

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 Short Certificates relating to
the ordinary shares of Tencent Holdings Limited
with a Daily Leverage of -3x**

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

Issue Price: US\$1.60 per Certificate

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

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

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

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

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

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

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 16 June 2023.

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.

15 June 2023

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

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

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

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

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

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

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

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

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RISK FACTORS

The following risk factors are relevant to the Certificates:-

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

- (g) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (h) investors should note that the Issuer's obligations to pay amounts in accordance with the terms thereof as set forth herein shall be discharged by delivery of the aggregate Cash Settlement Amount (if positive) to all Certificate Holders in accordance with the agreement with the Warrant Agent;
- (i) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (j) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions;
- (k) the Certificates are only exercisable on the expiry date and may not be exercised by Certificate Holders prior to such expiry date. Accordingly, if on such expiry date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (l) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (m) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and the Rebalancing Cost (as defined below);
- (n) investors should note that there may be an exchange rate risk where the Cash Settlement Amount may be converted from a foreign currency into United States dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;
- (o) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (p) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 3 times the inverse performance of the Underlying Stock over a

period longer than one day. This difference may be amplified in a volatile market with a 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 Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (s) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight rise in the Underlying Stock, where there is an approximately 33% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following day (including pre-opening trading session and extended auction hours, if applicable) or (ii) a sharp intraday rise in the Underlying Stock of approximately 33% or greater during the observation period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest new observed price. Investors may refer to pages 42 to 43 of this document for more information;
- (t) certain events may, pursuant to the terms and conditions of the Certificates, trigger (A) the implementation of methods of adjustment or (B) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (A) general market conditions and (B) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to Condition 13 on pages 29 to 30 of this document for more information;
- (u) investors should note that it is not possible to predict the price at which the Certificates will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Certificates of a particular issue are exercised, the number of Certificates of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Certificates of such issue. A decrease in the liquidity of an issue of Certificates may cause, in turn, an increase in the volatility associated with the price of such issue of Certificates. The Issuer may, but is not obligated to, at any time, purchase Certificates at any price in the open market or by tender or private agreement. Any Certificates so purchased may be held or resold or surrendered for cancellation. To the extent that an issue of Certificates becomes illiquid, an investor may have to exercise such Certificates to realise value;
- (v) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

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

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

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

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

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

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

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE CERTIFICATES

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

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

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| Certificates: | 30,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Tencent Holdings Limited (the “ Underlying Stock ” or the “ Underlying ”) |
| ISIN: | CH1227876369 |
| Company: | Tencent Holdings Limited (RIC: 0700.HK) |
| Underlying Price ³ and Source: | HK\$355.00 (Bloomberg) |
| Calculation Agent: | UBS AG acting through its London Branch |
| Strike Level: | Zero |
| Daily Leverage: | -3x (within the Leverage Inverse Strategy as described below) |
| Notional Amount per Certificate: | USD 1.60 |
| Management Fee (p.a.) ⁴ : | 0.40% |
| Gap Premium (p.a.) ⁵ : | 7.50%, is a hedging cost against extreme market movements overnight. |
| Stock Borrowing Cost ⁶ : | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock. |
| Rebalancing Cost ⁶ : | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock. |
| Launch Date: | 8 June 2023 |
| Closing Date: | 15 June 2023 |

³ These figures are calculated as at, and based on information available to the Issuer on or about 15 June 2023. 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 15 June 2023.

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

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

⁶ These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days’ notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

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| Expected Listing Date: | 16 June 2023 |
| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 21 April 2025 |
| Expiry Date: | 28 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: | 25 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 Short Certificates on Single Equities" section on pages 34 to 48 of this document for examples and illustrations of the calculation of the Cash Settlement Amount. |
| Hedging Fee Factor: | In respect of each Certificate, shall be an amount calculated as: Product (for t from Expected Listing Date to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, 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 Short Certificates on Single Equities” section on pages 34 to 48 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

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

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

Initial Reference Level: 1,000

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

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

Initial Exchange Rate³: 0.1277669531

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

Air Bag Mechanism: The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 20% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 60% loss after a 3 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the

impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

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

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

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

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

respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.

Warrant Agent: The Central Depository (Pte) Limited (“CDP”)

Clearing System: CDP

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

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

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

In addition, the Conditions have been modified as follows:

Condition 4(c) is deleted and replaced with the following:

- “(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 Settlement 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.

"Settlement Business Day" means a Business Day on which the banks are open for business in the United States."

