

## **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).

**30,000,000 European Style Cash Settled Long Certificates relating to  
the ordinary shares of Tencent Holdings 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\$0.85 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 a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

For the purpose of section 309B(1) of the Securities and Futures Act (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<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, 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

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

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

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

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

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

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

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

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

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## RISK FACTORS

The following risk factors are relevant to the Certificates:-

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

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

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

- (q) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (r) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (s) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday fall in the Underlying Stock of 20% or greater during the observation period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest new observed price. Investors may refer to pages 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 Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;
- (bb) certain risks relating to the Issuer's operating environment and strategy, including those as set out in Appendix 2 of the Base Listing Document, may impact the Issuer's ability to execute its strategy and directly affect its business activities, financial condition, results of operations and prospects. As a broad-based international financial services firm, the Issuer is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which it is not presently aware or which it currently does not consider to be material could also materially affect its business activities, financial condition, results of operations and prospects. The sequence in which the risk factors are set out in Appendix 2 of the Base Listing Document is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences;
- (cc) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):-
  - (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
  - (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;
  - (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
  - (iv) notices to such Certificate Holders will be published on the website of the SGX-ST. Investors will need to check the website of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (dd) Generally, investing in the Certificates may involve risks related to the discontinuance, changes or adjustments to benchmarks generally

Discontinuance of, or changes to, benchmarks may require adjustments to the Issuer's agreements, systems and processes. The interbank offered rate(s) ("**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 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:	30,000,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Tencent Holdings Limited (the “ <b>Underlying Stock</b> ” or the “ <b>Underlying</b> ”)
ISIN:	CH1169124158
Company:	Tencent Holdings Limited (RIC: 0700.HK)
Underlying Price <sup>3</sup> and Source:	HK\$376.00 (Bloomberg)
Calculation Agent:	UBS AG acting through its London Branch
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.85
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	4.60%, is a hedging cost against extreme market movements overnight.
Funding Cost <sup>6</sup> :	The annualised costs of funding, referencing a publically published interbank offered rate plus spread.
Rebalancing Cost <sup>6</sup> :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	7 June 2022
Closing Date:	14 June 2022

<sup>3</sup> 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.

<sup>4</sup> 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.

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

<sup>6</sup> These costs are embedded within the Leverage Strategy.

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:  Closing Level multiplied by the Notional Amount per Certificate  Please refer to the "Information relating to the European Style Cash Settled Long 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 $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$ , where:  "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 Long 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 Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 15 to 20 below.

Initial Exchange Rate<sup>3</sup>: 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 Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

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

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

Please refer to the "Air Bag Mechanism" section on 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.

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 (" <b>HKD</b> ")
Settlement Currency:	Singapore Dollar (" <b>SGD</b> ")
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 (" <b>SGX-ST</b> ")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange Business Day:	<p>A "<b>Business Day</b>" is a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.</p> <p>An "<b>Exchange Business Day</b>" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.</p>
Warrant Agent:	The Central Depository (Pte) Limited (" <b>CDP</b> ")
Clearing System:	CDP

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

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

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

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 Strategy**

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

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

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

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

**Leverage Strategy Formula**

**LSL<sub>t</sub>** means, the Leverage Strategy Level as at the Leverage Reset Time (t), calculated in accordance with the following formulae:

On Leverage Reset Time (1):

$$LSL_1 = 1000$$

On each subsequent Leverage Reset Time (t):

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

**Leverage Reset Time (t)**

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).

**LR<sub>r(t),t</sub>**

means the Leveraged Return of the Underlying Stock between Leverage Reset Time r(t) and Leverage Reset Time (t), calculated as follows:

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

**FC<sub>r(t),t</sub>**

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,

$$FC_{r(t),t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{r(t)} \times \text{ACT}(r(t), t)}{\text{DayCountBasisRate}}$$

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

**RC<sub>r(t),t</sub>**

means the Rebalancing Cost of the Leverage Strategy as at Leverage Reset Time (t), calculated as follows:

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



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

**Rfactor<sub>t</sub>** 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,

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

Otherwise,

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

Where

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

**Rate<sub>t</sub>** means, in respect of the Observation Date of Leverage Reset Time (t), a rate calculated as of such day in accordance with the following formula:

$$\text{Rate}_t = \text{CashRate}_t + \% \text{SpreadLevel}_t$$

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

**%SpreadLevel<sub>t</sub>** means, in respect of the Observation Date of the Leverage Reset Time (t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Benchmark Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, **%SpreadLevel<sub>t</sub>** should be 0%.

**Benchmark Event** means:

- (a) the relevant reference rate has ceased to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or
- (b) a public statement by the administrator of the relevant reference rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such reference rate) it has ceased publishing such reference rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or
- (c) a public statement by the supervisor of the administrator of the relevant reference rate that such reference rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the relevant reference rate as a consequence of which Reference Rate will, by a specified future date (the "**Specified Future Date**"), be

prohibited from being used, or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Certificates; or

- (e) a public statement by the supervisor of the administrator of the relevant reference rate that, in the view of such supervisor, such reference rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or the methodology to calculate such reference rate has materially changed; or
- (f) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any holder of the Certificates using the relevant reference rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

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

**ACT(r(t),t)**

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

**DayCountBasisRate** 365

**Air Bag Mechanism**

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

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

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

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

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

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

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

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

## TERMS AND CONDITIONS OF

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

#### 1. Form, Status, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) 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:

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

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

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

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

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

### 3. Expiry Date

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

### 4. Exercise of Certificates

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

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

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

## 5. Warrant Agent

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

## 6. Adjustments

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



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

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

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

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

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

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

## **7. Purchases**

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

## **8. Meetings of Certificate Holders; Modification**

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

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

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

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

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

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

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the 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:	Tencent Holdings Limited
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	30,000,000 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 “ <b>Master Instrument</b> ”) and executed by the Issuer and a master warrant agent agreement dated 27 February 2008 (the “ <b>Master Warrant Agent Agreement</b> ”) and made between the Issuer and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to:  Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates



- Transfers of Certificates: Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
- Listing: Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 15 June 2022.
- Governing Law: The laws of Singapore
- Warrant Agent: The Central Depository (Pte) Limited  
11 North Buona Vista Drive  
#06-07 The Metropolis Tower 2  
Singapore 138589
- Further Issues: Further issues which will form a single series with the Certificates will be permitted.

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

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

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

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

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

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

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

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

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

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

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

**B) Trading the Certificates before Expiry**

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

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

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

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

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

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

Value of Certificates	=	$t^7=0$	x	Leverage Strategy daily performance <sup>8</sup>	x	Daily Fees	x	Leverage Strategy daily performance	x	Daily Fees	x ...	Leverage Strategy Daily performance	x	Daily Fees
		Notional Amount												

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

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

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

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

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

<sup>7</sup> "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.

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

### Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

Underlying Stock:	<b>Ordinary shares of Tencent Holdings Limited</b>
Expected Listing Date:	<b>01/02/2021</b>
Expiry Date:	<b>16/02/2021</b>
Initial Reference Level:	<b>1,000</b>
Initial Exchange Rate:	<b>1</b>
Final Reference Level:	<b>1,200</b>
Final Exchange Rate:	<b>1</b>
Issue Price:	<b>0.85 SGD</b>
Notional Amount per Certificate:	<b>0.85 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>4.60%</b>
Strike Level:	<b>Zero</b>

### Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 4.60\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9872\% \approx 99.9861\%$$

Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

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

$$\text{HFF (2)} = 99.9861\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 4.60\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9861\% \times 99.9967\% \times 99.9617\% \approx 99.9445\%$$

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 99.7919% as illustrated below:

Date	HFF
2/1/2021	100.0000%
2/2/2021	99.9861%
2/3/2021	99.9722%
2/4/2021	99.9583%
2/5/2021	99.9445%
2/8/2021	99.9028%
2/9/2021	99.8889%
2/10/2021	99.8751%
2/11/2021	99.8612%
2/12/2021	99.8473%
2/15/2021	99.8057%
2/16/2021	99.7919%

### 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

$$= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7919\%$$

$$= 119.75\%$$

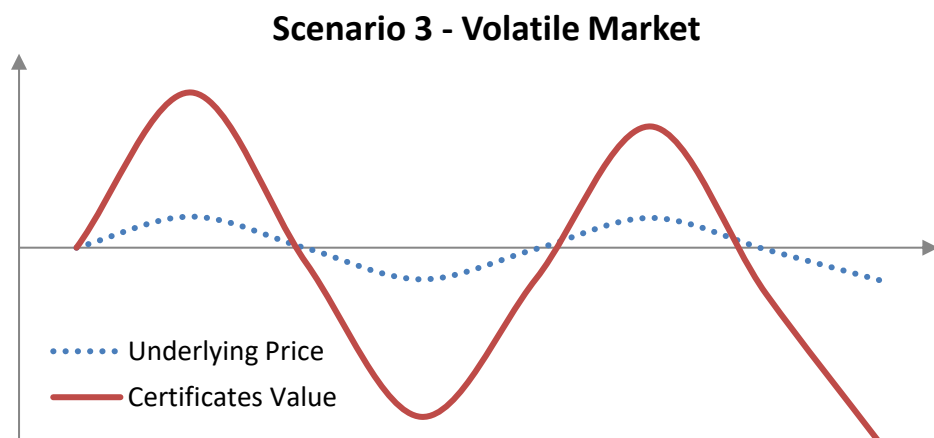
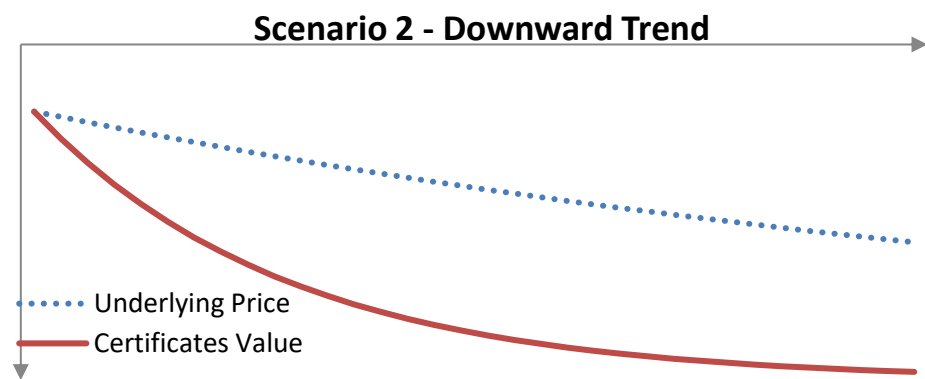
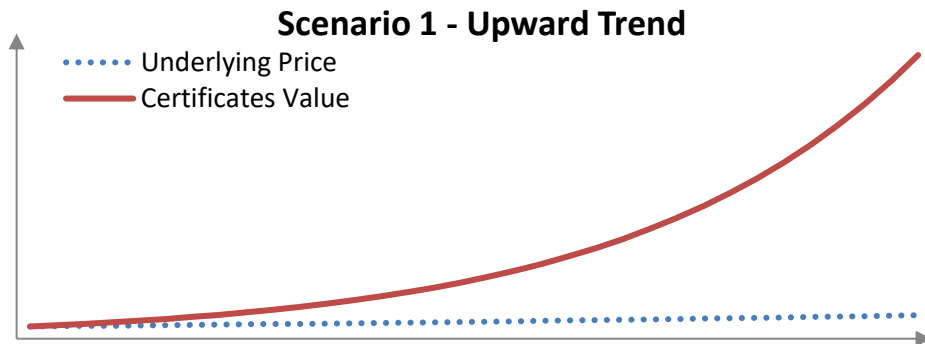
Cash Settlement Amount = Closing Level x Notional Amount per Certificate

$$= 119.75\% \times 0.85 \text{ SGD}$$

$$= 1.018 \text{ SGD}$$

**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. Numerical Examples

**Scenario 1 – Upward Trend**

<b>Underlying</b>						
	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%

<b>Value of the Certificates</b>						
	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	0.85	0.94	1.03	1.13	1.24	1.37
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

**Scenario 2 – Downward Trend**

<b>Underlying</b>						
	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%

<b>Value of the Certificates</b>						
	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	0.85	0.77	0.69	0.62	0.56	0.50
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

**Scenario 3 – Volatile Market**

<b>Underlying</b>						
	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%

<b>Value of the Certificates</b>						
	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	0.85	0.94	0.84	0.76	0.83	0.92
Accumulated Return		10.00%	-1.00%	-10.90%	-1.99%	7.81%

### Description of Air Bag Mechanism

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

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

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

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

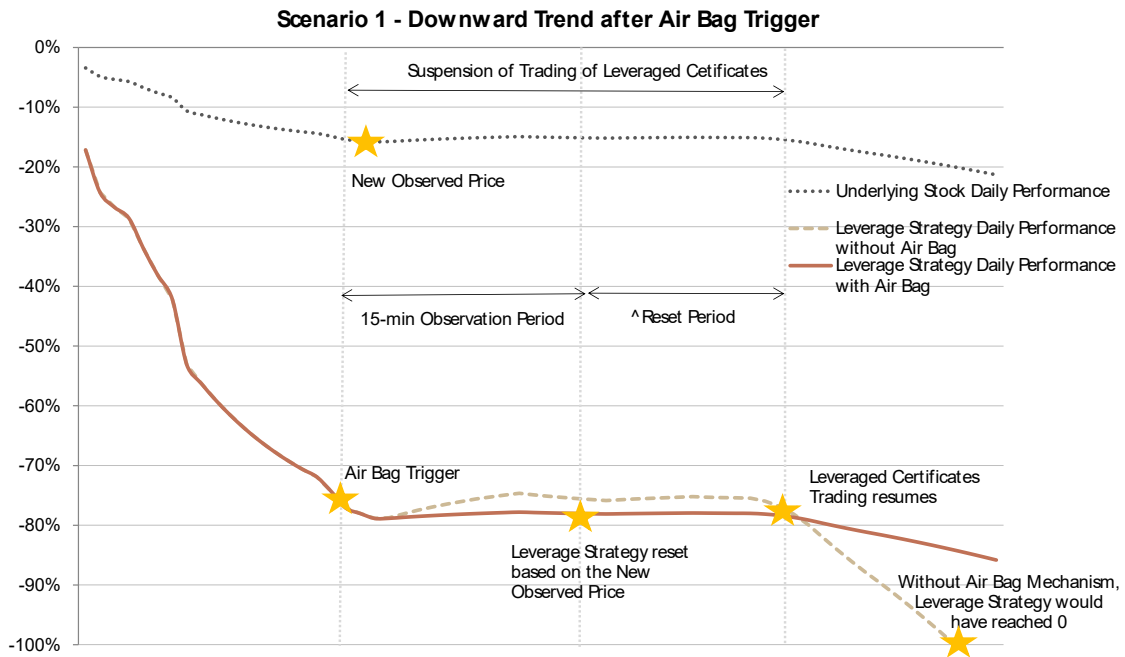
For the avoidance of doubt, if the Air Bag Mechanism was triggered with more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST’s approval to resume trading. If the Air Bag Mechanism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

With **Market Close** defined as:

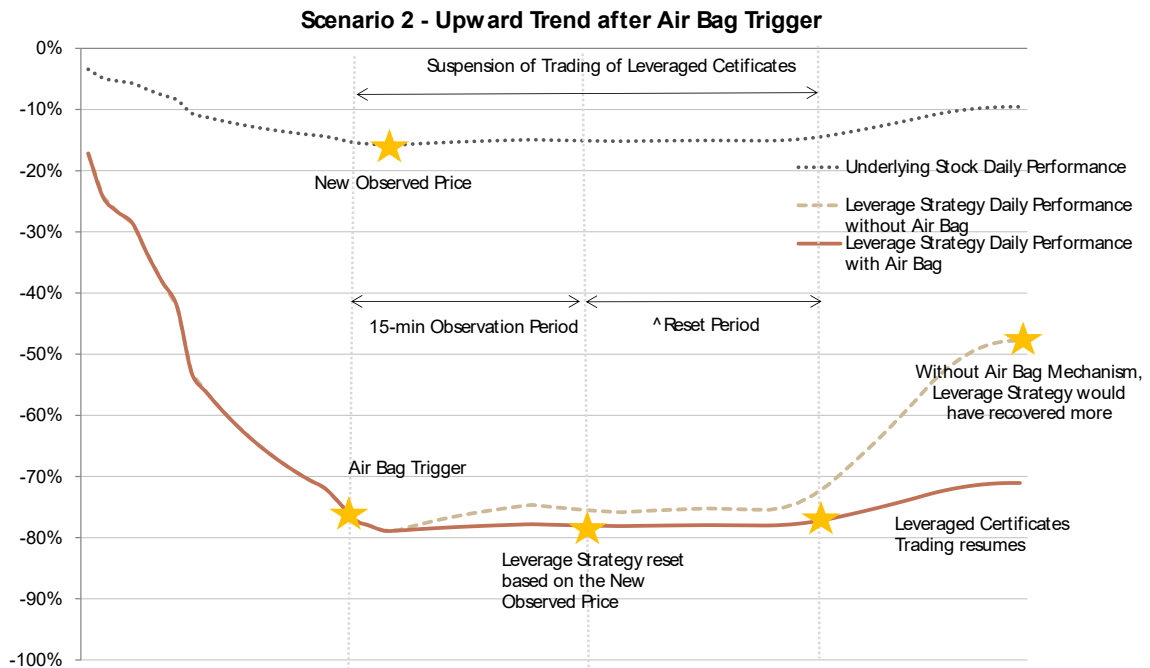
- Underlying Stock closing time with respect to the Observation Period including the closing auction session
- The sooner between Underlying Stock closing time of continuous trading and SGX-ST closing time of continuous trading with respect to the resumption of trading



Illustrative examples of the Air Bag Mechanism<sup>9</sup>



^ 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.

