *0* |
| *of which: Lombard* | *2,545* | *2,545* | *0* | *0* | *(1)* | *(0)* | *0* | *(1)* |
| *of which: Commodity trade finance* | *2,680* | *2,680* | *0* | *0* | *(1)* | *(1)* | *(0)* | *0* |
| Irrevocable loan commitments | 38,039 | 35,827 | 2,123 | 89 | (112) | (68) | (44) | 0 |
| *of which: Large corporate clients* | *23,698* | *21,723* | *1,916* | *58* | *(98)* | *(63)* | *(35)* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 6,432 | 6,432 | 0 | 0 | (0) | (0) | 0 | 0 |
| Committed unconditionally revocable credit lines | 42,303 | 39,523 | 2,715 | 65 | (40) | (30) | (10) | 0 |
| *of which: Real estate financing* | *9,621* | *9,343* | *278* | *0* | *(7)* | *(5)* | *(2)* | *0* |
| *of which: Large corporate clients* | *4,618* | *3,862* | *733* | *23* | *(5)* | *(2)* | *(3)* | *0* |
| *of which: SME clients* | *4,793* | *4,254* | *503* | *37* | *(15)* | *(12)* | *(3)* | *0* |
| *of which: Lombard* | *8,216* | *8,216* | *0* | *0* | *0* | *(0)* | *0* | *0* |
| *of which: Credit cards* | *9,398* | *8,941* | *453* | *4* | *(6)* | *(5)* | *(2)* | *0* |
| *of which: Commodity trade finance* | *280* | *280* | *0* | *0* | *(0)* | *(0)* | *0* | *0* |
| Irrevocable committed prolongation of existing loans | 5,355 | 5,342 | 12 | 2 | (2) | (2) | (0) | 0 |
| **Total off-balance sheet financial instruments and other credit lines** | **114,625** | **108,389** | **5,922** | **314** | **(221)** | **(117)** | **(64)** | **(39)** |
| **Total allowances and provisions** | | | | | **(1,148)** | **(275)** | **(234)** | **(639)** |

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

## Note 8 Expected credit loss measurement (continued)

| *USD million* | 31.12.21 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] / Total exposure | | | | ECL allowances / provisions | | | |
| 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 | 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) |
| *of which: Private clients with mortgages* | *152,479* | *143,505* | *8,262* | *711* | *(132)* | *(28)* | *(71)* | *(33)* |
| *of which: Real estate financing* | *43,945* | *40,463* | *3,472* | *9* | *(60)* | *(19)* | *(40)* | *0* |
| *of which: Large corporate clients* | *13,990* | *12,643* | *1,037* | *310* | *(170)* | *(22)* | *(16)* | *(133)* |
| *of which: SME clients* | *14,004* | *12,076* | *1,492* | *436* | *(259)* | *(19)* | *(15)* | *(225)* |
| *of which: Lombard* | *149,283* | *149,255* | *0* | *27* | *(33)* | *(6)* | *0* | *(28)* |
| *of which: Credit cards* | *1,716* | *1,345* | *342* | *29* | *(36)* | *(10)* | *(9)* | *(17)* |
| *of which: Commodity trade finance* | *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) |
| *of which: Loans to financial advisors* | *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)** |
| Off-balance sheet (in scope of ECL) | | | | | | | | |
| Guarantees | 20,972 | 19,695 | 1,127 | 150 | (41) | (18) | (8) | (15) |
| *of which: Large corporate clients* | *3,464* | *2,567* | *793* | *104* | *(6)* | *(3)* | *(3)* | *0* |
| *of which: SME clients* | *1,353* | *1,143* | *164* | *46* | *(8)* | *(1)* | *(1)* | *(7)* |
| *of which: Financial intermediaries and hedge funds* | *9,575* | *9,491* | *84* | *0* | *(17)* | *(13)* | *(4)* | *0* |
| *of which: Lombard* | *2,454* | *2,454* | *0* | *0* | *(1)* | *0* | *0* | *(1)* |
| *of which: Commodity trade finance* | *3,137* | *3,137* | *0* | *0* | *(1)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 39,478 | 37,097 | 2,335 | 46 | (114) | (72) | (42) | 0 |
| *of which: Large corporate clients* | *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 |
| *of which: Real estate financing* | *7,328* | *7,046* | *281* | *0* | *(5)* | *(4)* | *(1)* | *0* |
| *of which: Large corporate clients* | *5,358* | *4,599* | *736* | *23* | *(7)* | *(4)* | *(3)* | *0* |
| *of which: SME clients* | *5,160* | *4,736* | *389* | *35* | *(15)* | *(11)* | *(3)* | *0* |
| *of which: Lombard* | *8,670* | *8,670* | *0* | *0* | *0* | *0* | *0* | *0* |
| *of which: Credit cards* | *9,466* | *9,000* | *462* | *4* | *(6)* | *(5)* | *(2)* | *0* |
| *of which: Commodity trade finance* | *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 8 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**