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 3 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 3 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

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

Leverage Inverse Strategy Formula

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

On Leverage Reset Time(1):

$$LSL_1 = 1000$$

On each subsequent Leverage Reset Time(t):

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

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

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

| | |
|----------------------------|--|
| FC_{r(t),t} | <p>means, the Funding Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:</p> <p>If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,</p> $FC_{r(t),t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{r(t)} \times \text{ACT}(r(t), t)}{\text{DayCountBasisRate}}$ <p>Otherwise, $FC_{r(t),t} = 0$</p> |
| SB_{r(t),t} | <p>means the Stock Borrowing Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:</p> <p>If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,</p> $SB_{r(t),t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(r(t), t)}{\text{DayCountBasisRate}}$ <p>Otherwise, $SB_{r(t),t} = 0$</p> |
| CB | means the Cost of Borrowing applicable that is equal to: 3.00% |
| RC_{r(t),t} | <p>means the Rebalancing Cost of the Leverage Inverse Strategy as at Leverage Reset Time (t), calculated as follows:</p> $RC_{r(t),t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left \frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right \right) \times \text{TC}$ |
| TC | <p>means the Transaction Costs applicable as determined by the Calculation Agent (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to :</p> <p>0.13%</p> <p>“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.</p> |
| Leverage | -3 |
| S_t | <p>means the Underlying Stock Price as of Leverage Reset Time (t) computed as follows, subject to the adjustments and provisions of the Conditions:</p> <p>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,</p> <p>S_t is the Closing Price of the Underlying Stock as of such Observation Date.</p> <p>Otherwise,</p> |

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

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

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

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

Otherwise,

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

Where

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

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

Benchmark Event means:

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

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

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

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 increase at any Calculation Time of the Underlying Stock price by 20% 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 Inverse Strategy Level.

TimeReferenceOpening

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

TimeReferenceClosing

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

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

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

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

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

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status, Transfer and Title

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

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

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

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

2. Certificate Rights and Exercise Expenses

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

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

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

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

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

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

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

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the

foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

- (c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

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

4. Exercise of Certificates

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

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

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

5. Warrant Agent

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

6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* "*Potential Adjustment Event*" means any of the following:
 - (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other

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

for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

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

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

(without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

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

7. Purchases

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

8. Meetings of Certificate Holders; Modification

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

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

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

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

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

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

9. Notices

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

10. Liquidation

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

11. Further Issues

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

12. Delisting

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

13. Early Termination

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

For the purposes of this Condition:

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

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

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

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

14. Governing Law

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

15. Prescription

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

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

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

SUMMARY OF THE ISSUE

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

| | |
|--------------------------------|---|
| Issuer: | UBS AG acting through its London Branch |
| Company: | Tencent Holdings Limited |
| The Certificates: | European Style Cash Settled Short 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 28 June 2022 (the “ Master Instrument ”) and executed by the Issuer and a master warrant agent agreement dated 27 February 2008 (the “ Master Warrant Agent Agreement ”) and made between the Issuer and the Warrant Agent. |
| Cash Settlement Amount: | In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level |
| Denominations: | Certificates are represented by a global warrant in respect of all the Certificates. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |
| Exercise and Trading Currency: | USD |
| 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 16 June 2023.
- 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 SHORT CERTIFICATES ON SINGLE EQUITIES

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

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

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

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

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

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

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

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

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

B) Trading the Certificates before Expiry

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

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

Illustration of the Calculation of Hedging Fee Factor

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

| | | | | |
|--|---|---|--|---|
| Daily Fees | = | <table border="1"> <tr> <td style="text-align: center;">Daily Management Fee Adjustment</td> </tr> <tr> <td style="text-align: center;">$1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$</td> </tr> </table> | Daily Management Fee Adjustment | $1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$ |
| | | Daily Management Fee Adjustment | | |
| $1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$ | | | | |
| x | <table border="1"> <tr> <td style="text-align: center;">Daily Gap Premium Adjustment</td> </tr> <tr> <td style="text-align: center;">$1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$</td> </tr> </table> | Daily Gap Premium Adjustment | $1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$ | |
| Daily Gap Premium Adjustment | | | | |
| $1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$ | | | | |