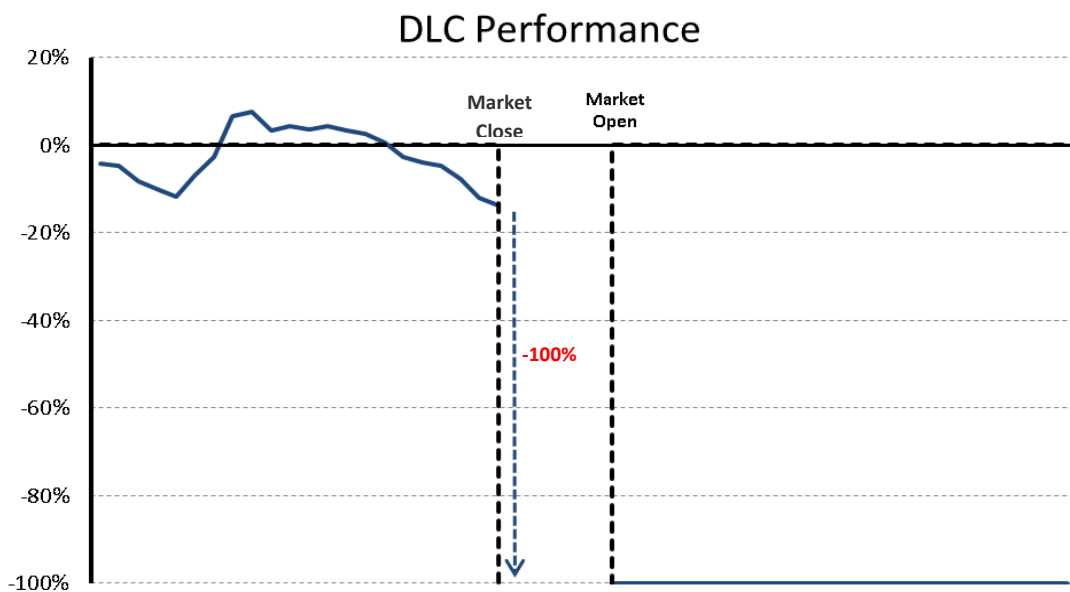
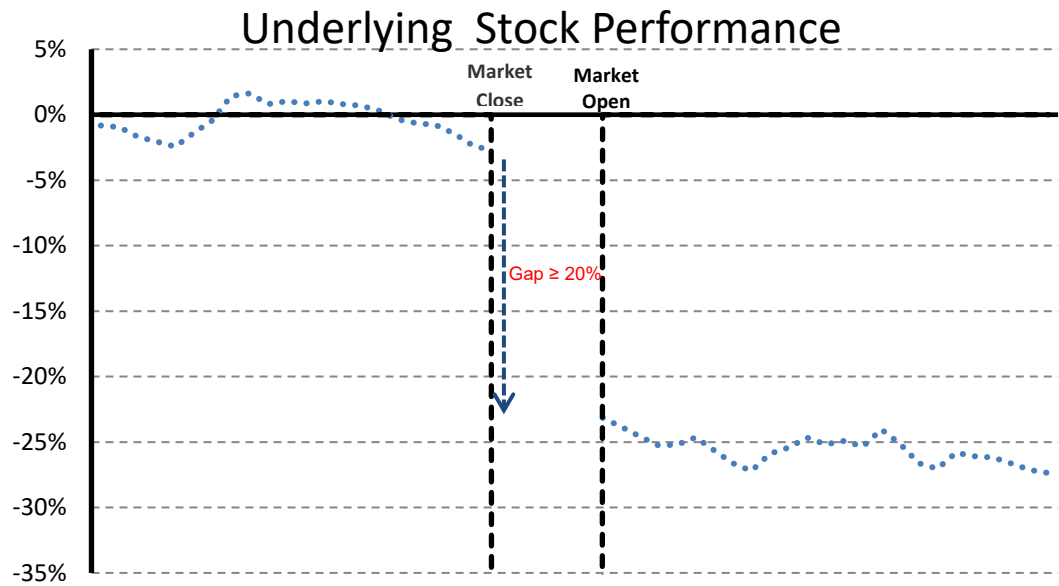
<sup>9</sup> The illustrative examples are not exhaustive.

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

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

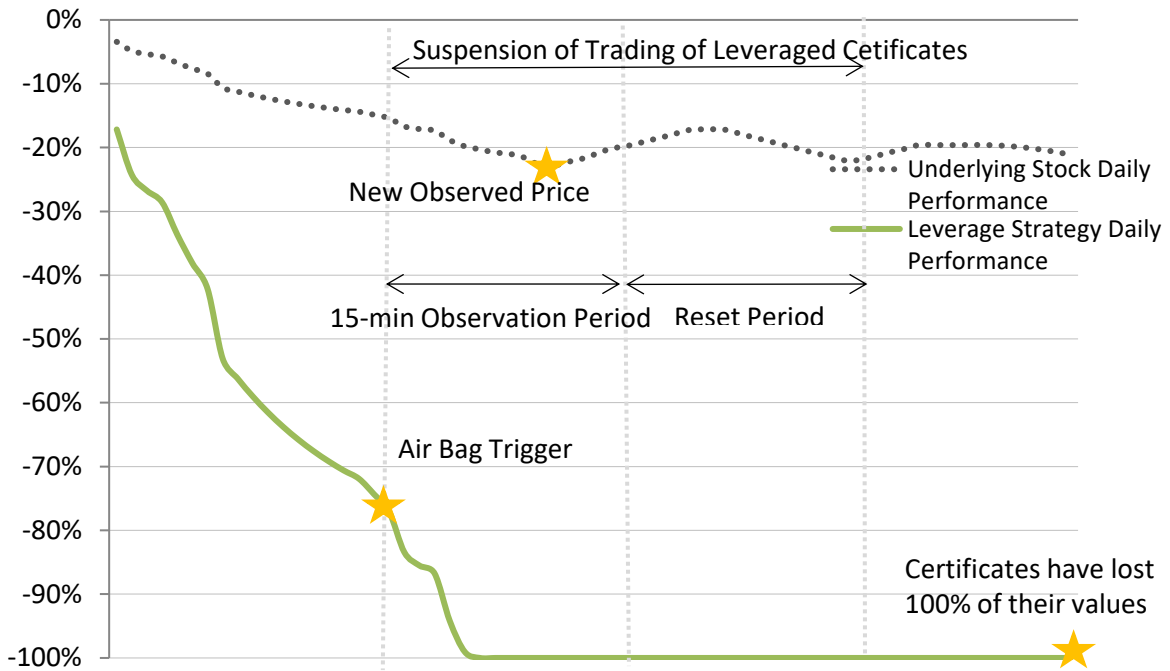
#### Scenario 1 – Overnight fall of the Underlying Stock

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



Scenario 2 – Sharp intraday fall of the Underlying Stock

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



## Examples and illustrations of adjustments due to certain corporate actions

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

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

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

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

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

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

Where:

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

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

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

### 1. Stock split

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

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

$$S_t = \$51$$

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

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

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

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

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

As a consequence:

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

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

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.85	0.935	10%

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

## 2. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.85	0.8925	5%

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

### 3. Rights Issues

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

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

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.85	1.0625	25%

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

#### 4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.85	0.935	10%

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

#### 5. Extraordinary Dividend

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

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

$$S_t = \$84$$

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

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

$$R = \$0$$

$$M = 0$$

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

As a consequence:

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

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

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.85	1.0625	25%

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



## INFORMATION RELATING TO THE COMPANY

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

Tencent Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 16 June 2004.

Tencent Holdings Limited is an investment holding company principally involved in the provision of value-added services (VAS) and online advertising services. The Company operates through three main segments. The VAS segment is mainly involved in provision of online/mobile games, community value-added services and applications across various Internet and mobile platforms. The Online Advertising segment is mainly engaged in display based and performance based advertisements. The Others segment is mainly involved in provision of payment related services, cloud services and other services.

The information set out in Appendix I of this document relates to the unaudited consolidated financial results of the Company and its subsidiaries for the three months ended 31 March 2022 and has been extracted and reproduced from an announcement by the Company dated 18 May 2022 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

### INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

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

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

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

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

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

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

## PLACING AND SALE

### General

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

### United Kingdom

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## United States of America

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

## Prohibition of Sales to European Economic Area

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

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

## PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION

If the Supplemental Listing Document specifies “Prohibition of Sales to European Economic

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

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

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

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

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

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

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

## **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, 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](mailto: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 UNAUDITED CONSOLIDATED FINANCIAL RESULTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2022 OF  
TENCENT HOLDINGS LIMITED AND ITS SUBSIDIARIES**

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

**Tencent 腾讯**  
**TENCENT HOLDINGS LIMITED**  
**騰訊控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 700)**

**ANNOUNCEMENT OF THE RESULTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2022**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2022. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	31 March 2022	Unaudited Three months ended		31 December 2021	Quarter- on-quarter change
		31 March 2021	Year- on-year change		
(RMB in millions, unless specified)					
Revenues	135,471	135,303	0%	144,188	-6%
Gross profit	57,074	62,635	-9%	57,817	-1%
Operating profit	37,217	56,273	-34%	109,723	-66%
Profit for the period	23,733	49,008	-52%	95,705	-75%
Profit attributable to equity holders of the Company	23,413	47,767	-51%	94,958	-75%
EPS (RMB per share)					
– basic	2.455	5.020	-51%	9.957	-75%
– diluted	2.404	4.917	-51%	9.788	-75%
Non-IFRS operating profit	36,538	42,758	-15%	33,151	10%
Non-IFRS profit attributable to equity holders of the Company	25,545	33,118	-23%	24,880	3%
Non-IFRS EPS (RMB per share)					
– basic	2.678	3.481	-23%	2.609	3%
– diluted	2.620	3.415	-23%	2.547	3%

## OPERATING INFORMATION

	As at 31 March 2022	As at 31 March 2021	Year- on-year change	As at 31 December 2021	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,288.3	1,241.6	3.8%	1,268.2	1.6%
Mobile device MAU of QQ	563.8	606.4	-7.0%	552.1	2.1%
Fee-based VAS registered subscriptions	239.1	225.7	5.9%	236.3	1.2%

## BUSINESS REVIEW AND OUTLOOK

During the challenging first quarter of 2022, we implemented cost control initiatives and rationalised certain non-core businesses, which would enable us to achieve a more optimised cost structure going forward. We utilised tools such as Mini Programs, Tencent Meeting, and WeCom to help enterprises and consumers weather the resurgence of COVID-19 in China, and continued investing in strategic growth areas including enterprise software, Video Accounts and international games. Looking forward, we will sharpen our focus and sustain our innovation through challenges and cycles, and continue to create value for our users, partners, and society. Below are some highlights from our key products and business lines during the reporting quarter:

### *Communication and Social*

Within Weixin, Video Accounts continued to gain user traction with significant year-on-year growth in video views and time spent, bolstered by expansion in news, knowledge-based and entertainment content, as well as enhanced recommendation technologies. Mini Programs exceeded 500 million DAU and sustained rapid growth in gross merchandise value with deepened penetration in retail, dining and municipal services.

For QQ, we are enriching features for young users to better create, share and connect with each other. We provide avatar tools for users to create short videos featuring their customised Super QQ Show characters. Through Status update, users can choose to let their contacts see what videos or music they are consuming, so that their friends can access and stream the same content within QQ via Mini Programs.

## *Digital Content*

Our fee-based VAS subscriptions increased 6% year-on-year to 239 million. We extended our market leadership in the long-form video streaming market with 124 million subscribers, leveraging IP adaptations of successful comics and novels. For music, subscription counts increased to 80 million, driven by high quality content as well as increased consumer willingness to subscribe for music services.

## *Domestic Games*

Among our most popular and longer-established games, Honour of Kings, the top-ranked mobile game by DAU in China<sup>1</sup>, released fewer commercially successful items during the Chinese New Year holiday period than in prior years, but its adult user base remained engaged. With the release of popular items inspired by the Chinese floral festival, Honour of Kings resumed year-on-year growth in its grossing receipts in March 2022. Peacekeeper Elite, the second-most popular mobile game by DAU in China<sup>1</sup>, released its third anniversary update in April 2022, enhancing user engagement. We are also successfully expanding our presence in other key genres of games. Fight of The Golden Spatula, an auto battler genre game we released in August 2021, added new champions and game mechanics, and was the sixth most popular mobile game by DAU in China<sup>1</sup>. Return to Empire, a real-time strategy mobile game we launched in March 2022, became China's second most successful game in its genre by grossing receipts in April 2022<sup>2</sup>.

## *International Games*

We believe that the mobile game industry outside China generally underwent a post COVID-19 normalisation downward in terms of user activities and spending in early 2022. PUBG Mobile experienced this pattern with a year-on-year revenue decline in the first quarter of 2022. However, our PC game VALORANT continued its robust performance with a growing user base and higher paying propensity. We also released titles in other key genres which generated favorable critical response. For example, Dune: Spice Wars, a real-time strategy PC game based on the popular sci-fi IP Dune and published by our subsidiary Funcom, entered into Early Access in April 2022. We and Electronic Arts have jointly developed Apex Legends Mobile, a hero shooter battle royale game based on one of the most successful new PC/console IPs in recent years, which was launched in May 2022.

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<sup>1</sup> Source: QuestMobile, 1Q22

<sup>2</sup> Source: data.ai

### *Online Advertising*

For 2022 second quarter-to-date, overall advertising sentiment remained weak as advertisers in categories such as FMCG, eCommerce and travel have reduced their spending significantly. Amid the difficult market environment, we continue to invest in our advertising system and are upgrading our machine learning infrastructure to process data more efficiently. The upgrade should enable us to deliver better targeting and conversion rates for advertisers.

### *FinTech*

Commercial payment activities have been weak since mid March 2022, due to the resurgence of COVID-19 in several cities in China, which negatively affected payment volume growth in categories such as transportation, dining services and apparel.