| 31.3.22 | Gross carrying amount (USD million) | | | | ECL coverage (bps) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| On-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 153,771 | 145,299 | 7,773 | 699 | 8 | 2 | 91 | 6 | 403 |
| Real estate financing | 43,977 | 40,023 | 3,947 | 7 | 13 | 4 | 102 | 13 | 455 |
| Total real estate lending | 197,748 | 185,321 | 11,720 | 707 | 9 | 2 | 95 | 8 | 404 |
| Large corporate clients | 13,574 | 11,987 | 1,184 | 404 | 105 | 17 | 122 | 27 | 2,666 |
| SME clients | 14,170 | 12,017 | 1,528 | 626 | 183 | 18 | 130 | 31 | 3,489 |
| Total corporate lending | 27,745 | 24,004 | 2,712 | 1,029 | 145 | 18 | 127 | 29 | 3,166 |
| Lombard | 144,432 | 144,381 | 0 | 51 | 2 | 0 | 0 | 0 | 5,326 |
| Credit cards | 1,745 | 1,351 | 350 | 44 | 204 | 72 | 256 | 110 | 3,803 |
| Commodity trade finance | 4,544 | 4,432 | 7 | 105 | 226 | 14 | 2 | 14 | 9,157 |
| Other loans and advances to customers | 18,548 | 17,602 | 879 | 66 | 23 | 7 | 9 | 7 | 4,517 |
| Loans to financial advisors | 2,473 | 2,184 | 88 | 201 | 347 | 92 | 322 | 101 | 3,132 |
| Total other lending | 171,742 | 169,949 | 1,325 | 468 | 18 | 3 | 95 | 4 | 4,986 |
| **Total[1]** | 397,235 | 379,274 | 15,757 | 2,204 | 22 | 4 | 100 | 8 | 2,667 |

| | Gross exposure (USD million) | | | | ECL coverage (bps) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Off-balance sheet | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 7,972 | 7,733 | 236 | 3 | 3 | 3 | 7 | 3 | 241 |
| Real estate financing | 10,787 | 10,499 | 287 | 0 | 9 | 6 | 118 | 9 | 0 |
| Total real estate lending | 18,759 | 18,232 | 523 | 3 | 7 | 5 | 68 | 7 | 241 |
| Large corporate clients | 31,774 | 28,206 | 3,384 | 183 | 43 | 24 | 124 | 35 | 1,410 |
| SME clients | 7,512 | 6,693 | 700 | 119 | 48 | 23 | 159 | 36 | 791 |
| Total corporate lending | 39,286 | 34,899 | 4,084 | 303 | 44 | 24 | 130 | 35 | 1,166 |
| Lombard | 13,761 | 13,761 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Credit cards | 9,398 | 8,941 | 453 | 4 | 7 | 5 | 34 | 7 | 0 |
| Commodity trade finance | 3,010 | 3,010 | 0 | 0 | 4 | 4 | 0 | 4 | 0 |
| Financial intermediaries and hedge funds | 11,646 | 11,048 | 598 | 0 | 15 | 11 | 83 | 15 | 0 |
| Other off-balance sheet commitments | 12,334 | 12,065 | 265 | 4 | 9 | 5 | 40 | 6 | 0 |
| Total other lending | 50,148 | 48,825 | 1,315 | 8 | 7 | 5 | 58 | 7 | 0 |
| **Total[2]** | 108,193 | 101,956 | 5,922 | 314 | 20 | 11 | 108 | 17 | 1,255 |

1 Includes Loans and advances to customers of USD 394,761 million and Loans to financial advisors of USD 2,473 million, which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

## Note 8 Expected credit loss measurement (continued)

**Coverage ratios for core loan portfolio** — 31.12.21

| On-balance sheet | Gross carrying amount (USD million) | | | | ECL coverage (bps) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 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 |
| **Total[1]** | **402,081** | **383,825** | **15,882** | **2,374** | **23** | **4** | **98** | **8** | **2,673** |

| Off-balance sheet | Gross exposure (USD million) | | | | 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 |
| **Total[2]** | **108,434** | **102,121** | **6,006** | **307** | **18** | **12** | **100** | **17** | **486** |

1 Includes Loans and advances to customers of USD 399,543 million and Loans to financial advisors of USD 2,539 million, which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

## Note 9 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021, which provides more information about valuation principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements, and methods applied to calculate fair values for financial instruments not measured at fair value.