Illustration of the Calculation of Cash Settlement Amount

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

| | | | | | | | | | | | | | | | | |
|---|---|--|-------|-----------------|---|---|-------|---|---|---|-------|--|-------|---|-------|--|
| Value of Certificates | = | <table border="1"> <tr> <td style="text-align: center;">$t=0$</td> </tr> <tr> <td style="text-align: center;">Notional Amount</td> </tr> </table> | $t=0$ | Notional Amount | x | <table border="1"> <tr> <td style="text-align: center;">$t=1$</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy daily performance⁸ x Daily Fees</td> </tr> </table> | $t=1$ | Leverage Inverse Strategy daily performance ⁸ x Daily Fees | x | <table border="1"> <tr> <td style="text-align: center;">$t=2$</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy daily performance x Daily Fees</td> </tr> </table> | $t=2$ | Leverage Inverse Strategy daily performance x Daily Fees | x ... | <table border="1"> <tr> <td style="text-align: center;">$t=i$</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy Daily performance x Daily Fees</td> </tr> </table> | $t=i$ | Leverage Inverse Strategy Daily performance x Daily Fees |
| | | $t=0$ | | | | | | | | | | | | | | |
| Notional Amount | | | | | | | | | | | | | | | | |
| $t=1$ | | | | | | | | | | | | | | | | |
| Leverage Inverse Strategy daily performance ⁸ x Daily Fees | | | | | | | | | | | | | | | | |
| $t=2$ | | | | | | | | | | | | | | | | |
| Leverage Inverse Strategy daily performance x Daily Fees | | | | | | | | | | | | | | | | |
| $t=i$ | | | | | | | | | | | | | | | | |
| Leverage Inverse Strategy Daily performance x Daily Fees | | | | | | | | | | | | | | | | |
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|---|---|--|-------|-----------------|---|---|---|---|---|---|---|-------------------------|
| Value of Certificates | = | <table border="1"> <tr> <td style="text-align: center;">$t=0$</td> </tr> <tr> <td style="text-align: center;">Notional Amount</td> </tr> </table> | $t=0$ | Notional Amount | x | <table border="1"> <tr> <td style="text-align: center;">Product of the daily Leverage Inverse Strategy Performance</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance</td> </tr> </table> | Product of the daily Leverage Inverse Strategy Performance | Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance | x | <table border="1"> <tr> <td style="text-align: center;">Product of the Daily Fees (Hedging Fee Factor)</td> </tr> <tr> <td style="text-align: center;">Daily Fees x Daily Fees</td> </tr> </table> | Product of the Daily Fees (Hedging Fee Factor) | Daily Fees x Daily Fees |
| | | $t=0$ | | | | | | | | | | |
| Notional Amount | | | | | | | | | | | | |
| Product of the daily Leverage Inverse Strategy Performance | | | | | | | | | | | | |
| Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance | | | | | | | | | | | | |
| Product of the Daily Fees (Hedging Fee Factor) | | | | | | | | | | | | |
| Daily Fees x Daily Fees | | | | | | | | | | | | |
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|---|---|--|-------|-----------------|---|--|---|---|--|--------------------|
| Final Value of Certificates | = | <table border="1"> <tr> <td style="text-align: center;">$t=0$</td> </tr> <tr> <td style="text-align: center;">Notional Amount</td> </tr> </table> | $t=0$ | Notional Amount | x | <table border="1"> <tr> <td style="text-align: center;"> $\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}}$ </td> </tr> </table> | $\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}}$ | x | <table border="1"> <tr> <td style="text-align: center;">Hedging Fee Factor</td> </tr> </table> | Hedging Fee Factor |
| | | $t=0$ | | | | | | | | |
| Notional Amount | | | | | | | | | | |
| $\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}}$ | | | | | | | | | | |
| Hedging Fee Factor | | | | | | | | | | |
| | | | | | | | | | | |

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

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

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

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

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

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

| | |
|----------------------------------|--|
| Underlying Stock: | Ordinary shares of Tencent Holdings Limited |
| Expected Listing Date: | 01/02/2021 |
| Expiry Date: | 16/02/2021 |
| Initial Reference Level: | 1,000 |
| Initial Exchange Rate: | 1 |
| Final Reference Level: | 1,200 |
| Final Exchange Rate: | 1 |
| Issue Price: | 1.60 USD |
| Notional Amount per Certificate: | 1.60 USD |
| Management Fee (p.a.): | 0.40% |
| Gap Premium (p.a.): | 7.50% |
| Strike Level: | Zero |

Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 7.50\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9792\% \approx 99.9781\%$$

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

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

$$\text{HFF (2)} = 99.9781\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 7.50\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9781\% \times 99.9967\% \times 99.9375\% \approx 99.9122\%$$

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 99.6713% as illustrated below:

| Date | HFF |
|-----------|-----------|
| 2/1/2021 | 100.0000% |
| 2/2/2021 | 99.9781% |
| 2/3/2021 | 99.9561% |
| 2/4/2021 | 99.9342% |
| 2/5/2021 | 99.9123% |
| 2/8/2021 | 99.8465% |
| 2/9/2021 | 99.8246% |
| 2/10/2021 | 99.8027% |
| 2/11/2021 | 99.7808% |
| 2/12/2021 | 99.7589% |
| 2/15/2021 | 99.6932% |
| 2/16/2021 | 99.6713% |