### *Cloud and Other Business Services*

As we re-focused on healthy growth for Business Services, we scaled back loss-making activities, and concentrated resources on our PaaS solutions in areas such as video cloud and cybersecurity. Taking advantage of our accumulated experience in providing in-house interactive entertainment and video chat services, and our low-latency network infrastructure, we are increasingly migrating our clients from basic CDN services to sophisticated video-on-demand, live streaming and real-time communication solutions. According to Gartner, Tencent ranked first in China by CPaaS revenues<sup>3</sup>. In cybersecurity, we expanded our client base across network, endpoint and business operation security solutions, fulfilling enterprises' growing needs for protection against cyber-attacks, and for cybersecurity compliance.

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<sup>3</sup> Source: Gartner's "Market Share: All Software, Markets, Worldwide, 2021"



## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2022 Compared to First Quarter of 2021

The following table sets forth the comparative figures for the first quarter of 2022 and the first quarter of 2021:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>
	(RMB in millions)	
Revenues	<b>135,471</b>	135,303
Cost of revenues	<b>(78,397)</b>	(72,668)
Gross profit	<b>57,074</b>	62,635
Interest income	<b>1,737</b>	1,614
Other gains, net	<b>13,133</b>	19,521
Selling and marketing expenses	<b>(8,058)</b>	(8,530)
General and administrative expenses	<b>(26,669)</b>	(18,967)
Operating profit	<b>37,217</b>	56,273
Finance costs, net	<b>(1,935)</b>	(1,367)
Share of (loss)/profit of associates and joint ventures, net	<b>(6,280)</b>	1,348
Profit before income tax	<b>29,002</b>	56,254
Income tax expense	<b>(5,269)</b>	(7,246)
Profit for the period	<b>23,733</b>	49,008
Attributable to:		
Equity holders of the Company	<b>23,413</b>	47,767
Non-controlling interests	<b>320</b>	1,241
	<b>23,733</b>	49,008
Non-IFRS operating profit	<b>36,538</b>	42,758
Non-IFRS profit attributable to equity holders of the Company	<b>25,545</b>	33,118

*Revenues.* Revenues were RMB135.5 billion for the first quarter of 2022, broadly stable compared to the first quarter of 2021. The following table sets forth our revenues by line of business for the first quarter of 2022 and the first quarter of 2021:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2022</b>		31 March 2021	
	<b>Amount</b>	<b>% of total revenues</b>	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	<b>72,738</b>	<b>54%</b>	72,443	54%
Online Advertising	<b>17,988</b>	<b>13%</b>	21,820	16%
FinTech and Business Services	<b>42,768</b>	<b>32%</b>	39,028	29%
Others	<b>1,977</b>	<b>1%</b>	2,012	1%
Total revenues	<b><u>135,471</u></b>	<b><u>100%</u></b>	<u>135,303</u>	<u>100%</u>

- Revenues from VAS<sup>4</sup> were RMB72.7 billion for the first quarter of 2022, broadly stable compared to the first quarter of 2021. Domestic Games revenues decreased by 1% to RMB33.0 billion, as direct and indirect effects of the minor protection measures impacted active user and paying user counts. During the quarter, the incremental revenues generated by recently launched games, such as League of Legends: Wild Rift and Fight of The Golden Spatula, were largely offset by the decrease in revenues from games such as Moonlight Blade Mobile and Call of Duty Mobile. International Games revenues grew by 4% to RMB10.6 billion, or 8% in constant currency terms, reflecting an increase in revenues from games including VALORANT and Clash of Clans, partly offset by a decrease in revenues from PUBG Mobile as user spending normalised post-COVID. Social Networks revenues grew by 1% to RMB29.1 billion, reflecting increased revenue from our Video Accounts live streaming service, largely offset by decreased revenues from music- and games-related live streaming services.

<sup>4</sup> Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 3% year-on-year to RMB40.3 billion, while PC client games revenues grew by 2% year-on-year to RMB12.1 billion for the first quarter of 2022.

- Revenues from Online Advertising decreased by 18% to RMB18.0 billion for the first quarter of 2022 on a year-on-year basis, reflecting weak demand from advertiser categories including education, Internet services and eCommerce, plus regulatory changes impacting the online advertising industry itself, partly offset by solid demand from the FMCG category, as well as our consolidation of Sogou’s advertising revenue. Social and Others Advertising revenues decreased by 15% to RMB15.7 billion, primarily due to sharply lower advertising revenues from our mobile advertising network, which was particularly affected by the regulatory changes, partly offset by greater advertising revenues from Official Accounts, driven by the popularity of notification feeds ads. Media Advertising revenues decreased by 30% to RMB2.3 billion, reflecting lower advertising revenues from our media platforms including Tencent News and Tencent Video, partly offset by advertising revenue contribution from the Beijing 2022 Winter Olympics.
- Revenues from FinTech and Business Services increased by 10% to RMB42.8 billion for the first quarter of 2022 on a year-on-year basis. FinTech Services year-on-year revenue growth moderated as COVID-19 resurgence in March 2022 impacted commercial payment volume. Business Services revenue recorded a mild year-on-year decrease, as we repositioned our IaaS service from revenue scale-up at all costs to self-sustained growth, and proactively reduced loss-making contracts.

*Cost of revenues.* Cost of revenues increased by 8% to RMB78.4 billion for the first quarter of 2022 on a year-on-year basis, primarily driven by higher server and bandwidth costs, higher transaction costs to handle greater payment-related transaction volumes, as well as higher content costs, partly offset by decreased channel and distribution costs. As a percentage of revenues, cost of revenues increased to 58% for the first quarter of 2022 from 54% for the first quarter of 2021, reflecting costs growing while revenues were stable or declined in certain businesses, and our continued investments in key strategic areas. The following table sets forth our cost of revenues by line of business for the first quarter of 2022 and the first quarter of 2021:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2022</b>		<b>31 March 2021</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount</b>	<b>% of segment revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>36,055</b>	<b>50%</b>	32,533	45%
Online Advertising	<b>11,394</b>	<b>63%</b>	11,986	55%
FinTech and Business Services	<b>29,269</b>	<b>68%</b>	26,430	68%
Others	<b>1,679</b>	<b>85%</b>	1,719	85%
Total cost of revenues	<b><u>78,397</u></b>		<b><u>72,668</u></b>	

- Cost of revenues for VAS increased by 11% to RMB36.1 billion for the first quarter of 2022 on a year-on-year basis, primarily driven by increased revenue sharing costs associated with our Video Accounts live streaming service, content costs for games, as well as server and bandwidth costs.
- Cost of revenues for Online Advertising decreased by 5% to RMB11.4 billion for the first quarter of 2022 on a year-on-year basis, reflecting decreased channel and distribution costs, partly offset by increased server and bandwidth costs including those associated with our Video Accounts, as well as content costs associated with the Beijing 2022 Winter Olympics.
- Cost of revenues for FinTech and Business Services increased by 11% to RMB29.3 billion for the first quarter of 2022 on a year-on-year basis, reflecting increased transaction costs due to payment volume growth, as well as increased server and bandwidth costs.

*Other gains, net.* We recorded net other gains of RMB13.1 billion for the first quarter of 2022, which were primarily non-IFRS adjustment items such as net gains on deemed disposals and disposals of certain investee companies (including a RMB18.5 billion gain arising from our partial divestment of Sea Limited), partly offset by impairment provisions against certain investee companies in verticals such as transportation services and online media.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 6% to RMB8.1 billion for the first quarter of 2022 on a year-on-year basis, primarily due to reduced marketing spending as part of our expense optimisation measures. As a percentage of revenues, selling and marketing expenses was 6% for the first quarter of 2022, broadly stable compared to the first quarter of 2021.

*General and administrative expenses.* General and administrative expenses increased by 41% to RMB26.7 billion for the first quarter of 2022 on a year-on-year basis, driven by higher share-based compensation expenses, R&D expenses and staff costs reflecting our headcount increase due to on-going investments in key strategic areas, greater expenses incurred by our overseas subsidiaries, as well as expenses from recently acquired subsidiaries.

*Finance costs, net.* Net finance costs increased by 42% to RMB1.9 billion for the first quarter of 2022 on a year-on-year basis, reflecting greater interest expenses as a result of increased indebtedness, and lower foreign exchange gains.

*Share of loss/profit of associates and joint ventures, net.* We recorded share of losses of associates and joint ventures of RMB6.3 billion for the first quarter of 2022, compared to share of profits of RMB1.3 billion for the first quarter of 2021. Non-IFRS share of losses of associates and joint ventures were RMB2.2 billion for the first quarter of 2022, compared to non-IFRS share of profits of RMB0.5 billion for the first quarter of 2021, primarily reflecting revenue declines at certain overseas associates in the games industry due to post-COVID normalisation in user spending, the impact from JD.com ceasing to be an associate, and losses recognised from associates in the transportation services vertical.

*Income tax expense.* Income tax expense decreased by 27% to RMB5.3 billion for the first quarter of 2022 on a year-on-year basis.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company decreased by 51% to RMB23.4 billion for the first quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company decreased by 23% to RMB25.5 billion for the first quarter of 2022 on a year-on-year basis, as costs and expenses generally increased faster than revenues, and as net associate contributions moved from profits to losses.

## First Quarter of 2022 Compared to Fourth Quarter of 2021

The following table sets forth the comparative figures for the first quarter of 2022 and the fourth quarter of 2021:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	(RMB in millions)	
Revenues	<b>135,471</b>	144,188
Cost of revenues	<b>(78,397)</b>	(86,371)
Gross profit	<b>57,074</b>	57,817
Interest income	<b>1,737</b>	1,703
Other gains, net	<b>13,133</b>	86,199
Selling and marketing expenses	<b>(8,058)</b>	(11,616)
General and administrative expenses	<b>(26,669)</b>	(24,380)
Operating profit	<b>37,217</b>	109,723
Finance costs, net	<b>(1,935)</b>	(1,863)
Share of losses of associates and joint ventures, net	<b>(6,280)</b>	(8,267)
Profit before income tax	<b>29,002</b>	99,593
Income tax expense	<b>(5,269)</b>	(3,888)
Profit for the period	<b>23,733</b>	95,705
Attributable to:		
Equity holders of the Company	<b>23,413</b>	94,958
Non-controlling interests	<b>320</b>	747
	<b>23,733</b>	95,705
Non-IFRS operating profit	<b>36,538</b>	33,151
Non-IFRS profit attributable to equity holders of the Company	<b>25,545</b>	24,880

*Revenues.* Revenues decreased by 6% to RMB135.5 billion for the first quarter of 2022 on a quarter-on-quarter basis.

- Revenues from VAS increased by 1% to RMB72.7 billion for the first quarter of 2022. Domestic Games revenues increased by 11% to RMB33.0 billion, due to a seasonal upturn in revenues from games including Honour of Kings, CrossFire Mobile and DnF. International Games revenues decreased by 20% to RMB10.6 billion, reflecting a decrease in revenues from games such as PUBG Mobile, and the high-base effect of Supercell’s revenue true-up adjustment recorded in the fourth quarter of 2021. Social Networks revenues were RMB29.1 billion, broadly stable compared to the fourth quarter of 2021, as the increase in revenues from in-game item sales and our Video Accounts live streaming service was largely offset by the decrease in revenues from music- and games-related live streaming services.
- Revenues from Online Advertising decreased by 16% to RMB18.0 billion for the first quarter of 2022, reflecting negative seasonality and weak advertising demand due to regulatory and macroeconomic headwinds. Social and Others Advertising revenues decreased by 15% to RMB15.7 billion, reflecting lower advertising revenues across many of our properties, and in particular our mobile advertising network. Media Advertising revenues decreased by 27% to RMB2.3 billion, reflecting lower advertising revenues from Tencent Video and Tencent News services.
- Revenues from FinTech and Business Services decreased by 11% to RMB42.8 billion for the first quarter of 2022. The FinTech Services revenue decrease reflected a seasonal downturn in social payment volume during the Chinese New Year period, and weak commercial payment volume in March due to domestic COVID-19 resurgence. Business Services revenues dropped sequentially, reflecting seasonally fewer cloud project deployments as well as our recent initiatives to reduce loss-making contracts.

*Cost of revenues.* Cost of revenues decreased by 9% to RMB78.4 billion for the first quarter of 2022 on a quarter-on-quarter basis, primarily reflecting decreased cloud project deployment costs, content costs, transaction costs of FinTech services, as well as channel and distribution costs. As a percentage of revenues, cost of revenues decreased to 58% for the first quarter of 2022 from 60% for the fourth quarter of 2021.

- Cost of revenues for VAS decreased by 2% to RMB36.1 billion for the first quarter of 2022, primarily reflecting reduced revenue sharing costs associated with live streaming services due to seasonally lower live streaming revenues, and decreased content costs due to fewer eSports events.

- Cost of revenues for Online Advertising decreased by 8% to RMB11.4 billion for the first quarter of 2022, reflecting decreased channel and distribution costs as well as content costs.
- Cost of revenues for FinTech and Business Services decreased by 16% to RMB29.3 billion for the first quarter of 2022, reflecting decreased cloud project deployment costs as well as reduced bank charges for payment services due to lower payment volume.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 31% to RMB8.1 billion for the first quarter of 2022 on a quarter-on-quarter basis, reflecting lower marketing spending on games and Business Services due to both seasonality and expense optimisation measures.

*General and administrative expenses.* General and administrative expenses increased by 9% to RMB26.7 billion for the first quarter of 2022 on a quarter-on-quarter basis, reflecting higher share-based compensation expenses and staff costs.

*Share of losses of associates and joint ventures, net.* We recorded share of losses of associates and joint ventures of RMB6.3 billion for the first quarter of 2022, compared to share of losses of RMB8.3 billion for the fourth quarter of 2021. Non-IFRS share of losses of associates and joint ventures were RMB2.2 billion for the first quarter of 2022, compared to non-IFRS share of losses of RMB0.8 billion for the fourth quarter of 2021, reflecting seasonal revenue declines at certain overseas associates in the games industry, as well as the impact from JD.com ceasing to be an associate.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company decreased by 75% to RMB23.4 billion for the first quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 3% to RMB25.5 billion for the first quarter of 2022, reflecting our optimisation measures to reduce marketing spending, partly offset by widened share of losses from associates.



## Other Financial Information

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2022</b>	2021	2021
	(RMB in millions, unless specified)		
EBITDA (a)	<b>38,283</b>	36,568	49,355
Adjusted EBITDA (a)	<b>46,102</b>	42,267	52,927
Adjusted EBITDA margin (b)	<b>34%</b>	29%	39%
Interest and related expenses	<b>2,103</b>	2,188	1,726
Net (debt)/cash (c)	<b>(11,035)</b>	(20,243)	5,581
Capital expenditures (d)	<b>6,971</b>	11,661	7,734

Note:

- (a) EBITDA is calculated as operating profit minus interest income and other gains/losses, net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, and amortisation of intangible assets and land use rights. Adjusted EBITDA is calculated as EBITDA plus equity-settled share-based compensation expenses.
- (b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- (c) Net (debt)/cash represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding video and music content, game licences and other content).