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

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

## Note 9 Fair value measurement (continued)

### a) Fair value hierarchy

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

**Determination of fair values from quoted market prices or valuation techniques[1]**

| | 31.3.22 | | | | 31.12.21 | | | |
|---|---|---|---|---|---|---|---|---|
| *USD million* | 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 | 97,077 | 15,296 | 2,623 | 114,995 | 113,722 | 15,012 | 2,299 | 131,033 |
| *of which:* | | | | | | | | |
| *Equity instruments* | *82,255* | *512* | *278* | *83,045* | *97,983* | *1,090* | *149* | *99,222* |
| *Government bills / bonds* | *7,579* | *1,491* | *10* | *9,080* | *7,135* | *1,351* | *10* | *8,496* |
| *Investment fund units* | *6,495* | *2,030* | *16* | *8,541* | *7,843* | *1,364* | *21* | *9,229* |
| *Corporate and municipal bonds* | *741* | *9,201* | *611* | *10,553* | *708* | *7,791* | *556* | *9,055* |
| *Loans* | *0* | *1,726* | *1,577* | *3,303* | *0* | *3,099* | *1,443* | *4,542* |
| *Asset-backed securities* | *6* | *336* | *131* | *473* | *53* | *317* | *120* | *489* |
| Derivative financial instruments | 1,512 | 137,116 | 1,683 | 140,311 | 522 | 116,482 | 1,140 | 118,145 |
| *of which:* | | | | | | | | |
| *Foreign exchange contracts* | *750* | *66,804* | *6* | *67,559* | *255* | *53,046* | *7* | *53,307* |
| *Interest rate contracts* | *0* | *36,372* | *772* | *37,144* | *0* | *32,747* | *494* | *33,241* |
| *Equity / index contracts* | *0* | *29,477* | *450* | *29,927* | *0* | *27,861* | *384* | *28,245* |
| *Credit derivative contracts* | *0* | *1,392* | *338* | *1,730* | *0* | *1,179* | *236* | *1,414* |
| *Commodity contracts* | *0* | *2,886* | *58* | *2,944* | *0* | *1,590* | *16* | *1,606* |
| Brokerage receivables | 0 | 20,762 | 0 | 20,762 | 0 | 21,839 | 0 | 21,839 |
| Financial assets at fair value not held for trading | 25,704 | 30,838 | 4,033 | 60,575 | 27,278 | 28,185 | 4,180 | 59,642 |
| *of which:* | | | | | | | | |
| *Financial assets for unit-linked investment contracts* | *18,475* | *0* | *1* | *18,476* | *21,110* | *187* | *6* | *21,303* |
| *Corporate and municipal bonds* | *137* | *12,665* | *288* | *13,090* | *123* | *13,937* | *306* | *14,366* |
| *Government bills / bonds* | *6,713* | *4,561* | *0* | *11,274* | *5,624* | *3,236* | *0* | *8,860* |
| *Loans* | *0* | *3,815* | *869* | *4,684* | *0* | *4,982* | *892* | *5,874* |
| *Securities financing transactions* | *0* | *9,677* | *100* | *9,776* | *0* | *5,704* | *100* | *5,804* |
| *Auction rate securities* | *0* | *0* | *1,635* | *1,635* | *0* | *0* | *1,585* | *1,585* |
| *Investment fund units* | *291* | *120* | *112* | *523* | *338* | *137* | *117* | *591* |
| *Equity instruments* | *89* | *0* | *699* | *788* | *83* | *2* | *681* | *765* |
| *Other* | *0* | *0* | *329* | *329* | *0* | *0* | *495* | *495* |
| **Financial assets measured at fair value through other comprehensive income on a recurring basis** | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | 2,341 | 6,751 | 0 | 9,093 | 2,704 | 6,140 | 0 | 8,844 |
| *of which:* | | | | | | | | |
| *Asset-backed securities* | *0* | *4,639* | *0* | *4,639* | *0* | *4,849* | *0* | *4,849* |
| *Government bills / bonds* | *2,293* | *19* | *0* | *2,312* | *2,658* | *27* | *0* | *2,686* |
| *Corporate and municipal bonds* | *48* | *2,093* | *0* | *2,141* | *45* | *1,265* | *0* | *1,310* |
| **Non-financial assets measured at fair value on a recurring basis** | | | | | | | | |
| Precious metals and other physical commodities | 4,626 | 0 | 0 | 4,626 | 5,258 | 0 | 0 | 5,258 |
| **Non-financial assets measured at fair value on a non-recurring basis** | | | | | | | | |
| Other non-financial assets[2] | 0 | 0 | 24 | 24 | 0 | 0 | 26 | 26 |
| **Total assets measured at fair value** | 131,260 | 210,763 | 8,363 | 350,386 | 149,484 | 187,658 | 7,645 | 344,787 |

## Note 9 Fair value measurement (continued)

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

| | 31.3.22 | | | | 31.12.21 | | | |
|---|---|---|---|---|---|---|---|---|
| *USD million* | 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 | 26,770 | 7,841 | 76 | 34,687 | 25,413 | 6,170 | 105 | 31,688 |
| *of which:* | | | | | | | | |
| *Equity instruments* | *19,390* | *328* | *61* | *19,778* | *18,328* | *513* | *83* | *18,924* |
| *Corporate and municipal bonds* | *32* | *5,728* | *15* | *5,775* | *30* | *4,219* | *17* | *4,266* |
| *Government bills / bonds* | *6,857* | *1,047* | *0* | *7,905* | *5,883* | *826* | *0* | *6,709* |
| *Investment fund units* | *491* | *695* | *1* | *1,187* | *1,172* | *555* | *6* | *1,733* |
| Derivative financial instruments | 1,505 | 135,069 | 1,869 | 138,444 | 509 | 118,558 | 2,242 | 121,309 |
| *of which:* | | | | | | | | |
| *Foreign exchange contracts* | *737* | *65,303* | *33* | *66,073* | *258* | *53,800* | *21* | *54,078* |
| *Interest rate contracts* | *0* | *33,518* | *221* | *33,739* | *0* | *28,398* | *278* | *28,675* |
| *Equity / index contracts* | *0* | *32,182* | *1,142* | *33,324* | *0* | *33,438* | *1,511* | *34,949* |
| *Credit derivative contracts* | *0* | *1,421* | *370* | *1,791* | *0* | *1,412* | *341* | *1,753* |
| *Commodity contracts* | *0* | *2,530* | *74* | *2,604* | *0* | *1,503* | *63* | *1,566* |
| **Financial liabilities designated at fair value on a recurring basis** | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 48,015 | 0 | 48,015 | 0 | 44,045 | 0 | 44,045 |
| Debt issued designated at fair value | 0 | 58,643 | 10,778 | 69,421 | 0 | 59,606 | 11,854 | 71,460 |
| Other financial liabilities designated at fair value | 0 | 29,500 | 2,874 | 32,374 | 0 | 29,258 | 3,156 | 32,414 |
| *of which:* | | | | | | | | |
| *Financial liabilities related to unit-linked investment contracts* | *0* | *18,661* | *0* | *18,661* | *0* | *21,466* | *0* | *21,466* |
| *Securities financing transactions* | *0* | *9,386* | *2* | *9,388* | *0* | *6,375* | *2* | *6,377* |
| *Over-the-counter debt instruments* | *0* | *1,299* | *970* | *2,269* | *0* | *1,334* | *794* | *2,128* |
| **Total liabilities measured at fair value** | 28,275 | 279,067 | 15,598 | 322,941 | 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 the periods presented. 2 Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

### b) Valuation adjustments

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

**Valuation adjustment reserves on the balance sheet**

| | As of | |
|---|---|---|
| *Life-to-date gain / (loss), USD million* | 31.3.22 | 31.12.21 |
| **Deferred day-1 profit or loss reserves** | 425 | 418 |
| **Own credit adjustments on financial liabilities designated at fair value** | 114 | (315) |
| **CVAs, FVAs, DVAs and other valuation adjustments** | (969) | (1,004) |