Cash Settlement Amount

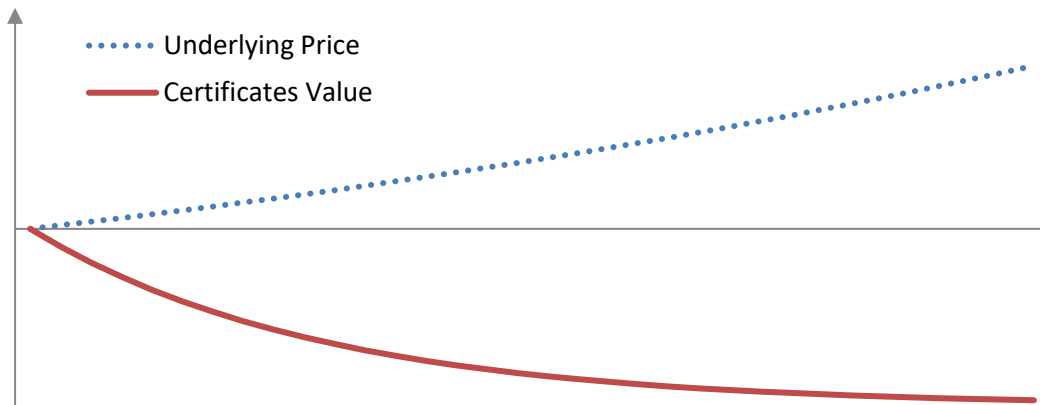
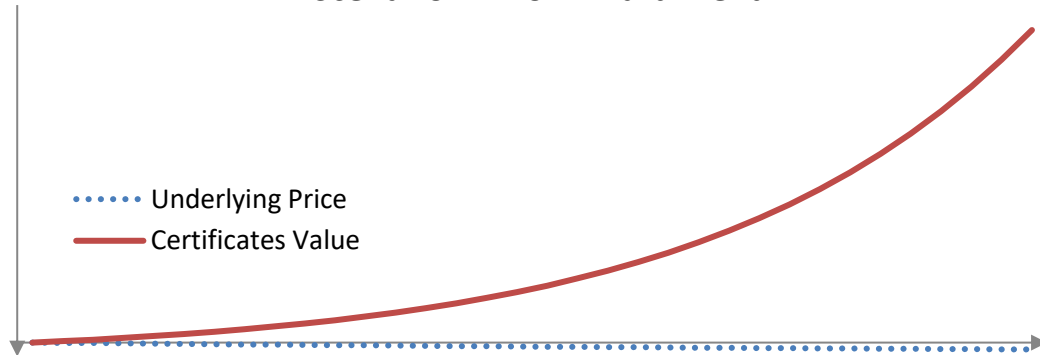
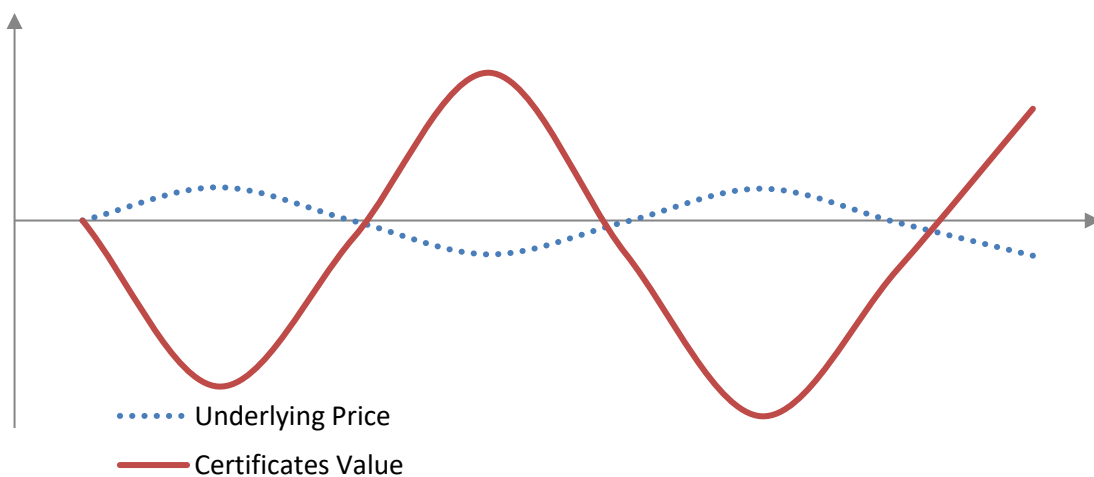
In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6713\% \\ &= 119.61\% \end{aligned}$$