The following table reconciles our operating profit to our EBITDA and Adjusted EBITDA for the periods presented:

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2022</b>	2021	2021
	(RMB in millions, unless specified)		
Operating profit	<b>37,217</b>	109,723	56,273
Adjustments:			
Interest income	<b>(1,737)</b>	(1,703)	(1,614)
Other gains, net	<b>(13,133)</b>	(86,199)	(19,521)
Depreciation of property, plant and equipment and investment properties	<b>5,686</b>	5,466	5,303
Depreciation of right-of-use assets	<b>1,636</b>	1,376	1,055
Amortisation of intangible assets and land use rights	<b>8,614</b>	7,905	7,859
EBITDA	<b>38,283</b>	36,568	49,355
Equity-settled share-based compensation	<b>7,819</b>	5,699	3,572
Adjusted EBITDA	<b>46,102</b>	42,267	52,927

### **Non-IFRS Financial Measures**

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS) have been presented in this announcement. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the first quarter of 2022 and 2021, the fourth quarter of 2021 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 March 2022									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV& CPP	Others	Income tax effects	Non-IFRS	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
(RMB in millions, unless specified)									
Operating profit	37,217	8,136	(18,559)	1,388	7,003	1,348	5	–	36,538
Profit for the period	23,733	9,635	(18,552)	3,163	7,832	1,348	5	(868)	26,296
Profit attributable to equity holders	23,413	9,452	(18,542)	2,857	7,827	1,348	5	(815)	25,545
EPS (RMB per share)									
– basic	2.455								2.678
– diluted	2.404								2.620
Operating margin	27%								27%
Net margin	18%								19%

Unaudited three months ended 31 December 2021									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV& CPP	Others	Income tax effects	Non-IFRS	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
(RMB in millions, unless specified)									
Operating profit	109,723	5,664	(100,349)	1,316	15,217	604	976	–	33,151
Profit for the period	95,705	7,880	(98,046)	3,340	15,573	604	1,568	(866)	25,758
Profit attributable to equity holders	94,958	7,776	(97,804)	3,010	15,573	604	1,567	(804)	24,880
EPS (RMB per share)									
– basic	9.957								2.609
– diluted	9.788								2.547
Operating margin	76%								23%
Net margin	66%								18%

Unaudited three months ended 31 March 2021

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (g)	
	(RMB in millions, unless specified)						
Operating profit	56,273	3,704	(18,331)	1,062	50	–	42,758
Profit for the period	49,008	5,036	(22,231)	2,699	178	(187)	34,503
Profit attributable to equity holders	47,767	4,855	(21,829)	2,352	178	(205)	33,118
EPS (RMB per share)							
– basic	5.020						3.481
– diluted	4.917						3.415
Operating margin	42%						32%
Net margin	36%						26%

Note:

- (a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies
- (c) Amortisation of intangible assets resulting from acquisitions
- (d) Impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives (excluding share-based compensation expenses)
- (f) Mainly including expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements
- (g) Income tax effects of non-IFRS adjustments

## Liquidity and Financial Resources

Our cash and debt positions as at 31 March 2022 and 31 December 2021 were as follows:

	<b>Unaudited 31 March 2022</b>	Audited 31 December 2021
	(RMB in millions)	
Cash and cash equivalents	<b>188,826</b>	167,966
Term deposits and others	<b>115,242</b>	113,320
	<b>304,068</b>	281,286
Borrowings	<b>(170,123)</b>	(155,939)
Notes payable	<b>(144,980)</b>	(145,590)
Net debt	<b><u>(11,035)</u></b>	<b><u>(20,243)</u></b>

As at 31 March 2022, the Group had net debt of RMB11.0 billion, compared to net debt of RMB20.2 billion as at 31 December 2021. The sequential improvement was mainly due to free cash flow generation and on-market divestitures of certain listed securities, partly offset by our strategic investments in other companies.

For the first quarter of 2022, the Group had free cash flow of RMB15.2 billion. This was a result of net cash flow generated from operating activities of RMB33.8 billion, offset by payments for capital expenditures of RMB8.2 billion, payments for media content of RMB8.9 billion, and payments for lease liabilities of RMB1.5 billion.

As at 31 March 2022, the fair value of our shareholdings<sup>5</sup> in listed investee companies (excluding subsidiaries) was RMB606.0 billion.

<sup>5</sup> Including those held via special purpose vehicles, on an attributable basis.

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

		<b>Unaudited</b>	
		<b>Three months ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
	Note	RMB'Million	RMB'Million
<b>Revenues</b>			
Value-added Services		72,738	72,443
Online Advertising		17,988	21,820
FinTech and Business Services		42,768	39,028
Others		1,977	2,012
	2	<u>135,471</u>	135,303
Cost of revenues	4	<u>(78,397)</u>	<u>(72,668)</u>
<b>Gross profit</b>		<b>57,074</b>	62,635
Interest income		1,737	1,614
Other gains, net	3	13,133	19,521
Selling and marketing expenses	4	(8,058)	(8,530)
General and administrative expenses	4	<u>(26,669)</u>	<u>(18,967)</u>
<b>Operating profit</b>		<b>37,217</b>	56,273
Finance costs, net		(1,935)	(1,367)
Share of (loss)/profit of associates and joint ventures, net		<u>(6,280)</u>	1,348
<b>Profit before income tax</b>		<b>29,002</b>	56,254
Income tax expense	5	<u>(5,269)</u>	<u>(7,246)</u>
<b>Profit for the period</b>		<b><u>23,733</u></b>	<b><u>49,008</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		23,413	47,767
Non-controlling interests		<u>320</u>	<u>1,241</u>
		<b><u>23,733</u></b>	<b><u>49,008</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>			
– basic	6(a)	<u>2.455</u>	<u>5.020</u>
– diluted	6(b)	<u>2.404</u>	<u>4.917</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB' Million</b>	<b>RMB' Million</b>
<b>Profit for the period</b>	<b>23,733</b>	49,008
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	(50)	288
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	(3)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(16)	–
Currency translation differences	(4,461)	(5,908)
Other fair value gains	3,217	1,163
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	187	381
Loss from changes in fair value of assets held for distribution	(17,130)	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(58,850)	18,483
Currency translation differences	(142)	207
	<u>(77,245)</u>	<u>14,611</u>
<b>Total comprehensive income for the period</b>	<b><u>(53,512)</u></b>	<b><u>63,619</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	(52,277)	63,756
Non-controlling interests	(1,235)	(137)
	<u>(53,512)</u>	<u>63,619</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

		<b>Unaudited 31 March 2022</b>	Audited 31 December 2021
	Note	RMB'Million	RMB'Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>61,560</b>	61,914
Land use rights		<b>18,451</b>	17,728
Right-of-use assets		<b>22,091</b>	20,468
Construction in progress		<b>6,529</b>	5,923
Investment properties		<b>589</b>	517
Intangible assets		<b>178,712</b>	171,376
Investments in associates	8	<b>309,630</b>	316,574
Investments in joint ventures		<b>6,509</b>	6,614
Financial assets at fair value through profit or loss	9	<b>197,161</b>	192,184
Financial assets at fair value through other comprehensive income	10	<b>189,993</b>	250,257
Prepayments, deposits and other assets		<b>37,093</b>	37,177
Other financial assets		<b>4,222</b>	1,261
Deferred income tax assets		<b>27,616</b>	26,068
Term deposits		<b>21,124</b>	19,491
		<b>1,081,280</b>	1,127,552
<b>Current assets</b>			
Inventories		<b>2,712</b>	1,063
Accounts receivable	11	<b>52,774</b>	49,331
Prepayments, deposits and other assets		<b>69,961</b>	65,390
Other financial assets		<b>1,568</b>	1,749
Financial assets at fair value through profit or loss	9	<b>11,742</b>	10,573
Term deposits		<b>82,604</b>	83,813
Restricted cash		<b>2,691</b>	2,476
Cash and cash equivalents		<b>188,826</b>	167,966
Assets held for distribution		<b>–</b>	102,451
		<b>412,878</b>	484,812
<b>Total assets</b>		<b>1,494,158</b>	1,612,364



		<b>Unaudited</b>	Audited
		<b>31 March</b>	31 December
		<b>2022</b>	2021
	Note	<b>RMB' Million</b>	RMB' Million
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		–	–
Share premium		<b>71,817</b>	67,330
Treasury shares		<b>(1,222)</b>	–
Shares held for share award schemes		<b>(4,686)</b>	(4,843)
Other reserves		<b>9,094</b>	73,901
Retained earnings		<b>702,856</b>	669,911
		<b>777,859</b>	806,299
<b>Non-controlling interests</b>		<b>67,418</b>	70,394
<b>Total equity</b>		<b>845,277</b>	876,693
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	<b>148,467</b>	136,936
Notes payable	15	<b>135,465</b>	145,590
Long-term payables		<b>9,377</b>	9,966
Other financial liabilities		<b>5,783</b>	5,912
Deferred income tax liabilities		<b>12,524</b>	13,142
Lease liabilities		<b>17,981</b>	16,501
Deferred revenue		<b>4,562</b>	4,526
		<b>334,159</b>	332,573
<b>Current liabilities</b>			
Accounts payable	13	<b>112,512</b>	109,470
Other payables and accruals		<b>48,437</b>	60,582
Borrowings	14	<b>21,656</b>	19,003
Notes payable	15	<b>9,515</b>	–
Current income tax liabilities		<b>13,968</b>	12,506
Other tax liabilities		<b>2,456</b>	2,240
Other financial liabilities		<b>3,326</b>	3,554
Lease liabilities		<b>5,927</b>	5,446
Deferred revenue		<b>96,925</b>	87,846
Dividends payable for distribution in specie	7(b)	–	102,451
		<b>314,722</b>	403,098
<b>Total liabilities</b>		<b>648,881</b>	735,671
<b>Total equity and liabilities</b>		<b>1,494,158</b>	1,612,364

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
<b>Balance at 1 January 2022</b>	-	67,330	-	(4,843)	73,901	669,911	806,299	70,394	876,693
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	23,413	23,413	320	23,733
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	106	-	106	31	137
– loss from changes in fair value of assets held for distribution	-	-	-	-	(17,130)	-	(17,130)	-	(17,130)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(57,681)	-	(57,681)	(1,185)	(58,866)
– currency translation differences	-	-	-	-	(4,137)	-	(4,137)	(466)	(4,603)
– other fair value gains, net	-	-	-	-	3,152	-	3,152	65	3,217
<b>Total comprehensive income for the period</b>	-	-	-	-	(75,690)	23,413	(52,277)	(1,235)	(53,512)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	8,264	(8,264)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	1,444	-	1,444	-	1,444
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(282)	-	(282)	-	(282)
<b>Transactions with equity holders</b>									
Capital injection	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
– value of employee services	-	552	-	-	14	-	566	14	580
– proceeds from shares issued	-	167	-	-	-	-	167	-	167
Employee share award schemes:									
– value of employee services	-	6,707	-	-	327	-	7,034	109	7,143
– shares withheld for share award schemes	-	-	-	(983)	-	-	(983)	-	(983)
– vesting of awarded shares	-	(1,140)	-	1,140	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	4	-	4	-	4
Profit appropriations to statutory reserves	-	-	-	-	13	(13)	-	-	-
Repurchase and cancellation of shares	-	(1,799)	-	-	-	-	(1,799)	-	(1,799)
Repurchase of shares (not yet cancelled)	-	-	(1,222)	-	-	-	(1,222)	-	(1,222)
Cash dividends	-	-	-	-	-	-	-	(208)	(208)
Dividends distribution in specie (Note 7(b))	-	-	-	-	-	17,809	17,809	-	17,809
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	228	228
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	(129)	-	(129)	(388)	(517)
Dilution of interests in subsidiaries	-	-	-	-	(124)	-	(124)	50	(74)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	(22)	-	(22)	-	(22)
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	1,549	-	1,549	(1,549)	-
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	-	4,487	(1,222)	157	1,457	17,796	22,675	(1,741)	20,934
<b>Balance at 31 March 2022</b>	-	71,817	(1,222)	(4,686)	9,094	702,856	777,859	67,418	845,277

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Balance at 1 January 2021</b>	–	48,793	(4,412)	121,139	538,464	703,984	74,059	778,043
<b>Comprehensive income</b>								
Profit for the period	–	–	–	–	47,767	47,767	1,241	49,008
Other comprehensive income, net of tax:								
– share of other comprehensive income of associates and joint ventures	–	–	–	679	–	679	(10)	669
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	(3)	–	(3)	–	(3)
– net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	19,199	–	19,199	(716)	18,483
– currency translation differences	–	–	–	(4,996)	–	(4,996)	(705)	(5,701)
– other fair value gains, net	–	–	–	1,110	–	1,110	53	1,163
<b>Total comprehensive income for the period</b>	–	–	–	15,989	47,767	63,756	(137)	63,619
Transfer of gains on disposal of financial instruments to retained earnings	–	–	–	(4,024)	4,024	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	1,195	–	1,195	1	1,196
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	(1)	–	(1)	5	4
<b>Transactions with equity holders</b>								
Capital injection	–	–	–	–	–	–	130	130
Employee share option schemes:								
– value of employee services	–	396	–	13	–	409	14	423
– proceeds from shares issued	–	202	–	–	–	202	–	202
Employee share award schemes:								
– value of employee services	–	2,865	–	175	–	3,040	127	3,167
– shares withheld for share award schemes	–	–	(738)	–	–	(738)	–	(738)
– vesting of awarded shares	–	(403)	403	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	104	–	104	–	104
Profit appropriations to statutory reserves	–	–	–	36	(36)	–	–	–
Dividends	–	–	–	–	–	–	(88)	(88)
Distributions from a non wholly-owned subsidiary	–	–	–	–	–	–	(1,401)	(1,401)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	256	256
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	(181)	–	(181)	(226)	(407)
Dilution of interests in subsidiaries	–	–	–	156	–	156	359	515
Changes in put option liabilities in respect of non-controlling interests	–	–	–	174	–	174	52	226
Recognition of put option liabilities arising from business combinations	–	–	–	(105)	–	(105)	–	(105)
Transfer of equity interests of subsidiaries to non-controlling interests	–	–	–	(10,183)	–	(10,183)	10,183	–
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	–	3,060	(335)	(9,811)	(36)	(7,122)	9,406	2,284
<b>Balance at 31 March 2021</b>	–	51,853	(4,747)	124,487	590,219	761,812	83,334	845,146

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Net cash flows generated from operating activities</b>	<b>33,822</b>	51,004
<b>Net cash flows used in investing activities</b>	<b>(20,105)</b>	(55,036)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>7,597</b>	(487)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,314</b>	(4,519)
Cash and cash equivalents at beginning of the period	<b>167,966</b>	152,798
Exchange (losses)/gains on cash and cash equivalents	<b>(454)</b>	342
<b>Cash and cash equivalents at end of the period</b>	<b><u>188,826</u></b>	<b><u>148,621</u></b>

**Note:**

**1 General information, basis of preparation and presentation**

The Company was incorporated in the Cayman Islands with limited liability. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 June 2004.

The Company is an investment holding company. The Group is principally engaged in the provision of VAS, Online Advertising services and FinTech and Business Services.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 31 March 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory information (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with IFRS, as set out in the 2021 annual report of the Company dated 23 March 2022 (the “2021 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2021 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair values.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 Cycle

The adoption of these amended standards does not have significant impact on the consolidated financial statements of the Group.

## 2 Segment information

The Group has the following reportable segments for the three months ended 31 March 2022 and 2021:

- VAS;
- Online Advertising;
- FinTech and Business Services; and
- Others.

The “Others” business segment consists of the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities.