#### Deferred day-1 profit or loss reserves

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

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

**Deferred day-1 profit or loss reserves**

| | For the quarter ended | | |
|---|---|---|---|
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| **Reserve balance at the beginning of the period** | 418 | 429 | 269 |
| Profit / (loss) deferred on new transactions | 75 | 78 | 181 |
| (Profit) / loss recognized in the income statement | (69) | (88) | (63) |
| Foreign currency translation | 0 | 0 | (1) |
| **Reserve balance at the end of the period** | 425 | 418 | 387 |

## Note 9 Fair value measurement (continued)

### Own credit

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

A description of UBS AG's methodology to estimate own credit and the related accounting principles is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

In the first quarter of 2022, other comprehensive income related to own credit on financial liabilities designated at fair value was positive USD 423 million, primarily due to a widening of UBS's credit spreads.

**Own credit adjustments on financial liabilities designated at fair value**

| | Included in Other comprehensive income | | |
|---|---|---|---|
| | For the quarter ended | | |
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| **Recognized during the period:** | | | |
| Realized gain / (loss) | (7) | 0 | (6) |
| Unrealized gain / (loss) | 430 | 55 | (23) |
| **Total gain / (loss), before tax** | 423 | 55 | (29) |
| | As of | | |
| *USD million* | 31.3.22 | 31.12.21 | 31.3.21 |
| **Recognized on the balance sheet as of the end of the period:** | | | |
| Unrealized life-to-date gain / (loss) | 114 | (315) | (400) |

### Credit, funding, debit and other valuation adjustments

A description of UBS AG's methodology for estimating credit valuation adjustments (CVAs), funding valuation adjustments (FVAs), debit valuation adjustments (DVAs) and other valuation adjustments is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

**Valuation adjustments on financial instruments**

| | As of | |
|---|---|---|
| *Life-to-date gain / (loss), USD million* | 31.3.22 | 31.12.21 |
| **Credit valuation adjustments**[1] | (45) | (44) |
| **Funding valuation adjustments** | (41) | (49) |
| **Debit valuation adjustments** | 4 | 2 |
| **Other valuation adjustments** | (887) | (913) |
| *of which: liquidity* | *(343)* | *(341)* |
| *of which: model uncertainty* | *(544)* | *(571)* |

1 Amounts do not include reserves against defaulted counterparties.

### c) Transfers between Level 1 and Level 2

Assets and liabilities that were held for the entire reporting period and transferred from Level 2 to level 1 or from Level 1 to Level 2 during the first quarter of 2022 were not material.

**Note 9 Fair value measurement (continued)**

## d) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 March 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 ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

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

| | Fair value | | | | | | Range of inputs | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | | | 31.3.22 | | | 31.12.21 | | | |
| *USD billion* | 31.3.22 | 31.12.21 | 31.3.22 | 31.12.21 | Valuation technique(s) | Significant unobservable input(s)[1] | low | high | weighted average[2] | low | high | weighted average[2] | unit[1] |
| **Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading** | | | | | | | | | | | | | |
| *Corporate and municipal bonds* | *0.9* | *0.9* | *0.0* | *0.0* | Relative value to market comparable | Bond price equivalent | 13 | 102 | 93 | 16 | 143 | 98 | points |
| | | | | | Discounted expected cash flows | Discount margin | 447 | 447 | | 434 | 434 | | basis points |
| *Traded loans, loans measured at fair value, loan commitments and guarantees* | *2.8* | *2.8* | *0.0* | *0.0* | Relative value to market comparable | Loan price equivalent | 0 | 100 | 99 | 0 | 101 | 99 | points |
| | | | | | Discounted expected cash flows | Credit spread | 200 | 800 | 294 | 175 | 800 | 436 | basis points |
| | | | | | Market comparable and securitization model | Credit spread | 70 | 1,490 | 236 | 28 | 1,544 | 241 | basis points |
| *Auction rate securities* | *1.6* | *1.6* | | | Discounted expected cash flows | Credit spread | 115 | 184 | 149 | 115 | 197 | 153 | basis points |
| *Investment fund units*[3] | *0.1* | *0.1* | *0.0* | *0.0* | Relative value to market comparable | Net asset value | | | | | | | |
| *Equity instruments*[3] | *1.0* | *0.8* | *0.1* | *0.1* | Relative value to market comparable | Price | | | | | | | |
| **Debt issued designated at fair value**[4] | | | 10.8 | 11.9 | | | | | | | | | |
| **Other financial liabilities designated at fair value** | | | 2.9 | 3.2 | Discounted expected cash flows | Funding spread | 25 | 175 | | 24 | 175 | | basis points |
| **Derivative financial instruments** | | | | | | | | | | | | | |
| *Interest rate contracts* | *0.8* | *0.5* | *0.2* | *0.3* | Option model | Volatility of interest rates | 74 | 136 | | 65 | 81 | | basis points |
| *Credit derivative contracts* | *0.3* | *0.2* | *0.4* | *0.3* | Discounted expected cash flows | Credit spreads | 3 | 541 | | 1 | 583 | | basis points |
| | | | | | | Bond price equivalent | 3 | 145 | | 2 | 136 | | points |
| *Equity / index contracts* | *0.4* | *0.4* | *1.1* | *1.5* | Option model | Equity dividend yields | 0 | 12 | | 0 | 11 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 3 | 97 | | 4 | 98 | | % |
| | | | | | | Equity-to-FX correlation | (26) | 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 UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

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

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

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between 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 assumptions[1]**

| | 31.3.22 | | 31.12.21 | |
|---|---|---|---|---|
| *USD million* | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| Traded loans, loans designated at fair value, loan commitments and guarantees | 15 | (20) | 19 | (13) |
| Securities financing transactions | 47 | (52) | 41 | (53) |
| Auction rate securities | 79 | (79) | 66 | (66) |
| Asset-backed securities | 25 | (18) | 20 | (20) |
| Equity instruments | 170 | (144) | 173 | (146) |
| Interest rate derivative contracts, net | 69 | (62) | 29 | (19) |
| Credit derivative contracts, net | 8 | (7) | 5 | (8) |
| Foreign exchange derivative contracts, net | 16 | (9) | 19 | (11) |
| Equity / index derivative contracts, net | 410 | (367) | 368 | (335) |
| Other | 53 | (81) | 50 | (73) |
| **Total** | 892 | (839) | 790 | (744) |

1 Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument.