$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.61\% \times 1.60 \text{ USD} \\ &= \mathbf{1.914 \text{ USD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

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

1. Illustrative examples**Scenario 1 - Upward Trend****Scenario 2 - Downward Trend****Scenario 3 - Volatile Market**

2. Numerical Examples

Scenario 1 – Upward Trend

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

| | | Value of the Certificates | | | | |
|---------------------|-------|----------------------------------|---------|---------|---------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | -6.00% | -6.00% | -6.00% | -6.00% | -6.00% |
| Price at end of day | 1.60 | 1.50 | 1.41 | 1.33 | 1.25 | 1.17 |
| Accumulated Return | | -6.00% | -11.64% | -16.94% | -21.93% | -26.61% |

Scenario 2 – Downward Trend

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

| | | Value of the Certificates | | | | |
|---------------------|-------|----------------------------------|--------|--------|--------|--------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| Price at end of day | 1.60 | 1.70 | 1.80 | 1.91 | 2.02 | 2.14 |
| Accumulated Return | | 6.00% | 12.36% | 19.10% | 26.25% | 33.82% |

Scenario 3 – Volatile Market

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

| | | Value of the Certificates | | | | |
|---------------------|-------|----------------------------------|--------|-------|--------|--------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | -6.00% | 6.00% | 6.00% | -6.00% | -6.00% |
| Price at end of day | 1.60 | 1.50 | 1.59 | 1.69 | 1.59 | 1.49 |
| Accumulated Return | | -6.00% | -0.36% | 5.62% | -0.72% | -6.68% |

Description of Air Bag Mechanism

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

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

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

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

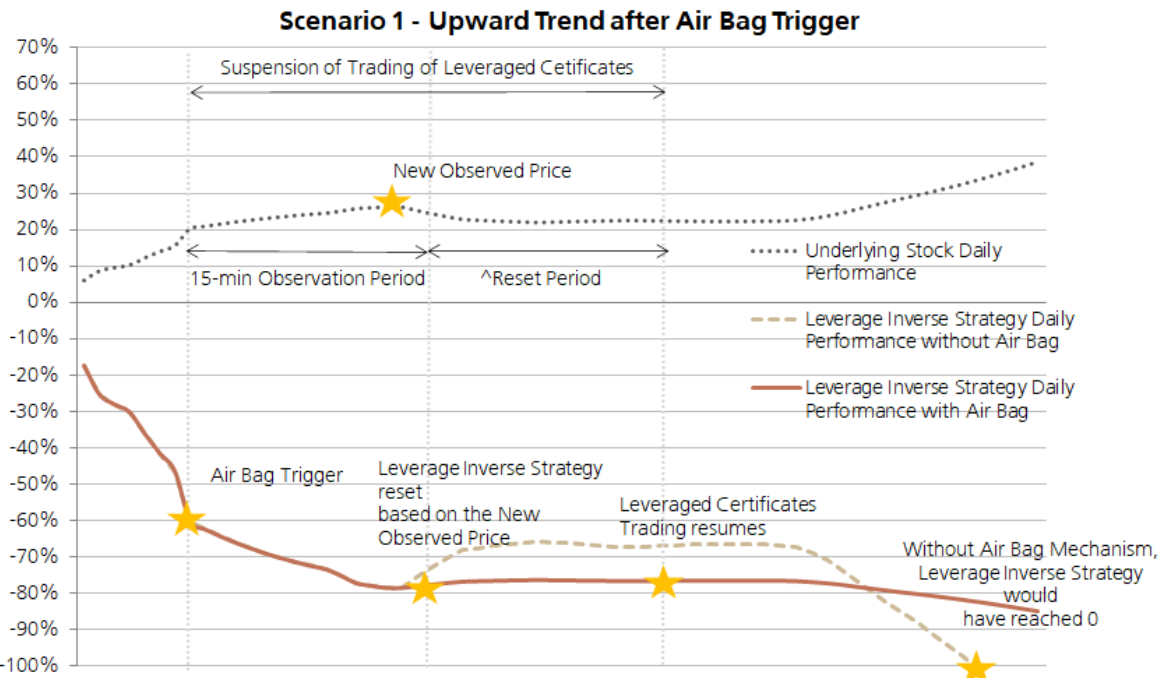
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