There were no material inter-segment sales during the three months ended 31 March 2022 and 2021. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three months ended 31 March 2022 and 2021 is as follows:

	Unaudited Three months ended 31 March 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>72,738</u>	<u>17,988</u>	<u>42,768</u>	<u>1,977</u>	<u>135,471</u>
Gross profit	<u>36,683</u>	<u>6,594</u>	<u>13,499</u>	<u>298</u>	<u>57,074</u>
Cost of revenues					
Depreciation	1,714	1,558	2,501	27	5,800
Amortisation	<u>4,946</u>	<u>2,359</u>	<u>64</u>	<u>448</u>	<u>7,817</u>
	Unaudited Three months ended 31 March 2021				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>72,443</u>	<u>21,820</u>	<u>39,028</u>	<u>2,012</u>	<u>135,303</u>
Gross profit	<u>39,910</u>	<u>9,834</u>	<u>12,598</u>	<u>293</u>	<u>62,635</u>
Cost of revenues					
Depreciation	1,414	1,225	2,634	23	5,296
Amortisation	<u>4,685</u>	<u>1,892</u>	<u>13</u>	<u>607</u>	<u>7,197</u>

### 3 Other gains, net

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals		
of investee companies (a)	18,892	3,484
Net fair value (losses)/gains on FVPL ((b) and Note 9)	(355)	14,740
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (c)	(7,003)	(50)
Subsidies and tax rebates	2,920	2,530
Net fair value gains on other financial instruments	75	109
Donations (d)	(1,273)	(1,600)
Dividend income	43	150
Others (e)	(166)	158
	<b>13,133</b>	<b>19,521</b>
	<b>13,133</b>	<b>19,521</b>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB18,892 million recognised during the three months ended 31 March 2022 mainly comprised the following:
- gain of approximately RMB18,481 million arising from partial divestment of Sea Limited (NYSE: SE), an existing associate of the Group, details of which are explained in Note 8(b); and
  - aggregate net gains of approximately RMB715 million (three months ended 31 March 2021: RMB1,580 million) on disposals, partial disposals or deemed disposals of various investments of the Group, and net losses of approximately RMB304 million (net gains during three months ended 31 March 2021: RMB1,904 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 8). These investee companies are principally engaged in online video-sharing platform, games developing and Internet-related businesses.
- (b) During the three months ended 31 March 2022, the net fair value losses on FVPL comprised net losses of approximately RMB408 million as a result of decrease in valuations of certain investee companies, and net gains of approximately RMB53 million associated with treasury investments (net gains during three months ended 31 March 2021: RMB14,738 million and RMB2 million, respectively).

- (c) The impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions mainly comprised the following:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
Investments in associates (Note 8(c))	<b>(7,000)</b>	–
Investments in joint ventures and others	<b>(3)</b>	–
Goodwill and other intangible assets arising from acquisitions	–	(50)
	<b>(7,003)</b>	<b>(50)</b>

- (d) The donations mainly included RMB1,253 million for SSV & CPP.
- (e) During the three months ended 31 March 2022, expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements were approximately RMB5 million (three months ended 31 March 2021: nil).

#### 4 Expenses by nature

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
Transaction costs (a)	<b>30,899</b>	31,653
Employee benefits expenses (b)	<b>29,229</b>	20,401
Content costs (excluding amortisation of intangible assets)	<b>15,733</b>	14,819
Amortisation of intangible assets (c)	<b>8,597</b>	7,843
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	<b>7,476</b>	6,215
Depreciation of property, plant and equipment, investment properties and right-of-use assets	<b>7,322</b>	6,358
Promotion and advertising expenses	<b>5,339</b>	6,481

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three months ended 31 March 2022, the Group had incurred expenses for the purpose of R&D of approximately RMB15,383 million (three months ended 31 March 2021: approximately RMB11,301 million), which mainly comprised employee benefits expenses of approximately RMB13,067 million (three months ended 31 March 2021: approximately RMB9,442 million).

During the three months ended 31 March 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB8,136 million (three months ended 31 March 2021: approximately RMB3,704 million), which contained those incurred for SSV & CPP of approximately RMB16 million (three months ended 31 March 2021: nil).

No significant development expenses had been capitalised for the three months ended 31 March 2022 and 2021.



- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the three months ended 31 March 2022, amortisation of media content was approximately RMB7,638 million (three months ended 31 March 2021: approximately RMB7,155 million).

During the three months ended 31 March 2022, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB1,388 million (three months ended 31 March 2021: approximately RMB1,062 million).

- (d) During the three months ended 31 March 2022, expenses incurred for SSV & CPP (excluding share-based compensation expenses) were approximately RMB95 million (three months ended 31 March 2021: nil).

## **5 Income tax expense**

Income tax expense is recognised based on management's best knowledge of the income tax rates expected for the financial year.

### **(a) Cayman Islands and British Virgin Islands corporate income tax**

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three months ended 31 March 2022 and 2021.

### **(b) Hong Kong profits tax**

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the three months ended 31 March 2022 and 2021.

### **(c) PRC CIT**

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three months ended 31 March 2022 and 2021. The general PRC CIT rate is 25% for the three months ended 31 March 2022 and 2021.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise and they were subject to a preferential corporate income tax rate of 15% for the three months ended 31 March 2022 and 2021.

In addition, certain subsidiaries of the Company are entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments.

**(d) Corporate income tax in other jurisdictions**

Income tax on profit arising from other jurisdictions, including the United States, Europe, Asia and South America, had been calculated on the estimated assessable profit for the three months ended 31 March 2022 and 2021 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

**(e) Withholding tax**

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the Mainland of China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland of China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

The income tax expense of the Group for the three months ended 31 March 2022 and 2021 is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
Current income tax	<b>7,018</b>	8,379
Deferred income tax	<b>(1,749)</b>	(1,133)
	<b><u>5,269</u></b>	<b><u>7,246</u></b>

**6 Earnings per share**

**(a) Basic**

Basic EPS 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 period.

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to equity holders of the Company (RMB'Million)	<b><u>23,413</u></b>	<b><u>47,767</u></b>
Weighted average number of ordinary shares in issue (million shares)	<b><u>9,538</u></b>	<b><u>9,514</u></b>
Basic EPS (RMB per share)	<b><u>2.455</u></b>	<b><u>5.020</u></b>

**(b) Diluted**

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS).

In addition, the profit attributable to equity holders (numerator) has been adjusted by the effect of the share options and restricted shares granted by the Company's non wholly-owned subsidiaries and associates, excluding those which have anti-dilutive effect on the Group's diluted EPS.

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
Profit attributable to equity holders of the Company (RMB' Million)	<b>23,413</b>	47,767
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB' Million)	<b>(121)</b>	(137)
	<u>23,292</u>	<u>47,630</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	<b>23,292</b>	47,630
Weighted average number of ordinary shares in issue (million shares)	<b>9,538</b>	9,514
Adjustments for share options and awarded shares (million shares)	<b>151</b>	173
	<u>9,689</u>	<u>9,687</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<b>9,689</b>	9,687
Diluted EPS (RMB per share)	<b>2.404</b>	4.917

**7 Dividends**

**(a) Final dividends**

A final dividend in respect of the year ended 31 December 2021 of HKD1.60 per share (2020: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 23 March 2022 and subject to the approval of the shareholders at the 2022 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

**(b) Interim dividend by way of distribution in specie**

On 23 December 2021, the Board resolved to declare a distribution of a special interim dividend by the Company in the form of a distribution in specie of approximately 457 million Class A ordinary shares of JD.com to the shareholders. The share certificates of the relevant shares of JD.com in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 25 March 2022 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB84.6 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the JD.com Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the JD.com Shares to be distributed. Upon the dispatch of the share certificates of the JD.com Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulated fair value losses of assets held for distribution amounting to approximately RMB11.8 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the three months ended 31 March 2022 and 2021.

**8 Investments in associates**

	<b>Unaudited 31 March 2022 RMB' Million</b>	<b>Audited 31 December 2021 RMB' Million</b>
Investments in associates		
– Listed entities (Note)	<b>191,501</b>	200,785
– Unlisted entities	<b>118,129</b>	115,789
	<b>309,630</b>	316,574

Note:

As at 31 March 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB424,554 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
<b>At beginning of period</b>	<b>316,574</b>	297,609
Additions (a)	<b>4,379</b>	17,207
Transfers	<b>2,205</b>	5,536
Dilution (losses)/gains on deemed disposals (Note 3(a))	<b>(304)</b>	1,904
Share of (loss)/profit of associates	<b>(6,246)</b>	1,348
Share of other comprehensive income of associates	<b>141</b>	668
Share of other changes in net assets of associates	<b>1,444</b>	1,196
Dividends	–	(15)
Disposals (b)	<b>(870)</b>	(1,812)
Impairment provision ((c) and Note 3(c))	<b>(7,000)</b>	–
Currency translation differences	<b>(693)</b>	(496)
	<hr/>	<hr/>
<b>At end of period</b>	<b>309,630</b>	323,145
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the three months ended 31 March 2022, the Group's additions to investments in associates comprised the new associates and additional investments in existing associates with an aggregate amount of approximately RMB4,379 million. These associates are principally engaged in FinTech, comic development, biotech and other Internet-related businesses.
- (b) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying value of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the "Transaction"). Upon the completion of the Transaction, the Group's equity interest in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in "Other gains, net" (Note 3(a)). Since the Group still has a board representative after the completion of the Transaction and has significant influence on Sea Limited, this investment continues to be accounted for as an associate.
- (c) During the three months ended 31 March 2022, an aggregate impairment loss of approximately RMB7,000 million (three months ended 31 March 2021: nil) had been recognised for associates with impairment indicators, and the majority of these associates' recoverable amounts were determined using fair value less costs of disposal.

## 9 Financial assets at fair value through profit or loss

FVPL include the following:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current assets:</b>		
Investments in listed entities	<b>16,665</b>	19,802
Investments in unlisted entities	<b>170,648</b>	163,382
Treasury investments and others	<b>9,848</b>	9,000
	<u><b>197,161</b></u>	<u>192,184</u>
<b>Included in current assets:</b>		
Investments in listed entities	<b>3</b>	4
Treasury investments and others	<b>11,739</b>	10,569
	<u><b>11,742</b></u>	<u>10,573</u>
	<u><b>208,903</b></u>	<u>202,757</u>

Movement of FVPL is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
<b>At beginning of period</b>	<b>202,757</b>	172,537
Additions and transfers (a)	<b>12,151</b>	12,271
Changes in fair value (Note 3)	<b>(355)</b>	14,740
Disposals and others	<b>(4,422)</b>	(6,766)
Currency translation differences	<b>(1,228)</b>	430
	<u><b>208,903</b></u>	<u>193,212</u>

Note:

- (a) During the three months ended 31 March 2022, the Group's additions mainly comprised new investments and additional investments with an aggregate amount of approximately RMB12,289 million in listed and unlisted entities. These companies are principally engaged in social media platform, video streaming platform and other Internet-related businesses. There were no material transfers of FVPL during the three months ended 31 March 2022.

## 10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
Equity investments in listed entities	<b>166,101</b>	227,788
Equity investments in unlisted entities	<b>22,689</b>	22,392
Treasury investments	<b>1,203</b>	77
	<b>189,993</b>	250,257

Movement of FVOCI is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'Million</b>	RMB'Million
<b>At beginning of period</b>	<b>250,257</b>	213,091
Additions and transfers (a)	<b>3,848</b>	12,966
Changes in fair value	<b>(59,350)</b>	18,169
Disposals	<b>(3,450)</b>	(5,914)
Currency translation differences	<b>(1,312)</b>	1,925
<b>At end of period</b>	<b>189,993</b>	240,237

Note:

- (a) During the three months ended 31 March 2022, the Group's additions and transfers mainly comprised the following:
- (i) additional investment in an entity engaged in social network platform of approximately USD325 million (equivalent to approximately RMB2,072 million);
  - (ii) new investments and additional investments with an aggregate amount of approximately RMB3,120 million in listed and unlisted entities. These companies are principally engaged in FinTech service and other Internet-related businesses; and
  - (iii) an existing investee company engaged in games development with a carrying value of approximately RMB657 million transferred from investment in FVOCI to a subsidiary upon completion of business combination (Note 16).

## 11 Accounts receivable

Accounts receivable and their ageing analysis, based on recognition date, are as follows:

	<b>Unaudited</b> <b>31 March</b> <b>2022</b> <b>RMB' Million</b>	Audited 31 December 2021 RMB' Million
0 ~ 30 days	<b>18,566</b>	21,639
31 ~ 60 days	<b>15,169</b>	13,255
61 ~ 90 days	<b>10,090</b>	6,105
Over 90 days	<b>8,949</b>	8,332
	<b>52,774</b>	49,331

Receivable balances as at 31 March 2022 and 31 December 2021 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, content production related customers, and third party platform providers.

Some online advertising customers and agencies are usually granted with a credit period within 30 to 90 days immediately following the month-end in which the relevant obligations under the relevant contracted advertising orders are delivered. Third party platform providers usually settle the amounts due by them within 60 days. Other customers, mainly including content production related customers and FinTech and cloud customers, are usually granted with a credit period within 90 days.

## 12 Share-based payments

### (a) Share option schemes

The Company has adopted five share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV.

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 31 March 2022, there were no outstanding options exercisable of the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III.

In respect of the Post-IPO Option Scheme IV which continues to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.



The Company allowed certain of the grantees under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and/or individual income tax payable when they exercised their options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2022 (Note)	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	-	-	HKD384.08	7,261,887	7,261,887
Exercised	HKD154.09	(323,224)	HKD298.65	(513,526)	(836,750)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD588.10	(969,296)	(988,772)
<b>At 31 March 2022</b>	<b>HKD192.02</b>	<b>34,803,417</b>	<b>HKD399.75</b>	<b>87,468,346</b>	<b>122,271,763</b>
<b>Exercisable as at 31 March 2022</b>	<b>HKD191.97</b>	<b>34,691,342</b>	<b>HKD371.92</b>	<b>33,338,126</b>	<b>68,029,468</b>
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	-	-	HKD618.00	8,428,843	8,428,843
Exercised	HKD145.22	(280,534)	HKD327.58	(612,672)	(893,206)
Lapsed/forfeited	-	-	HKD369.80	(109,452)	(109,452)
<b>At 31 March 2021</b>	<b>HKD205.82</b>	<b>37,154,600</b>	<b>HKD407.45</b>	<b>75,513,469</b>	<b>112,668,069</b>
<b>Exercisable as at 31 March 2021</b>	<b>HKD205.78</b>	<b>37,032,787</b>	<b>HKD376.47</b>	<b>21,393,771</b>	<b>58,426,558</b>

Note:

As a result of the Distribution in Specie (Note 7(b)), pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise price of the outstanding share options thereunder as at the Ex-dividend Date, and was reflected in the average exercise price of related outstanding share options listed above.

During the three months ended 31 March 2022, no options were granted to any director of the Company (three months ended 31 March 2021: 3,374,630 options were granted to an executive director of the Company) and 843,657 options previously granted were voluntarily waived in February 2022.

**(b) Share award schemes**

The Company has adopted the Share Award Schemes as of 31 March 2022, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the three months ended 31 March 2022 and 2021 are as follows:

	Number of awarded shares	
	Three months ended 31 March	
	2022	2021
At beginning of period	121,314,396	82,594,936
Granted (Note)	20,363,266	29,779,127
Lapsed/forfeited	(1,501,942)	(1,018,874)
Vested and transferred	(15,828,970)	(6,486,775)
At end of period	<u>124,346,750</u>	<u>104,868,414</u>
Vested but not transferred as at the end of period	<u>19,210</u>	<u>20,639</u>

Note:

As a result of the Distribution in Specie (Note 7(b)), pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at Ex-dividend Date. The number of awarded shares granted during the three months ended 31 March 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

During the three months ended 31 March 2022, 52,000 awarded shares were granted to four independent non-executive directors of the Company (three months ended 31 March 2021: 40,500 awarded shares were granted to four independent non-executive directors of the Company).