## f) Level 3 instruments: movements during the period

### Significant changes in Level 3 instruments

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

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

## Note 9 Fair value measurement (continued)

**Movements of Level 3 instruments**

| *USD billion* | **Balance as of 31 December 2020** | Total gains / losses included in comprehensive income: Net gains / losses included in income[1] | Total gains / losses included in comprehensive income: *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | **Balance as of 31 March 2021** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial assets at fair value held for trading | 2.3 | 0.0 | *0.0* | 0.2 | (0.6) | 0.3 | 0.0 | 0.2 | (0.2) | 0.0 | 2.2 |
| *of which:* | | | | | | | | | | | |
| *Investment fund units* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *Corporate and municipal bonds* | *0.8* | *0.0* | *0.0* | *0.2* | *(0.1)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.8* |
| *Loans* | *1.1* | *0.0* | *0.0* | *0.0* | *(0.3)* | *0.3* | *0.0* | *0.0* | *(0.2)* | *0.0* | *1.1* |
| *Other* | *0.4* | *0.0* | *0.0* | *0.0* | *(0.2)* | *0.0* | *0.0* | *0.2* | *0.0* | *0.0* | *0.3* |
| Derivative financial instruments – assets | 1.8 | (0.1) | *(0.1)* | 0.0 | 0.0 | 0.4 | (0.4) | 0.0 | (0.1) | 0.0 | 1.6 |
| *of which:* | | | | | | | | | | | |
| *Interest rate contracts* | *0.5* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.4* |
| *Equity / index contracts* | *0.9* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.3* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.8* |
| *Credit derivative contracts* | *0.3* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.4* |
| *Other* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| Financial assets at fair value not held for trading | 3.9 | 0.0 | *0.0* | 0.5 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 |
| *of which:* | | | | | | | | | | | |
| *Loans* | *0.9* | *(0.1)* | *0.0* | *0.4* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.1* |
| *Auction rate securities* | *1.5* | *0.1* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.6* |
| *Equity instruments* | *0.5* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.5* |
| *Other* | *1.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.0* |
| Derivative financial instruments – liabilities | 3.5 | 0.1 | *0.0* | 0.0 | 0.0 | 0.6 | (0.8) | 0.0 | (0.2) | 0.0 | 3.1 |
| *of which:* | | | | | | | | | | | |
| *Interest rate contracts* | *0.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.3* | *(0.1)* | *0.0* | *(0.1)* | *0.0* | *0.5* |
| *Equity / index contracts* | *2.3* | *0.2* | *0.1* | *0.0* | *0.0* | *0.3* | *(0.6)* | *0.0* | *(0.1)* | *0.0* | *2.1* |
| *Credit derivative contracts* | *0.5* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.4* |
| *Other* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* |
| Debt issued designated at fair value | 9.6 | 0.2 | *0.1* | 0.0 | 0.0 | 3.2 | (1.8) | 0.1 | (0.3) | (0.2) | 10.7 |
| Other financial liabilities designated at fair value | 2.1 | (0.1) | *(0.1)* | 0.0 | 0.0 | 0.7 | (0.2) | 0.0 | 0.0 | 0.0 | 2.4 |

1 Net gains / losses included in comprehensive income are composed of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. 2 Total Level 3 assets as of 31 March 2022 were USD 8.4 billion (31 December 2021: USD 7.6 billion). Total Level 3 liabilities as of 31 March 2022 were USD 15.6 billion (31 December 2021: USD 17.4 billion).

## Note 9 Fair value measurement (continued)

| | Total gains / losses included in comprehensive income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as of 31 December 2021[2] | Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance as of 31 March 2022[2] |
| 2.3 | 0.0 | *0.0* | 0.2 | (0.8) | 1.0 | 0.0 | 0.2 | (0.3) | 0.0 | 2.6 |
| *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *0.6* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.6* |
| *1.4* | *0.0* | *0.0* | *0.0* | *(0.7)* | *1.0* | *0.0* | *0.0* | *(0.2)* | *0.0* | *1.6* |
| *0.3* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.0* | *0.2* | *(0.1)* | *0.0* | *0.4* |
| 1.1 | 0.5 | *0.5* | 0.0 | 0.0 | 0.4 | (0.3) | 0.0 | 0.0 | 0.0 | 1.7 |
| *0.5* | *0.4* | *0.4* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.8* |
| *0.4* | *0.1* | *0.0* | *0.0* | *0.0* | *0.2* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.4* |
| *0.2* | *0.1* | *0.1* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.3* |
| *0.0* | *0.1* | *0.0* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* |
| 4.2 | 0.0 | *0.0* | 0.3 | (0.5) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.0 |
| *0.9* | *0.0* | *0.0* | *0.2* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.9* |
| *1.6* | *0.1* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.6* |
| *0.7* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.7* |
| *1.0* | *0.0* | *0.0* | *0.1* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.8* |
| 2.2 | (0.3) | *(0.4)* | 0.0 | 0.0 | 0.8 | (0.8) | 0.0 | 0.0 | 0.0 | 1.9 |
| *0.3* | *(0.2)* | *(0.2)* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.2* |
| *1.5* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.4* | *(0.6)* | *0.0* | *0.0* | *0.0* | *1.1* |
| *0.3* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.2* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.4* |
| *0.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.1* |
| 11.9 | (0.6) | *(0.6)* | 0.0 | 0.0 | 2.5 | (2.4) | 0.1 | (0.5) | (0.1) | 10.8 |
| 3.2 | (0.4) | *(0.4)* | 0.0 | 0.0 | 0.4 | (0.2) | 0.0 | (0.1) | 0.0 | 2.9 |