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

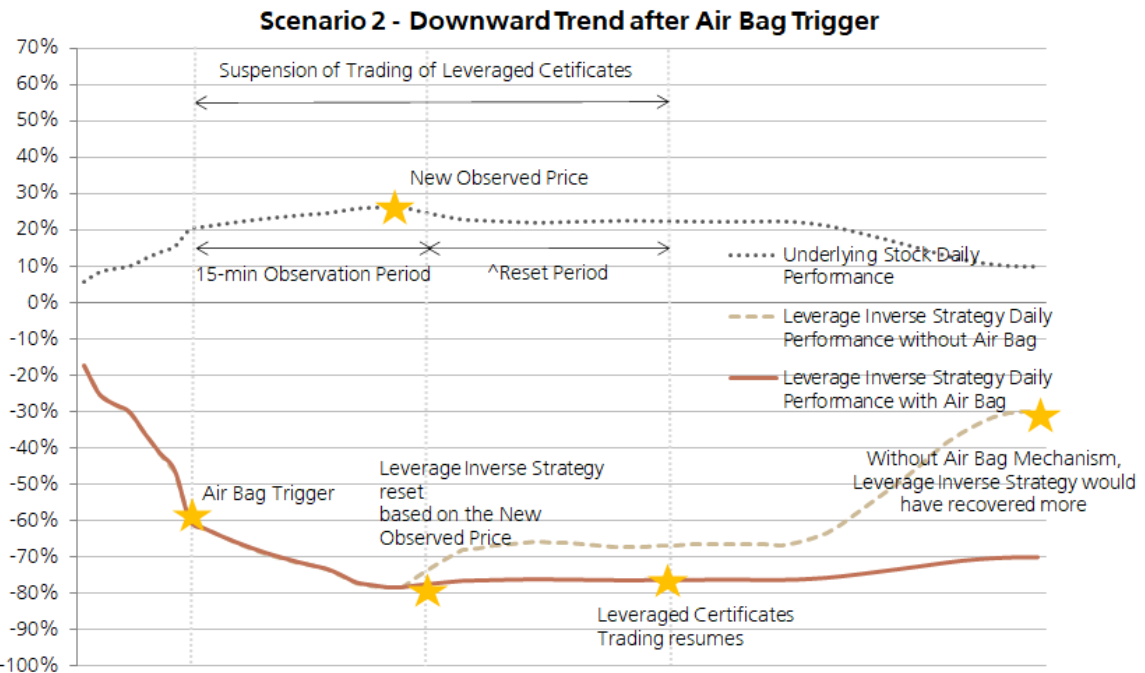
With **Market Close** defined as:

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

Illustrative examples of the Air Bag Mechanism⁹



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



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

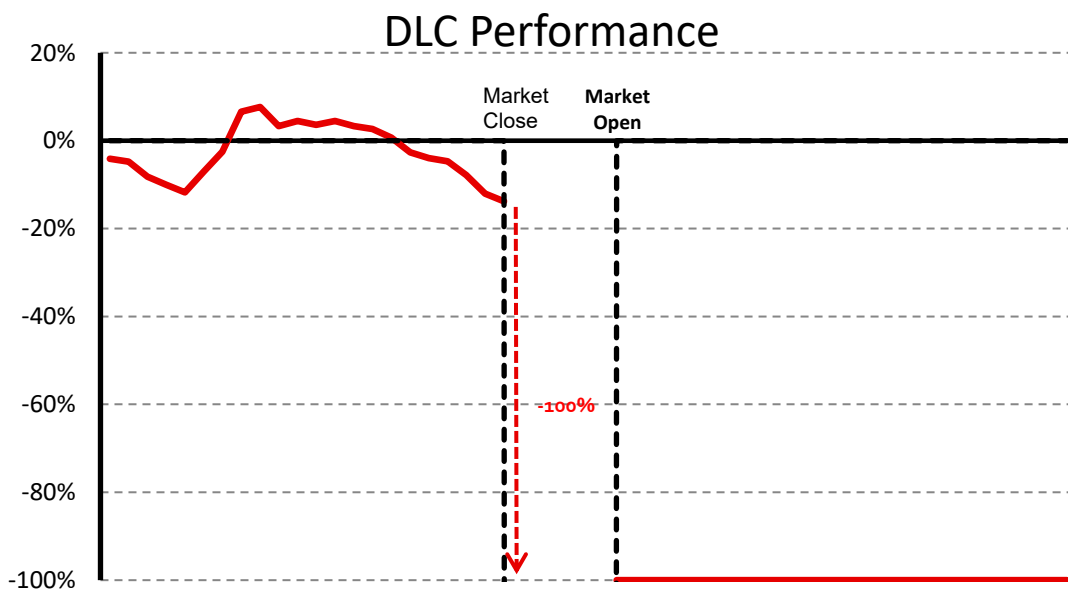
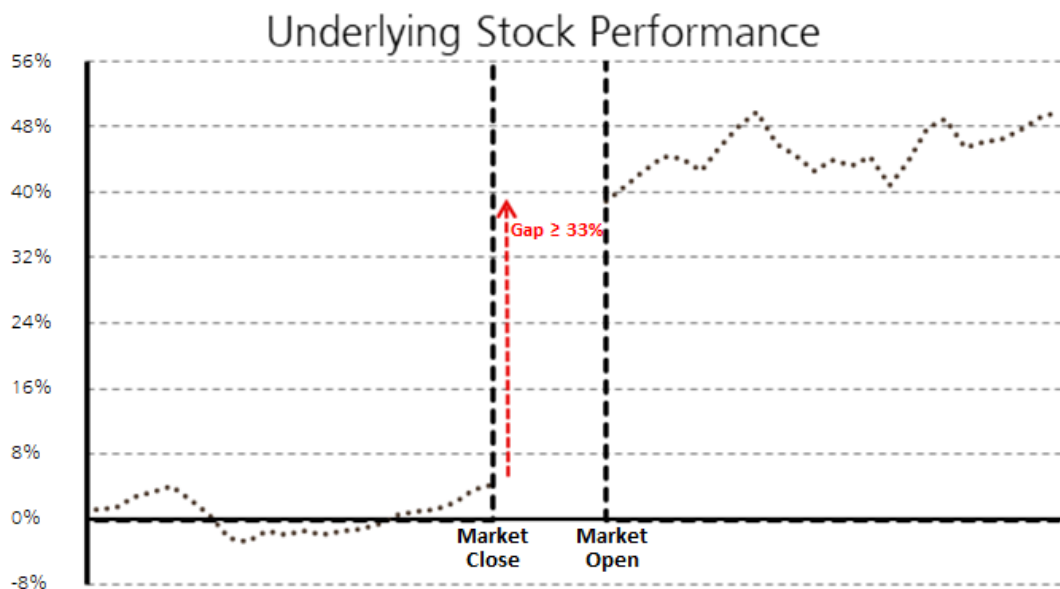
⁹ The illustrative examples are not exhaustive.