**13 Accounts payable**

Accounts payable and their ageing analysis, based on invoice date, are as follows:

	Unaudited	Audited
	31 March	31 December
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	103,468	102,396
31 ~ 60 days	5,114	2,999
61 ~ 90 days	614	1,329
Over 90 days	3,316	2,746
	<u>112,512</u>	<u>109,470</u>

## 14 Borrowings

	Unaudited 31 March 2022 RMB'Million	Audited 31 December 2021 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings, unsecured (a)	135,902	136,874
Non-current portion of long-term EUR bank borrowings, unsecured (a)	10	–
Non-current portion of long-term EUR bank borrowings, secured (a)	10	11
Non-current portion of long-term RMB bank borrowings, unsecured (a)	12,500	–
Non-current portion of long-term JPY bank borrowings, unsecured (a)	42	47
Non-current portion of long-term JPY bank borrowings, secured (a)	3	4
	<u>148,467</u>	<u>136,936</u>
<b>Included in current liabilities:</b>		
RMB bank borrowings, unsecured (b)	17,300	13,340
RMB bank borrowings, secured (b)	200	200
GBP bank borrowings, secured (b)	167	–
USD bank borrowings, secured (b)	35	–
Current portion of long-term USD bank borrowings, unsecured (a)	3,631	4,061
Current portion of long-term RMB bank borrowings, unsecured (a)	300	300
Current portion of long-term EUR bank borrowings, secured (a)	2	2
Current portion of long-term EUR bank borrowings, unsecured (a)	4	1,083
Current portion of long-term JPY bank borrowings, unsecured (a)	16	16
Current portion of long-term JPY bank borrowings, secured (a)	1	1
	<u>21,656</u>	<u>19,003</u>
	<u><u>170,123</u></u>	<u><u>155,939</u></u>

Note:

- (a) The aggregate principal amounts of long-term bank borrowings and applicable interest rates are as follows:

	Unaudited 31 March 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD21,920	LIBOR + 0.80% ~ 1.27%	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	USD60	1.41%	USD60	1.41%
EUR bank borrowings	EUR4	1.00% ~ 2.54%	EUR152	0.52% ~ 1.00%
RMB bank borrowings	RMB12,800	3.10% ~ 5.70%	RMB300	5.70%
JPY bank borrowings	JPY1,159	0.00% ~ 1.86%	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	JPY48	TIBOR + 1.70%	-	-

The zero interest rate of JPY borrowings was due to the special interest exemption for COVID-19 by Tokyo Metropolitan Government.

- (b) The aggregate principal amounts of short-term bank borrowings and applicable interest rates are as follows:

	Unaudited 31 March 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB17,500	2.45% ~ 5.10%	RMB13,540	2.45% ~ 5.10%
GBP bank borrowings	GBP20	SONIA + 1.75%	-	-
USD bank borrowings	USD6	SOFR + 1.75%	-	-

## 15 Notes payable

	Unaudited 31 March 2022 RMB'Million	Audited 31 December 2021 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<u>135,465</u>	<u>145,590</u>
<b>Included in current liabilities:</b>		
Current portion of long-term USD notes payable	<u>9,515</u>	<u>-</u>
	<u><b>144,980</b></u>	<u><b>145,590</b></u>

Note:

The aggregate principal amounts of notes payable and applicable interest rates are as follows:

	Unaudited 31 March 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD notes payable	USD1,250	LIBOR + 0.605% ~ 0.910%	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	USD21,700	1.375% ~ 4.700%	USD21,700	1.375% ~ 4.700%

## 16 Business combination

### Privatisation of Sumo Group PLC (“Sumo”)

On 17 January 2022, the Group completed the privatisation of Sumo, a then-existing listed investee classified as FVOCI (LSE: SUMO; with equity interests held of approximately 9%) of the Group, at a cash consideration of approximately GBP847 million (equivalent to approximately RMB7,289 million) for all of the remaining interest (“Privatisation”). As a result of the Privatisation, Sumo became a wholly-owned subsidiary of the Group upon the closing of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB6,777 million was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The Group’s revenue for the three months ended 31 March 2022 would be increased by not more than 5% and results for the three months ended 31 March 2022 would not be materially different should the transaction have occurred on 1 January 2022.

The related transaction costs of the transaction are not material to the Group’s consolidated financial information.

## 17 Subsequent events

There were no material subsequent events during the period from 1 April 2022 to the approval date of the Interim Financial Information.

## OTHER INFORMATION

### Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 31 March 2022, the Company repurchased 8,864,400 shares on the Stock Exchange for an aggregate consideration of approximately HKD3,697 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 31 March 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	4,831,400	477.40	421.00	2,196,128,575
March	4,033,000	388.20	352.80	1,500,840,680
Total	<u>8,864,400</u>			<u>3,696,969,255</u>

Save as disclosed above and in the “Financial Information” section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2022.

### Employee and Remuneration Policies

As at 31 March 2022, the Group had 116,213 employees (31 March 2021: 89,228). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the three months ended 31 March 2022 was RMB29,229 million (for the three months ended 31 March 2021: RMB20,401 million).

## **Audit Committee**

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

## **Compliance with the Corporate Governance Code**

Save as disclosed in the corporate governance report in the 2021 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2022 to 31 March 2022.

As to the deviation from code provisions C.2.1 and B.2.2 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

## APPRECIATION

On behalf of the Board, I would like to thank wholeheartedly our staff and management team for their dedication and professionalism, which have been the cornerstone of the Group's sustainable development. Further, I would like to extend our gratitude to all our shareholders and stakeholders for their continuous support and trust. We will continue to adhere to our strategy of promoting sustainable innovations for social value, alongside nurturing the consumer Internet and embracing the industrial Internet, and contribute more to the common good and value of our society.

By Order of the Board  
**Ma Huateng**  
Chairman

Hong Kong, 18 May 2022

*As at the date of this announcement, the directors of the Company are:*

*Executive Directors:*

Ma Huateng and Lau Chi Ping Martin;

*Non-Executive Directors:*

Jacobus Petrus (Koos) Bekker and Charles St Leger Searle; and

*Independent Non-Executive Directors:*

Li Dong Sheng, Ian Charles Stone, Yang Siu Shun and Ke Yang.

*This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.*



## DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

<b>Term</b>	<b>Definition</b>
“2013 Share Award Scheme”	the share award scheme adopted by the Company on 13 November 2013, as amended from time to time
“2019 Share Award Scheme”	the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
“2022 AGM”	the annual general meeting of the Company to be held on 18 May 2022 or any adjournment thereof
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CDN”	Content Delivery Network
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“CPaaS”	Communication Platform-as-a-Service
“DAU”	daily active user accounts
“Distribution in Specie”	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the JD.com Shares held by the Group to the shareholders whose names appeared on the register of members of the Company on 25 January 2022 in proportion to their then respective shareholdings in the Company on the basis of 1 Class A ordinary share of JD.com for every 21 shares of the Company held by the shareholders

“DnF”	Dungeon and Fighter
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“Ex-dividend Date”	20 January 2022, being the date of commencement of dealing in the shares of the Company on an ex-entitlement basis following the declaration of interim dividend by way of the Distribution in Specie as announced by the Company on 23 December 2021
“FinTech”	financial technology
“FMCG”	fast-moving consumer goods
“Funcom”	Funcom SE, a limited liability company registered in Norway
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IaaS”	Infrastructure-as-a-Service
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards

“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IP”	intellectual property
“IPO”	initial public offering
“JD.com”	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ (stock symbol: JD, ISIN Code: US47215P1066) and whose Class A ordinary shares are listed on the Stock Exchange (stock code: 9618)
“JD.com Shares”	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting and which were distributed pursuant to the Distribution in Specie
“JPY”	the lawful currency of Japan
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“PaaS”	Platform-as-a-Service
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007

“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, the 2013 Share Award Scheme and the 2019 Share Award Scheme, as amended from time to time
“SOFR”	Secured Overnight Financing Rate
“Sogou”	Sogou Inc., a company incorporated in the Cayman Islands with limited liability, which became a wholly-owned subsidiary of the Company following completion of its privatisation in September 2021
“SONIA”	Sterling Overnight Index Average
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell”	Supercell Oy, a private company incorporated in Finland
“TIBOR”	Tokyo InterBank Offered Rate

“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services

## 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%.<sup>1</sup> 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.<sup>2</sup>

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%.<sup>1</sup> 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.<sup>2</sup>

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](http://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

<sup>1</sup> 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.

<sup>2</sup> 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](http://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		
	31.3.22	31.3.21	31.12.21	31.12.20	31.12.19
<i>USD million, except where indicated</i>					
	<i>unaudited</i>		<i>audited, except where indicated</i>		

### 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 <sup>1</sup>

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
<i>of which: customer deposits</i>	542,984		544,834	527,929	450,591
<i>of which: debt issued measured at amortized cost</i>	75,013		82,432	85,351	62,835
<i>of which: subordinated debt</i>	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
<i>of which: debt issued designated at fair value</i>	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 (%) <sup>2</sup>	13.8	11.9	12.3*	10.9*	7.4*
Return on tangible equity (%) <sup>3</sup>	15.5	13.4	13.9*	12.4*	8.5*
Return on common equity tier 1 capital (%) <sup>4</sup>	19.3	17.8	17.6*	16.6*	11.3*
Return on risk-weighted assets, gross (%) <sup>5</sup>	12.5	12.3	12.3*	11.9*	11.2*
Return on leverage ratio denominator, gross (%) <sup>6, 7</sup>	3.5	3.4	3.4*	3.4*	3.2*
Cost / income ratio (%) <sup>8</sup>	72.8	75.9	75.4*	74.9*	82.1*
Net profit growth (%) <sup>9</sup>	17.2	20.3	13.5*	56.3*	(3.4)*

#### Resources

Common equity tier 1 capital <sup>10</sup>	41,577	38,826	41,594	38,181	35,233*
Risk-weighted assets <sup>10</sup>	309,374	285,119	299,005*	286,743*	257,831*
Common equity tier 1 capital ratio (%) <sup>10</sup>	13.4	13.6	13.9*	13.3*	13.7*
Going concern capital ratio (%) <sup>10</sup>	18.1	18.7	18.5*	18.3*	18.3*
Total loss-absorbing capacity ratio (%) <sup>10</sup>	33.1	34.2	33.3*	34.2*	33.9*
Leverage ratio denominator <sup>6, 10</sup>	1,072,766	1,039,736	1,067,679*	1,036,771*	911,228*
Common equity tier 1 leverage ratio (%) <sup>6, 10</sup>	3.88	3.73	3.90*	3.68*	3.87*
Going concern leverage ratio (%) <sup>6, 10</sup>	5.2	5.1	5.2*	5.1*	5.2*
Total loss-absorbing capacity leverage ratio (%) <sup>10</sup>	9.6	9.4	9.3*	9.5*	9.6*

#### Other

Invested assets (USD billion) <sup>11</sup>	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

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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.

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

<sup>11</sup> 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 Trelia LLC; senior advisor to the Griswold Center for Economic Policy Studies at Princeton University; member of the Group of Thirty; member of the Council on Foreign Relations; chair of the Bretton Woods Committee board of directors; member of the board of the Council for Economic Education.
Patrick Firmenich	Member	2023	Member of the Board of Directors of UBS Group AG; chairman of the board of Firmenich International SA; 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  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  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute.
Mike Dargan  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Digital and Information Officer	Member of the Group Executive Board and Chief Digital and Information Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of Directors of Done Next Holdings AG; member of the Board of Trustees of the Inter-

		Community School Zurich.
Kirt Gardner  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Suni Harford  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  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  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management and President UBS Europe, Middle East and Africa	Member of the Executive Board, co-President Global Wealth Management and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; member of the board of UBS Optimus Foundation; board member of Room to Read Switzerland.
Edmund Koh  UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of 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	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; member of

UBS AG, Bahnhofstrasse 45, CH-8001 Zurich		the Employers' Board of the Global Institute for Women's Leadership, King's College London; member of the Board of Directors of the European General Counsel Association.
Tom Naratil  UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation.
Markus Ronner  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Compliance and Governance Officer	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG.
Sarah Youngwood  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](http://www.ubs.com/governance). Save as otherwise indicated herein, information on or accessible through the Group's corporate website, [www.ubs.com](http://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

<i>USD million</i>	Note	For the quarter ended		
		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
<b>Net profit / (loss) attributable to shareholders</b>		<b>2,004</b>	<b>1,255</b>	<b>1,710</b>

## Statement of comprehensive income

USD million	For the quarter ended		
	31.3.22	31.12.21	31.3.21
<b>Comprehensive income attributable to shareholders</b>			
Net profit / (loss)	2,004	1,255	1,710
<b>Other comprehensive income that may be reclassified to the income statement</b>			
<b>Foreign currency translation</b>			
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)
<b>Financial assets measured at fair value through other comprehensive income</b>			
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)
<b>Cash flow hedges of interest rate risk</b>			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	(2,465) <sup>1</sup>	(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)
<b>Cost of hedging</b>			
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)
<b>Total other comprehensive income that may be reclassified to the income statement, net of tax</b>	<b>(2,685)</b>	<b>(375)</b>	<b>(1,958)</b>
<b>Other comprehensive income that will not be reclassified to the income statement</b>			
<b>Defined benefit plans</b>			
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)
<b>Own credit on financial liabilities designated at fair value<sup>2</sup></b>			
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)
<b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b>	<b>533</b>	<b>182</b>	<b>(61)</b>
<b>Total other comprehensive income</b>	<b>(2,152)</b>	<b>(194)</b>	<b>(2,019)</b>
<b>Total comprehensive income attributable to shareholders</b>	<b>(148)</b>	<b>1,062</b>	<b>(309)</b>
<b>Comprehensive income attributable to non-controlling interests</b>			
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)
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>26</b>	<b>7</b>	<b>(9)</b>
<b>Total comprehensive income</b>			
Net profit / (loss)	2,012	1,266	1,713
Other comprehensive income	(2,134)	(197)	(2,032)
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>(2,685)</i>	<i>(375)</i>	<i>(1,958)</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>551</i>	<i>178</i>	<i>(73)</i>
<b>Total comprehensive income</b>	<b>(121)</b>	<b>1,069</b>	<b>(319)</b>

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

## Balance sheet

USD million	Note	31.3.22	31.12.21
<b>Assets</b>			
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
<b>Total financial assets measured at amortized cost</b>		<b>755,987</b>	<b>738,632</b>
Financial assets at fair value held for trading	9	114,995	131,033
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		<i>40,217</i>	<i>43,397</i>
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
<b>Total financial assets measured at fair value through profit or loss</b>		<b>336,643</b>	<b>330,659</b>
<b>Financial assets measured at fair value through other comprehensive income</b>	9	<b>9,093</b>	<b>8,844</b>
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
<b>Total assets</b>		<b>1,139,876</b>	<b>1,116,145</b>
<b>Liabilities</b>			
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
<b>Total financial liabilities measured at amortized cost</b>		<b>749,052</b>	<b>744,762</b>
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
<b>Total financial liabilities measured at fair value through profit or loss</b>		<b>322,941</b>	<b>300,916</b>
Provisions	15	3,413	3,452
Other non-financial liabilities	11	6,152	8,572
<b>Total liabilities</b>		<b>1,081,558</b>	<b>1,057,702</b>
<b>Equity</b>			
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
<b>Equity attributable to shareholders</b>		<b>57,962</b>	<b>58,102</b>
Equity attributable to non-controlling interests		356	340
<b>Total equity</b>		<b>58,319</b>	<b>58,442</b>
<b>Total liabilities and equity</b>		<b>1,139,876</b>	<b>1,116,145</b>

## Statement of changes in equity

<i>USD million</i>	Share capital	Share premium	Retained earnings
<b>Balance as of 1 January 2021</b>	<b>338</b>	<b>24,580</b>	<b>25,251</b>
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
<i>of which: net profit / (loss)</i>			<i>1,710</i>
<i>of which: OCI, net of tax</i>			<i>(61)</i>
<b>Balance as of 31 March 2021</b>	<b>338</b>	<b>24,579</b>	<b>26,926</b>
<b>Balance as of 1 January 2022</b>	<b>338</b>	<b>24,653</b>	<b>27,912</b>
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
<i>of which: net profit / (loss)</i>			<i>2,004</i>
<i>of which: OCI, net of tax</i>			<i>533</i>
<b>Balance as of 31 March 2022</b>	<b>338</b>	<b>24,660</b>	<b>30,450</b>