**Note 9 Fair value measurement (continued)**

## g) Financial instruments not measured at fair value

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

**Financial instruments not measured at fair value**

| | 31.3.22 | | 31.12.21 | |
|---|---|---|---|---|
| *USD billion* | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | |
| Cash and balances at central banks | 206.8 | 206.8 | 192.8 | 192.8 |
| Loans and advances to banks | 17.8 | 17.8 | 15.4 | 15.3 |
| Receivables from securities financing transactions | 69.5 | 69.5 | 75.0 | 75.0 |
| Cash collateral receivables on derivative instruments | 39.3 | 39.3 | 30.5 | 30.5 |
| Loans and advances to customers | 394.0 | 387.9 | 398.7 | 397.9 |
| Other financial assets measured at amortized cost | 28.8 | 28.3 | 26.2 | 26.5 |
| **Liabilities** | | | | |
| Amounts due to banks | 16.6 | 16.6 | 13.1 | 13.1 |
| Payables from securities financing transactions | 7.1 | 7.1 | 5.5 | 5.5 |
| Cash collateral payables on derivative instruments | 39.6 | 39.6 | 31.8 | 31.8 |
| Customer deposits | 543.0 | 542.9 | 544.8 | 544.8 |
| Funding from UBS Group AG | 57.5 | 58.4 | 57.3 | 58.8 |
| Debt issued measured at amortized cost | 75.0 | 75.2 | 82.4 | 82.8 |
| Other financial liabilities measured at amortized cost[1] | 6.9 | 6.9 | 6.3 | 6.3 |

1 Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions relate only to UBS AG's financial instruments not otherwise measured at fair value. Other institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

## Note 10 Derivative instruments

### a) Derivative instruments

| *As of 31.3.22, USD billion* | Derivative financial assets | Notional values related to derivative financial assets[1] | Derivative financial liabilities | Notional values related to derivative financial liabilities[1] | Other notional values[2] |
|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | |
| Interest rate contracts | 37.1 | 1,080 | 33.7 | 1,058 | 9,569 |
| Credit derivative contracts | 1.7 | 50 | 1.8 | 48 | 0 |
| Foreign exchange contracts | 67.6 | 3,315 | 66.1 | 3,183 | 20 |
| Equity / index contracts | 29.9 | 477 | 33.3 | 566 | 80 |
| Commodity contracts | 2.9 | 82 | 2.6 | 65 | 17 |
| Loan commitments measured at FVTPL | 0.0 | 1 | 0.0 | 5 | |
| Unsettled purchases of non-derivative financial instruments[3] | 0.3 | 26 | 0.5 | 31 | |
| Unsettled sales of non-derivative financial instruments[3] | 0.7 | 45 | 0.4 | 18 | |
| **Total derivative financial instruments, based on IFRS netting[4]** | 140.3 | 5,075 | 138.4 | 4,973 | 9,686 |
| Further netting potential not recognized on the balance sheet[5] | (126.6) | | (121.4) | | |
| *of which: netting of recognized financial liabilities / assets* | *(101.7)* | | *(101.7)* | | |
| *of which: netting with collateral received / pledged* | *(25.0)* | | *(19.7)* | | |
| **Total derivative financial instruments, after consideration of further netting potential** | 13.7 | | 17.0 | | |

| *As of 31.12.21, USD billion* | Derivative financial assets | Notional values related to derivative financial assets[1] | Derivative financial liabilities | Notional values related to derivative financial liabilities[1] | Other notional values[2] |
|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | |
| Interest rate contracts | 33.2 | 991 | 28.7 | 943 | 8,675 |
| Credit derivative contracts | 1.4 | 45 | 1.8 | 46 | 0 |
| Foreign exchange contracts | 53.3 | 3,031 | 54.1 | 2,939 | 1 |
| Equity / index contracts | 28.2 | 457 | 34.9 | 604 | 80 |
| Commodity contracts | 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 netting[4]** | 118.1 | 4,614 | 121.3 | 4,617 | 8,771 |
| Further netting potential not recognized on the balance sheet[5] | (107.4) | | (107.0) | | |
| *of which: netting of recognized financial liabilities / assets* | *(88.9)* | | *(88.9)* | | |
| *of which: netting with collateral received / pledged* | *(18.5)* | | *(18.1)* | | |
| **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 all periods presented. 3 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. 4 Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. 5 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2021 for more information.

## Note 10 Derivative instruments (continued)

### b) Cash collateral on derivative instruments

| USD billion | Receivables 31.3.22 | Payables 31.3.22 | Receivables 31.12.21 | Payables 31.12.21 |
|---|---|---|---|---|
| Cash collateral on derivative instruments, based on IFRS netting[1] | 39.3 | 39.6 | 30.5 | 31.8 |
| Further netting potential not recognized on the balance sheet[2] | (19.0) | (21.4) | (18.4) | (16.4) |
| *of which: netting of recognized financial liabilities / assets* | *(15.8)* | *(18.2)* | *(15.2)* | *(13.1)* |
| *of which: netting with collateral received / pledged* | *(3.2)* | *(3.2)* | *(3.3)* | *(3.3)* |
| **Cash collateral on derivative instruments, after consideration of further netting potential** | 20.3 | 18.2 | 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 11 Other assets and liabilities

### a) Other financial assets measured at amortized cost

| USD million | 31.3.22 | 31.12.21 |
|---|---|---|
| Debt securities | 21,192 | 18,858 |
| *of which: government bills / bonds* | *10,085* | *9,833* |
| Loans to financial advisors | 2,388 | 2,453 |
| Fee- and commission-related receivables | 1,937 | 1,966 |
| Finance lease receivables | 1,325 | 1,356 |
| Settlement and clearing accounts | 492 | 455 |
| Accrued interest income | 549 | 521 |
| Other | 885 | 627 |
| **Total other financial assets measured at amortized cost** | 28,766 | 26,236 |

### b) Other non-financial assets

| USD million | 31.3.22 | 31.12.21 |
|---|---|---|
| Precious metals and other physical commodities | 4,626 | 5,258 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters[1] | 2,280 | 1,526 |
| Prepaid expenses | 773 | 717 |
| VAT and other tax receivables | 419 | 591 |
| Properties and other non-current assets held for sale | 313 | 32 |
| Assets of disposal groups held for sale | 1,018 | 1,093 |
| Other | 728 | 618 |
| **Total other non-financial assets** | 10,158 | 9,836 |

1 Refer to Note 15 for more information.

### c) Other financial liabilities measured at amortized cost

| USD million | 31.3.22 | 31.12.21 |
|---|---|---|
| Other accrued expenses | 1,561 | 1,642 |
| Accrued interest expenses | 847 | 1,134 |
| Settlement and clearing accounts | 1,663 | 1,282 |
| Lease liabilities | 3,310 | 3,438 |
| Other | 2,786 | 2,269 |
| **Total other financial liabilities measured at amortized cost** | 10,167 | 9,765 |

## Note 11 Other assets and liabilities (continued)

### d) Other financial liabilities designated at fair value

| *USD million* | 31.3.22 | 31.12.21 |
|---|---|---|
| Financial liabilities related to unit-linked investment contracts | 18,661 | 21,466 |
| Securities financing transactions | 9,388 | 6,377 |
| Over-the-counter debt instruments | 2,269 | 2,128 |
| Funding from UBS Group AG | 2,049 | 2,340 |
| Other | 8 | 103 |
| **Total other financial liabilities designated at fair value** | 32,374 | 32,414 |
| *of which: life-to-date own credit (gain) / loss* | *(27)* | *172* |

### e) Other non-financial liabilities

| *USD million* | 31.3.22 | 31.12.21 |
|---|---|---|
| Compensation-related liabilities | 2,925 | 4,795 |
| *of which: financial advisor compensation plans* | *1,193* | *1,512* |
| *of which: other compensation plans* | *756* | *2,140* |
| *of which: net defined benefit liability* | *558* | *617* |
| *of which: other compensation-related liabilities* [1] | *418* | *526* |
| Deferred tax liabilities | 165 | 297 |
| Current tax liabilities | 926 | 1,365 |
| VAT and other tax payables | 541 | 524 |
| Deferred income | 246 | 225 |
| Liabilities of disposal groups held for sale | 1,289 | 1,298 |
| Other | 61 | 68 |
| **Total other non-financial liabilities** | 6,152 | 8,572 |

1 Includes liabilities for payroll taxes and untaken vacation.

## Note 12 Debt issued designated at fair value

| *USD million* | 31.3.22 | 31.12.21 |
|---|---|---|
| **Issued debt instruments** | | |
| Equity-linked[1] | 44,252 | 47,059 |
| Rates-linked | 14,933 | 16,369 |
| Credit-linked | 1,951 | 1,723 |
| Fixed-rate | 3,727 | 2,868 |
| Commodity-linked | 3,995 | 2,911 |
| Other | 563 | 529 |
| **Total debt issued designated at fair value** | 69,421 | 71,460 |
| *of which: life-to-date own credit (gain) / loss* | *(87)* | *144* |

1 Includes investment fund unit-linked instruments issued.

## Note 13 Debt issued measured at amortized cost

| *USD million* | 31.3.22 | 31.12.21 |
|---|---|---|
| Certificates of deposit and commercial paper | 33,727 | 40,640 |
| Other short-term debt | 3,812 | 2,458 |
| **Short-term debt[1]** | 37,539 | 43,098 |
| Senior unsecured debt | 21,632 | 23,328 |
| Covered bonds | 1,351 | 1,389 |
| Subordinated debt | 5,056 | 5,163 |
| *of which: low-trigger loss-absorbing tier 2 capital instruments* | *2,507* | *2,596* |
| *of which: non-Basel III-compliant tier 2 capital instruments* | *543* | *547* |
| Debt issued through the Swiss central mortgage institutions | 9,435 | 9,454 |
| **Long-term debt[2]** | 37,474 | 39,334 |
| **Total debt issued measured at amortized cost[3]** | 75,013 | 82,432 |

1 Debt with an original contractual maturity of less than one year. 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 the periods presented.

## Note 14 Interest rate benchmark reform

During the first quarter of 2022, UBS AG continued to manage the transition to alternative reference rates (ARRs) under the oversight of the dedicated Group-wide forum, with an increased US regional focus. The transition of non-USD interbank offered rates (IBORs) is largely complete, with efforts now focused on managing the transition of remaining USD 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 London Interbank Offered Rate (LIBOR) legislation. The Adjustable Interest Rate (LIBOR) Act provides a legislative solution for 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.