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



<i>Other comprehensive income recognized directly in equity, net of tax<sup>1</sup></i>	<i>of which: foreign currency translation</i>	<i>of which: financial assets measured at fair value through OCI</i>	<i>of which: cash flow hedges</i>	<i>of which: cost of hedging</i>	Total equity attributable to shareholders	Non-controlling interests	Total equity
<b>7,585</b>	<i>5,126</i>	<i>151</i>	<i>2,321</i>	<i>(13)</i>	<b>57,754</b>	<b>319</b>	<b>58,073</b>
					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)
<b>5,603</b>	<i>4,436</i>	<i>49</i>	<i>1,138</i>	<i>(19)</i>	<b>57,446</b>	<b>307</b>	<b>57,753</b>
<b>5,200</b>	<i>4,617</i>	<i>(7)</i>	<i>628</i>	<i>(39)</i>	<b>58,102</b>	<b>340</b>	<b>58,442</b>
					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)
<b>2,514</b>	<i>4,366</i>	<i>(334)</i>	<i>(1,556)</i>	<i>38</i>	<b>57,962</b>	<b>356</b>	<b>58,319</b>

**Statement of cash flows**

	Year-to-date	
<i>USD million</i>	<b>31.3.22</b>	31.3.21
<b>Cash flow from / (used in) operating activities</b>		
Net profit / (loss)	2,012	1,713
<b>Non-cash items included in net profit and other adjustments:</b>		
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
<b>Net change in operating assets and liabilities:</b>		
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)
<b>Net cash flow from / (used in) operating activities</b>	<b>24,899</b>	<b>(1,322)</b>
<b>Cash flow from / (used in) investing activities</b>		
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
<b>Net cash flow from / (used in) investing activities</b>	<b>(3,472)</b>	<b>(329)</b>

## Statement of cash flows (continued)

	Year-to-date	
<i>USD million</i>	31.3.22	31.3.21
<b>Cash flow from / (used in) financing activities</b>		
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 <sup>1</sup>	24,824	36,336
Repayment of debt designated at fair value and long-term debt measured at amortized cost <sup>1</sup>	(21,201)	(22,965)
Net cash flows from other financing activities	(219)	(150)
<b>Net cash flow from / (used in) financing activities</b>	<b>(1,784)</b>	<b>14,275</b>
<b>Total cash flow</b>		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>207,755</b>	<b>173,430</b>
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)
<b>Cash and cash equivalents at the end of the period<sup>2</sup></b>	<b>224,669</b>	<b>178,071</b>
<i>of which: cash and balances at central banks<sup>3</sup></i>	<i>206,666</i>	<i>158,769</i>
<i>of which: loans and advances to banks</i>	<i>16,485</i>	<i>17,050</i>
<i>of which: money market paper</i>	<i>1,518</i>	<i>2,252</i>
<b>Additional information</b>		
<b>Net cash flow from / (used in) operating activities includes:</b>		
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

<sup>1</sup> 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). <sup>2</sup> 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. <sup>3</sup> 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

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### 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

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
<b>For the quarter ended 31 March 2022</b>						
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
<b>Operating profit / (loss) before tax</b>	<b>1,283</b>	<b>420</b>	<b>176</b>	<b>908</b>	<b>(227)</b>	<b>2,559</b>
Tax expense / (benefit)						547
<b>Net profit / (loss)</b>						<b>2,012</b>

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
<b>As of 31 March 2022</b>						
<b>Total assets<sup>1</sup></b>	<b>407,861</b>	<b>231,993</b>	<b>22,579</b>	<b>381,574</b>	<b>95,869</b>	<b>1,139,876</b>

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
<b>For the quarter ended 31 March 2021</b>						
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
<b>Operating profit / (loss) before tax</b>	<b>1,391</b>	<b>390</b>	<b>227</b>	<b>394</b>	<b>(251)</b>	<b>2,151</b>
Tax expense / (benefit)						439
<b>Net profit / (loss)</b>						<b>1,713</b>

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
<b>As of 31 December 2021</b>						
<b>Total assets</b>	<b>395,235</b>	<b>225,425</b>	<b>25,202</b>	<b>346,641</b>	<b>123,641</b>	<b>1,116,145</b>

<sup>1</sup> 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**

USD million	For the quarter ended		
	31.3.22	31.12.21	31.3.21
<b>Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>			
Interest income from loans and deposits <sup>1</sup>	1,661	1,647	1,586
Interest income from securities financing transactions <sup>2</sup>	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
<b>Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>	<b>2,145</b>	<b>2,152</b>	<b>2,098</b>
Interest expense on loans and deposits <sup>3</sup>	429	393	439
Interest expense on securities financing transactions <sup>4</sup>	224	252	258
Interest expense on debt issued	135	126	137
Interest expense on lease liabilities	22	23	26
<b>Total interest expense from financial instruments measured at amortized cost</b>	<b>809</b>	<b>794</b>	<b>859</b>
<b>Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>	<b>1,336</b>	<b>1,358</b>	<b>1,239</b>
<b>Net interest income from financial instruments measured at fair value through profit or loss</b>	<b>410</b>	<b>388</b>	<b>351</b>
<b>Total net interest income</b>	<b>1,746</b>	<b>1,746</b>	<b>1,589</b>

<sup>1</sup> 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. <sup>2</sup> Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. <sup>3</sup> 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. <sup>4</sup> Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions.

**Note 4 Net fee and commission income**

USD million	For the quarter ended		
	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
<b>Total fee and commission income<sup>1</sup></b>	<b>5,868</b>	<b>6,054</b>	<b>6,197</b>
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
<b>Fee and commission expense</b>	<b>485</b>	<b>513</b>	<b>478</b>
<b>Net fee and commission income</b>	<b>5,384</b>	<b>5,541</b>	<b>5,719</b>

<sup>1</sup> 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**

USD million	For the quarter ended		
	31.3.22	31.12.21	31.3.21
Salaries and variable compensation	2,465	1,822	2,370
Financial advisor compensation <sup>1</sup>	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
<b>Total personnel expenses</b>	<b>4,233</b>	<b>3,552</b>	<b>4,086</b>

<sup>1</sup> 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

USD million	For the quarter ended		
	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 <sup>1</sup>	57	826	9
Other	1,577	1,592	1,578
<i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i>	<i>1,390</i>	<i>1,365</i>	<i>1,375</i>
<i>of which: UK and German bank levies</i>	<i>33</i>	<i>38</i>	<i>41</i>
<b>Total general and administrative expenses</b>	<b>2,233</b>	<b>3,164</b>	<b>2,141</b>

<sup>1</sup> 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
<b>For the quarter ended 31.3.22</b>						
Stages 1 and 2	5	(13)	0	(3)	0	(11)
Stage 3	2	(10)	0	0	0	(7)
<b>Total credit loss (expense) / release</b>	<b>7</b>	<b>(23)</b>	<b>0</b>	<b>(4)</b>	<b>0</b>	<b>(18)</b>
<b>For the quarter ended 31.12.21</b>						
Stages 1 and 2	2	(4)	0	2	0	(1)
Stage 3	1	14	(1)	14	0	28
<b>Total credit loss (expense) / release</b>	<b>2</b>	<b>10</b>	<b>(1)</b>	<b>16</b>	<b>0</b>	<b>27</b>
<b>For the quarter ended 31.3.21</b>						
Stages 1 and 2	4	16	0	5	0	26
Stage 3	(2)	8	0	(4)	0	3
<b>Total credit loss (expense) / release</b>	<b>3</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>28</b>

**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**

Key parameters	Baseline		
	2021	2022	2023
<b>Real GDP growth (annual percentage change)</b>			
United States	5.5	3.5	2.4
Eurozone	5.1	2.9	2.2
Switzerland	3.1	2.5	1.5
<b>Unemployment rate (% annual average)</b>			
United States	5.4	3.5	3.3
Eurozone	7.7	7.0	6.9
Switzerland	3.0	2.3	2.1
<b>Real estate (annual percentage change, Q4)</b>			
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**

ECL scenario	Assigned weights in %		
	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				ECL allowances / provisions			
	Carrying amount <sup>1</sup> / Total exposure				Total	Stage 1	Stage 2	Stage 3
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
<b>Financial instruments measured at amortized cost</b>								
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)
<i>of which: Private clients with mortgages</i>	<i>153,645</i>	<i>145,272</i>	<i>7,702</i>	<i>671</i>	<i>(126)</i>	<i>(27)</i>	<i>(71)</i>	<i>(28)</i>
<i>of which: Real estate financing</i>	<i>43,920</i>	<i>40,006</i>	<i>3,907</i>	<i>7</i>	<i>(57)</i>	<i>(17)</i>	<i>(40)</i>	<i>(0)</i>
<i>of which: Large corporate clients</i>	<i>13,432</i>	<i>11,966</i>	<i>1,169</i>	<i>296</i>	<i>(143)</i>	<i>(21)</i>	<i>(14)</i>	<i>(108)</i>
<i>of which: SME clients</i>	<i>13,911</i>	<i>11,995</i>	<i>1,508</i>	<i>407</i>	<i>(260)</i>	<i>(22)</i>	<i>(20)</i>	<i>(218)</i>
<i>of which: Lombard</i>	<i>144,398</i>	<i>144,374</i>	<i>0</i>	<i>24</i>	<i>(34)</i>	<i>(7)</i>	<i>0</i>	<i>(27)</i>
<i>of which: Credit cards</i>	<i>1,709</i>	<i>1,341</i>	<i>341</i>	<i>28</i>	<i>(36)</i>	<i>(10)</i>	<i>(9)</i>	<i>(17)</i>
<i>of which: Commodity trade finance</i>	<i>4,441</i>	<i>4,425</i>	<i>7</i>	<i>9</i>	<i>(103)</i>	<i>(6)</i>	<i>(0)</i>	<i>(96)</i>
Other financial assets measured at amortized cost	28,766	28,297	302	168	(109)	(27)	(7)	(75)
<i>of which: Loans to financial advisors</i>	<i>2,388</i>	<i>2,164</i>	<i>86</i>	<i>138</i>	<i>(86)</i>	<i>(20)</i>	<i>(3)</i>	<i>(63)</i>
<b>Total financial assets measured at amortized cost</b>	<b>755,987</b>	<b>738,416</b>	<b>15,925</b>	<b>1,646</b>	<b>(928)</b>	<b>(158)</b>	<b>(170)</b>	<b>(600)</b>
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>9,093</b>	<b>9,093</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>765,080</b>	<b>747,509</b>	<b>15,925</b>	<b>1,646</b>	<b>(928)</b>	<b>(158)</b>	<b>(170)</b>	<b>(600)</b>
<b>Off-balance sheet (in scope of ECL)</b>								
Guarantees	22,496	21,264	1,072	159	(66)	(17)	(10)	(39)
<i>of which: Large corporate clients</i>	<i>3,459</i>	<i>2,621</i>	<i>736</i>	<i>102</i>	<i>(32)</i>	<i>(3)</i>	<i>(4)</i>	<i>(26)</i>
<i>of which: SME clients</i>	<i>1,318</i>	<i>1,154</i>	<i>107</i>	<i>57</i>	<i>(11)</i>	<i>(1)</i>	<i>(1)</i>	<i>(9)</i>
<i>of which: Financial intermediaries and hedge funds</i>	<i>11,428</i>	<i>11,307</i>	<i>121</i>	<i>0</i>	<i>(16)</i>	<i>(12)</i>	<i>(5)</i>	<i>0</i>
<i>of which: Lombard</i>	<i>2,545</i>	<i>2,545</i>	<i>0</i>	<i>0</i>	<i>(1)</i>	<i>(0)</i>	<i>0</i>	<i>(1)</i>
<i>of which: Commodity trade finance</i>	<i>2,680</i>	<i>2,680</i>	<i>0</i>	<i>0</i>	<i>(1)</i>	<i>(1)</i>	<i>(0)</i>	<i>0</i>
Irrevocable loan commitments	38,039	35,827	2,123	89	(112)	(68)	(44)	0
<i>of which: Large corporate clients</i>	<i>23,698</i>	<i>21,723</i>	<i>1,916</i>	<i>58</i>	<i>(98)</i>	<i>(63)</i>	<i>(35)</i>	<i>0</i>
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
<i>of which: Real estate financing</i>	<i>9,621</i>	<i>9,343</i>	<i>278</i>	<i>0</i>	<i>(7)</i>	<i>(5)</i>	<i>(2)</i>	<i>0</i>
<i>of which: Large corporate clients</i>	<i>4,618</i>	<i>3,862</i>	<i>733</i>	<i>23</i>	<i>(5)</i>	<i>(2)</i>	<i>(3)</i>	<i>0</i>
<i>of which: SME clients</i>	<i>4,793</i>	<i>4,254</i>	<i>503</i>	<i>37</i>	<i>(15)</i>	<i>(12)</i>	<i>(3)</i>	<i>0</i>
<i>of which: Lombard</i>	<i>8,216</i>	<i>8,216</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(0)</i>	<i>0</i>	<i>0</i>
<i>of which: Credit cards</i>	<i>9,398</i>	<i>8,941</i>	<i>453</i>	<i>4</i>	<i>(6)</i>	<i>(5)</i>	<i>(2)</i>	<i>0</i>
<i>of which: Commodity trade finance</i>	<i>280</i>	<i>280</i>	<i>0</i>	<i>0</i>	<i>(0)</i>	<i>(0)</i>	<i>0</i>	<i>0</i>
Irrevocable committed prolongation of existing loans	5,355	5,342	12	2	(2)	(2)	(0)	0
<b>Total off-balance sheet financial instruments and other credit lines</b>	<b>114,625</b>	<b>108,389</b>	<b>5,922</b>	<b>314</b>	<b>(221)</b>	<b>(117)</b>	<b>(64)</b>	<b>(39)</b>
<b>Total allowances and provisions</b>					<b>(1,148)</b>	<b>(275)</b>	<b>(234)</b>	<b>(639)</b>

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

<sup>1</sup> 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.

<b>Coverage ratios for core loan portfolio</b>					31.3.22				
<b>On-balance sheet</b>	<b>Gross carrying amount (USD million)</b>				<b>ECL coverage (bps)</b>				
	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
<b>Total real estate lending</b>	<b>197,748</b>	<b>185,321</b>	<b>11,720</b>	<b>707</b>	<b>9</b>	<b>2</b>	<b>95</b>	<b>8</b>	<b>404</b>
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
<b>Total corporate lending</b>	<b>27,745</b>	<b>24,004</b>	<b>2,712</b>	<b>1,029</b>	<b>145</b>	<b>18</b>	<b>127</b>	<b>29</b>	<b>3,166</b>
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
<b>Total other lending</b>	<b>171,742</b>	<b>169,949</b>	<b>1,325</b>	<b>468</b>	<b>18</b>	<b>3</b>	<b>95</b>	<b>4</b>	<b>4,986</b>
<b>Total<sup>1</sup></b>	<b>397,235</b>	<b>379,274</b>	<b>15,757</b>	<b>2,204</b>	<b>22</b>	<b>4</b>	<b>100</b>	<b>8</b>	<b>2,667</b>

<b>Off-balance sheet</b>	<b>Gross exposure (USD million)</b>				<b>ECL coverage (bps)</b>				
	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
<b>Total real estate lending</b>	<b>18,759</b>	<b>18,232</b>	<b>523</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>68</b>	<b>7</b>	<b>241</b>
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
<b>Total corporate lending</b>	<b>39,286</b>	<b>34,899</b>	<b>4,084</b>	<b>303</b>	<b>44</b>	<b>24</b>	<b>130</b>	<b>35</b>	<b>1,166</b>
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
<b>Total other lending</b>	<b>50,148</b>	<b>48,825</b>	<b>1,315</b>	<b>8</b>	<b>7</b>	<b>5</b>	<b>58</b>	<b>7</b>	<b>0</b>
<b>Total<sup>2</sup></b>	<b>108,193</b>	<b>101,956</b>	<b>5,922</b>	<b>314</b>	<b>20</b>	<b>11</b>	<b>108</b>	<b>17</b>	<b>1,255</b>

<sup>1</sup> 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.