### Non-derivative instruments

During the first quarter of 2022, most of the USD 21 billion mortgages linked to CHF LIBOR that were outstanding as of 31 December 2021 were automatically transitioned to Swiss Average Rate Overnight (SARON), with only an insignificant amount remaining, which will transition later in 2022, on their next roll date.

Substantially all of the US securities-based lending outstanding as of 31 December 2021 was transitioned to Secured Overnight Financing Rate (SOFR) during the first quarter of 2022, with transition of the remaining USD 2 billion currently in progress.

In January 2022, UBS AG completed the transition of USD LIBOR-linked non-derivative balances related to brokerage accounts to SOFR. No other material transitions of USD LIBOR-linked contracts occurred in the first quarter of 2022. UBS AG plans to transition USD 10 billion of US mortgages linked to USD LIBOR to SOFR in 2022 and 2023.

### Derivative instruments

UBS AG successfully transitioned the remaining non-USD IBOR derivatives not transacted through clearing houses or exchanges, which ensured an orderly transition when converting high volumes of transactions at the time of rate cessation. No material USD LIBOR-linked derivatives transitioned in the first quarter of 2022.

## Note 15 Provisions and contingent liabilities

### a) Provisions

The table below presents an overview of total provisions.

| USD million | 31.3.22 | 31.12.21 |
|---|---|---|
| Provisions other than provisions for expected credit losses | 3,192 | 3,256 |
| Provisions for expected credit losses[1] | 221 | 196 |
| **Total provisions** | 3,413 | 3,452 |

1 Refer to Note 8c for more information.

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

| USD million | Litigation, regulatory and similar matters[1] | Restructuring | Other[3] | Total |
|---|---|---|---|---|
| Balance as of 31 December 2021 | 2,798 | 137 | 321 | 3,256 |
| Increase in provisions recognized in the income statement | 58 | 44 | 5 | 107 |
| Release of provisions recognized in the income statement | (1) | (4) | (5) | (10) |
| Provisions used in conformity with designated purpose | (54) | (50) | (7) | (112) |
| Foreign currency translation / unwind of discount | (42) | (1) | (4) | (48) |
| Balance as of 31 March 2022 | 2,758 | 125[2] | 310 | 3,192 |

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Primarily consists of personnel-related restructuring provisions of USD 80 million as of 31 March 2022 (31 December 2021: USD 90 million) and provisions for onerous contracts of USD 45 million as of 31 March 2022 (31 December 2021: USD 47 million). 3 Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short period of time but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS AG is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 15b. There are no material contingent liabilities associated with the other classes of provisions.

### b) Litigation, regulatory and similar matters

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

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

**Note 15 Provisions and contingent liabilities (continued)**

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 15a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. 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 first quarter 2022 report.

**Provisions for litigation, regulatory and similar matters by business division and in Group Functions[1]**

| *USD million* | 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 |
| Increase in provisions recognized in the income statement | 54 | 0 | 0 | 4 | 0 | 58 |
| Release of provisions recognized in the income statement | (1) | 0 | 0 | 0 | 0 | (1) |
| Provisions used in conformity with designated purpose | (49) | 0 | 0 | (5) | 0 | (54) |
| Reclassifications | 0 | 0 | 0 | 4 | (4) | 0 |
| Foreign currency translation / unwind of discount | (33) | (5) | 0 | (5) | 0 | (42) |
| **Balance as of 31 March 2022** | 1,309 | 176 | 8 | 307 | 958 | 2,758 |

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, and provisions, if any, for the matters described in item 5 are allocated between the Investment Bank and Group Functions.

### 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 1.1 billion.

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 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million 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 3.75 million, the confiscation of EUR 1 billion, and awarded civil damages to the French state of EUR 800 million. 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 1.875 million. 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 99 million of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 31 March 2022 reflected provisions with respect to this matter in an amount of EUR 1.1 billion (USD 1.2 billion at 31 March 2022). 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 31 March 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 31 March 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.

**Note 15 Provisions and contingent liabilities (continued)**

3. Madoff

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

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

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

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

4. Puerto Rico

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

Since then, UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands seeking aggregate damages of USD 3.4 billion, of which USD 3.1 billion 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 15 million, 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 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

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

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

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss were granted in two of the cases; those decisions are being appealed by the plaintiffs. In the third case, defendants' motion to dismiss was denied, but on appeal that ruling was reversed and the motion to dismiss was granted.

Our balance sheet at 31 March 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 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

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

*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. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. On 7 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.

**Note 15 Provisions and contingent liabilities (continued)**

*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. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021 and plaintiffs and the remaining defendants have moved for reconsideration.

*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.

*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.

*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 was 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. Similar class actions have been filed concerning European government bonds and other government bonds.

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

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 March 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 31 March 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.

## Note 16 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 | | |
| | 31.3.22 | 31.12.21 | 31.3.21 | 31.3.22 | 31.12.21 | 31.3.21 |
| 1 CHF | 1.08 | 1.10 | 1.06 | 1.08 | 1.09 | 1.09 |
| 1 EUR | 1.11 | 1.14 | 1.17 | 1.12 | 1.14 | 1.20 |
| 1 GBP | 1.31 | 1.35 | 1.38 | 1.33 | 1.35 | 1.38 |
| 100 JPY | 0.82 | 0.87 | 0.90 | 0.85 | 0.88 | 0.93 |

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

## Note 17 Events after the reporting period

In March 2022, UBS signed an agreement to sell its investment in the Japanese real estate joint venture Mitsubishi Corp.-UBS Realty Inc. to KKR & Co. Inc. UBS's asset management, wealth management and investment banking businesses operating in Japan are not affected by the sale. The transaction closed on 28 April 2022 and UBS will record a gain in Asset Management and an increase in CET1 capital related to the sale of approximately USD 0.9 billion in the second quarter of 2022.

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