<sup>2</sup> 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								
		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		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
<b>Total<sup>1</sup></b>		<b>402,081</b>	<b>383,825</b>	<b>15,882</b>	<b>2,374</b>	<b>23</b>	<b>4</b>	<b>98</b>	<b>8</b>	<b>2,673</b>

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
<b>Total<sup>2</sup></b>		<b>108,434</b>	<b>102,121</b>	<b>6,006</b>	<b>307</b>	<b>18</b>	<b>12</b>	<b>100</b>	<b>17</b>	<b>486</b>

<sup>1</sup> 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.

<sup>2</sup> 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<sup>1</sup>

USD million	31.3.22				31.12.21			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value on a recurring basis</b>								
Financial assets at fair value held for trading	97,077	15,296	2,623	114,995	113,722	15,012	2,299	131,033
<i>of which:</i>								
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
<i>of which:</i>								
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
<i>of which:</i>								
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
<b>Financial assets measured at fair value through other comprehensive income on a recurring basis</b>								
Financial assets measured at fair value through other comprehensive income	2,341	6,751	0	9,093	2,704	6,140	0	8,844
<i>of which:</i>								
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
<b>Non-financial assets measured at fair value on a recurring basis</b>								
Precious metals and other physical commodities	4,626	0	0	4,626	5,258	0	0	5,258
<b>Non-financial assets measured at fair value on a non-recurring basis</b>								
Other non-financial assets <sup>2</sup>	0	0	24	24	0	0	26	26
<b>Total assets measured at fair value</b>	<b>131,260</b>	<b>210,763</b>	<b>8,363</b>	<b>350,386</b>	<b>149,484</b>	<b>187,658</b>	<b>7,645</b>	<b>344,787</b>

**Note 9 Fair value measurement (continued)****Determination of fair values from quoted market prices or valuation techniques (continued)<sup>1</sup>**

USD million	31.3.22				31.12.21			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value on a recurring basis</b>								
Financial liabilities at fair value held for trading	26,770	7,841	76	34,687	25,413	6,170	105	31,688
<i>of which:</i>								
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
<i>of which:</i>								
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
<b>Financial liabilities designated at fair value on a recurring basis</b>								
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
<i>of which:</i>								
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
<b>Total liabilities measured at fair value</b>	<b>28,275</b>	<b>279,067</b>	<b>15,598</b>	<b>322,941</b>	<b>25,922</b>	<b>257,637</b>	<b>17,357</b>	<b>300,916</b>

<sup>1</sup> 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. <sup>2</sup> 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**

USD million	For the quarter ended		
	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)
<b>Reserve balance at the end of the period</b>	<b>425</b>	<b>418</b>	<b>387</b>

## 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		
<i>USD million</i>	31.3.22	31.12.21	31.3.21
<b>Recognized during the period:</b>			
Realized gain / (loss)	(7)	0	(6)
Unrealized gain / (loss)	430	55	(23)
<b>Total gain / (loss), before tax</b>	<b>423</b>	<b>55</b>	<b>(29)</b>
		As of	
<i>USD million</i>	31.3.22	31.12.21	31.3.21
<b>Recognized on the balance sheet as of the end of the period:</b>			
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	
<i>Life-to-date gain / (loss), USD million</i>	31.3.22	31.12.21
<b>Credit valuation adjustments<sup>1</sup></b>	<b>(45)</b>	<b>(44)</b>
<b>Funding valuation adjustments</b>	<b>(41)</b>	<b>(49)</b>
<b>Debit valuation adjustments</b>	<b>4</b>	<b>2</b>
<b>Other valuation adjustments</b>	<b>(887)</b>	<b>(913)</b>
<i>of which: liquidity</i>	<i>(343)</i>	<i>(341)</i>
<i>of which: model uncertainty</i>	<i>(544)</i>	<i>(571)</i>

<sup>1</sup> 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**

USD billion	Fair value				Valuation technique(s)	Significant unobservable input(s) <sup>1</sup>	Range of inputs						
	Assets		Liabilities				31.3.22			31.12.21			unit <sup>1</sup>
	31.3.22	31.12.21	31.3.22	31.12.21			low	high	weighted average <sup>2</sup>	low	high	weighted average <sup>2</sup>	
<b>Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading</b>													
<i>Corporate and municipal bonds</i>	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
<i>Traded loans, loans measured at fair value, loan commitments and guarantees</i>	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	4	241	basis points
<i>Auction rate securities</i>	1.6	1.6			Discounted expected cash flows	Credit spread	115	184	149	115	197	153	basis points
<i>Investment fund units<sup>3</sup></i>	0.1	0.1	0.0	0.0	Relative value to market comparable	Net asset value							
<i>Equity instruments<sup>3</sup></i>	1.0	0.8	0.1	0.1	Relative value to market comparable	Price							
<b>Debt issued designated at fair value<sup>4</sup></b>			10.8	11.9									
<b>Other financial liabilities designated at fair value</b>			2.9	3.2	Discounted expected cash flows	Funding spread	25	175		24	175		basis points
<b>Derivative financial instruments</b>													
<i>Interest rate contracts</i>	0.8	0.5	0.2	0.3	Option model	Volatility of interest rates	74	136		65	81		basis points
<i>Credit derivative contracts</i>	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
<i>Equity / index contracts</i>	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		%

<sup>1</sup> 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). <sup>2</sup> 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. <sup>3</sup> The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. <sup>4</sup> 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.



## Note 9 Fair value measurement (continued)

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

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

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between 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<sup>1</sup>

<i>USD million</i>	31.3.22		31.12.21	
	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)
<b>Total</b>	<b>892</b>	<b>(839)</b>	<b>790</b>	<b>(744)</b>

<sup>1</sup> 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)

USD billion	Movements of Level 3 instruments										Balance as of 31 March 2021
	Balance as of 31 December 2020	Net gains / losses included in income <sup>1</sup>	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	
<b>Financial assets at fair value held for trading</b>	<b>2.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.6)</b>	<b>0.3</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.2)</b>	<b>0.0</b>	<b>2.2</b>
<i>of which:</i>											
Investment fund units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate and municipal bonds	0.8	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
<b>Derivative financial instruments – assets</b>	<b>1.8</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>(0.4)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>1.6</b>
<i>of which:</i>											
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
<b>Financial assets at fair value not held for trading</b>	<b>3.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.2</b>
<i>of which:</i>											
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
<b>Derivative financial instruments – liabilities</b>	<b>3.5</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>(0.8)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>0.0</b>	<b>3.1</b>
<i>of which:</i>											
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
<b>Debt issued designated at fair value</b>	<b>9.6</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>3.2</b>	<b>(1.8)</b>	<b>0.1</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>10.7</b>
<b>Other financial liabilities designated at fair value</b>	<b>2.1</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.4</b>

<sup>1</sup> 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. <sup>2</sup> 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)

Balance as of 31 December 2021 <sup>2</sup>	Net gains / losses included in income <sup>1</sup>	Total gains / losses included in comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 31 March 2022 <sup>2</sup>
		<i>of which: related to Level 3 instruments held at the end of the reporting period</i>								
<b>2.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.8)</b>	<b>1.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.3)</b>	<b>0.0</b>	<b>2.6</b>
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
<b>1.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.7</b>
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
<b>4.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>(0.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>
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
<b>2.2</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>(0.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.9</b>
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
<b>11.9</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.5</b>	<b>(2.4)</b>	<b>0.1</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>10.8</b>
<b>3.2</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>2.9</b>

**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**

<i>USD billion</i>	31.3.22		31.12.21	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
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
<b>Liabilities</b>				
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 <sup>1</sup>	6.9	6.9	6.3	6.3

<sup>1</sup> 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

<i>As of 31.3.22, USD billion</i>	Derivative financial assets	Notional values related to derivative financial assets <sup>1</sup>	Derivative financial liabilities	Notional values related to derivative financial liabilities <sup>1</sup>	Other notional values <sup>2</sup>
<b>Derivative financial instruments</b>					
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 <sup>3</sup>	0.3	26	0.5	31	
Unsettled sales of non-derivative financial instruments <sup>3</sup>	0.7	45	0.4	18	
<b>Total derivative financial instruments, based on IFRS netting<sup>4</sup></b>	<b>140.3</b>	<b>5,075</b>	<b>138.4</b>	<b>4,973</b>	<b>9,686</b>
Further netting potential not recognized on the balance sheet <sup>5</sup>	(126.6)		(121.4)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(101.7)</i>		<i>(101.7)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(25.0)</i>		<i>(19.7)</i>		
<b>Total derivative financial instruments, after consideration of further netting potential</b>	<b>13.7</b>		<b>17.0</b>		

*As of 31.12.21, USD billion*

<i>As of 31.12.21, USD billion</i>	Derivative financial assets	Notional values related to derivative financial assets <sup>1</sup>	Derivative financial liabilities	Notional values related to derivative financial liabilities <sup>1</sup>	Other notional values <sup>2</sup>
<b>Derivative financial instruments</b>					
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 <sup>3</sup>	0.1	13	0.2	11	
Unsettled sales of non-derivative financial instruments <sup>3</sup>	0.2	18	0.1	9	
<b>Total derivative financial instruments, based on IFRS netting<sup>4</sup></b>	<b>118.1</b>	<b>4,614</b>	<b>121.3</b>	<b>4,617</b>	<b>8,771</b>
Further netting potential not recognized on the balance sheet <sup>5</sup>	(107.4)		(107.0)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(88.9)</i>		<i>(88.9)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(18.5)</i>		<i>(18.1)</i>		
<b>Total derivative financial instruments, after consideration of further netting potential</b>	<b>10.7</b>		<b>14.3</b>		

<sup>1</sup> 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. <sup>2</sup> 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. <sup>3</sup> 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. <sup>4</sup> 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. <sup>5</sup> 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**

<i>USD billion</i>	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 <sup>1</sup>	39.3	39.6	30.5	31.8
Further netting potential not recognized on the balance sheet <sup>2</sup>	(19.0)	(21.4)	(18.4)	(16.4)
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(15.8)</i>	<i>(18.2)</i>	<i>(15.2)</i>	<i>(13.1)</i>
<i>of which: netting with collateral received / pledged</i>	<i>(3.2)</i>	<i>(3.2)</i>	<i>(3.3)</i>	<i>(3.3)</i>
<b>Cash collateral on derivative instruments, after consideration of further netting potential</b>	<b>20.3</b>	<b>18.2</b>	<b>12.1</b>	<b>15.4</b>

<sup>1</sup> 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. <sup>2</sup> 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**

<i>USD million</i>	31.3.22	31.12.21
Debt securities	21,192	18,858
<i>of which: government bills / bonds</i>	<i>10,085</i>	<i>9,833</i>
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
<b>Total other financial assets measured at amortized cost</b>	<b>28,766</b>	<b>26,236</b>

**b) Other non-financial assets**

<i>USD million</i>	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 <sup>1</sup>	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
<b>Total other non-financial assets</b>	<b>10,158</b>	<b>9,836</b>

<sup>1</sup> Refer to Note 15 for more information.

**c) Other financial liabilities measured at amortized cost**

<i>USD million</i>	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
<b>Total other financial liabilities measured at amortized cost</b>	<b>10,167</b>	<b>9,765</b>

## Note 11 Other assets and liabilities (continued)

### d) Other financial liabilities designated at fair value

<i>USD million</i>	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
<b>Total other financial liabilities designated at fair value</b>	<b>32,374</b>	<b>32,414</b>
<i>of which: life-to-date own credit (gain) / loss</i>	<i>(27)</i>	<i>172</i>

### e) Other non-financial liabilities

<i>USD million</i>	31.3.22	31.12.21
Compensation-related liabilities	2,925	4,795
<i>of which: financial advisor compensation plans</i>	<i>1,193</i>	<i>1,512</i>
<i>of which: other compensation plans</i>	<i>756</i>	<i>2,140</i>
<i>of which: net defined benefit liability</i>	<i>558</i>	<i>617</i>
<i>of which: other compensation-related liabilities<sup>1</sup></i>	<i>418</i>	<i>526</i>
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
<b>Total other non-financial liabilities</b>	<b>6,152</b>	<b>8,572</b>

<sup>1</sup> Includes liabilities for payroll taxes and untaken vacation.

## Note 12 Debt issued designated at fair value

<i>USD million</i>	31.3.22	31.12.21
<b>Issued debt instruments</b>		
Equity-linked <sup>1</sup>	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
<b>Total debt issued designated at fair value</b>	<b>69,421</b>	<b>71,460</b>
<i>of which: life-to-date own credit (gain) / loss</i>	<i>(87)</i>	<i>144</i>

<sup>1</sup> Includes investment fund unit-linked instruments issued.

**Note 13 Debt issued measured at amortized cost**

<i>USD million</i>	<b>31.3.22</b>	31.12.21
Certificates of deposit and commercial paper	<b>33,727</b>	40,640
Other short-term debt	<b>3,812</b>	2,458
<b>Short-term debt<sup>1</sup></b>	<b>37,539</b>	43,098
Senior unsecured debt	<b>21,632</b>	23,328
Covered bonds	<b>1,351</b>	1,389
Subordinated debt	<b>5,056</b>	5,163
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	<b>2,507</b>	2,596
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	<b>543</b>	547
Debt issued through the Swiss central mortgage institutions	<b>9,435</b>	9,454
<b>Long-term debt<sup>2</sup></b>	<b>37,474</b>	39,334
<b>Total debt issued measured at amortized cost<sup>3</sup></b>	<b>75,013</b>	82,432

<sup>1</sup> Debt with an original contractual maturity of less than one year. <sup>2</sup> 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. <sup>3</sup> 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.

<i>USD million</i>	31.3.22	31.12.21
Provisions other than provisions for expected credit losses	3,192	3,256
Provisions for expected credit losses <sup>1</sup>	221	196
<b>Total provisions</b>	<b>3,413</b>	<b>3,452</b>

<sup>1</sup> Refer to Note 8c for more information.

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

<i>USD million</i>	Litigation, regulatory and similar matters <sup>1</sup>	Restructuring	Other <sup>3</sup>	Total
<b>Balance as of 31 December 2021</b>	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)
<b>Balance as of 31 March 2022</b>	<b>2,758</b>	<b>125<sup>2</sup></b>	<b>310</b>	<b>3,192</b>

<sup>1</sup> Consists of provisions for losses resulting from legal, liability and compliance risks. <sup>2</sup> 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). <sup>3</sup> 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<sup>1</sup>**

<i>USD million</i>	Global Wealth Manage- ment	Personal & Corporate Banking	Asset Manage- ment	Investment Bank	Group Functions	Total
<b>Balance as of 31 December 2021</b>	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)
<b>Balance as of 31 March 2022</b>	<b>1,309</b>	<b>176</b>	<b>8</b>	<b>307</b>	<b>958</b>	<b>2,758</b>

<sup>1</sup> 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.

## Note 15 Provisions and contingent liabilities (continued)

### 1. Inquiries regarding cross-border wealth management businesses

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

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France 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.

## Note 15 Provisions and contingent liabilities (continued)

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 <sup>1</sup>		
	As of			For the quarter ended		
	<b>31.3.22</b>	31.12.21	31.3.21	<b>31.3.22</b>	31.12.21	31.3.21
1 CHF	<b>1.08</b>	1.10	1.06	<b>1.08</b>	1.09	1.09
1 EUR	<b>1.11</b>	1.14	1.17	<b>1.12</b>	1.14	1.20
1 GBP	<b>1.31</b>	1.35	1.38	<b>1.33</b>	1.35	1.38
100 JPY	<b>0.82</b>	0.87	0.90	<b>0.85</b>	0.88	0.93

<sup>1</sup> 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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