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

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

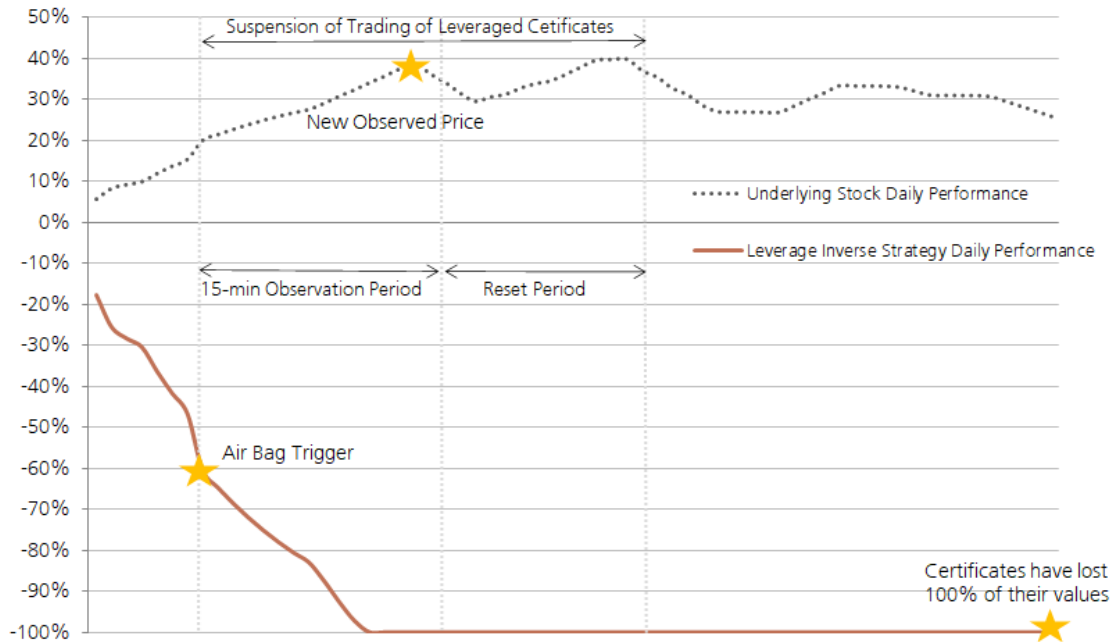
Scenario 1 – Overnight rise of the Underlying Stock

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 approximately 33% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following day (including pre-opening trading session and extended auction hours, if applicable), and the Certificates would lose their entire value in such event.



Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by approximately 33% 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 rises by 20% 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:

$$\text{LR}_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = -3 \times \left(\frac{51}{100 \times 50\%} - 1 \right) = -6\%$$

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | 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) |
|-------------------------------|------------------------------|---|
| 1.60 | 1.504 | -6% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$60, which is 20% above \$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:

$$\text{LR}_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = -3 \times \left(\frac{202}{100 \times 200\%} - 1 \right) = -3\%$$

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | 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) |
|-------------------------------|------------------------------|---|
| 1.60 | 1.552 | -3% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$240, which is 20% above \$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:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = -3 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = -15\%$$

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | 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) |
|-------------------------------|------------------------------|---|
| 1.60 | 1.36 | -15% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$96, which is 20% above \$80, the Underlying Stock Reference Price.

4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

$M = 0.2$ (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:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = -3 \times \left(\frac{85}{100 \times 83.33\%} - 1 \right) = -6\%$$

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

| Value of the Certificate r(t) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|-------------------------------|------------------------------|---|
| 1.60 | 1.504 | -6% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$100, which is 20% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

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

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

$$S_t = \$84$$

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

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

$$R = \$0$$

$M = 0$

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

As a consequence:

$$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1 \right) = -3 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = -15\%$$

| $S_{r(t)}$ | $S_{r(t)} \times Rfactor_t$ | 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) |
|-------------------------------|------------------------------|---|
| 1.60 | 1.36 | -15% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$96, which is 20% above \$80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk> and/or the Company’s web-site at <https://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 2023 and has been extracted and reproduced from an announcement by the Company dated 17 May 2023 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 US\$10 and below: 10 ticks or US\$0.20 whichever is greater; and
- (ii) when the best bid price of the Certificate is above US\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

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

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

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

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

PLACING AND SALE

General

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

United Kingdom

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

United States of America

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

Prohibition of Sales to European Economic Area

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

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

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”);
- (ii) a customer within the meaning of Directive 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”); and

(b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION

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

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

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

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

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

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

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

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

Singapore

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

Hong Kong

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

SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

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

The information set out in Appendix III of this document is an extract of the unaudited consolidated financial statements of UBS AG and its subsidiaries for the first quarter ended 31 March 2023.

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

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

SUPPLEMENTAL GENERAL INFORMATION

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

1. Save as disclosed in the Base Listing Document and herein, there is no litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates to which the Issuer is a party nor, to the best of its knowledge and belief, is there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates which would in either case jeopardise its ability to discharge its obligations in respect of the Certificates.
 2. UBS AG, Singapore Branch at 9 Penang Road, Singapore 238459, has been authorised to accept, on behalf of the Issuer, service of process and any other notices required to be served on the Issuer. Any notices required to be served on the Issuer should be sent to UBS AG, Singapore Branch at the above address for the attention of Han-Kiat Tan, Legal & Compliance.
 3. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in board lots of 100 Certificates in United States 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 2023.
 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 2023 OF
TENCENT HOLDINGS LIMITED AND ITS SUBSIDIARIES**

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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 2023**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2023. The Interim Financial Information of the Group has 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 2023 | Unaudited Three months ended | | | Quarter- on-quarter change |
|--|------------------|-------------------------------------|----------------------------|---------------------|----------------------------------|
| | | 31 March 2022 | Year- on-year change | 31 December 2022 | |
| | | | | | |
| | | (RMB in millions, unless specified) | | | |
| Revenues | 149,986 | 135,471 | 11% | 144,954 | 3% |
| Gross profit | 68,182 | 57,074 | 19% | 61,822 | 10% |
| Operating profit | 40,429 | 37,217 | 9% | 116,829 | -65% |
| Profit for the period | 26,394 | 23,733 | 11% | 106,904 | -75% |
| Profit attributable to equity holders of the Company | 25,838 | 23,413 | 10% | 106,268 | -76% |
| EPS (RMB per share) | | | | | |
| – basic | 2.725 | 2.455 | 11% | 11.173 | -76% |
| – diluted | 2.639 | 2.404 | 10% | 10.977 | -76% |
| Non-IFRS operating profit | 48,389 | 36,538 | 32% | 39,426 | 23% |
| Non-IFRS profit attributable to equity holders of the Company | 32,538 | 25,545 | 27% | 29,711 | 10% |
| Non-IFRS EPS (RMB per share) | | | | | |
| – basic | 3.431 | 2.678 | 28% | 3.124 | 10% |
| – diluted | 3.353 | 2.620 | 28% | 3.042 | 10% |

OPERATING INFORMATION

| | As at 31 March 2023 | As at 31 March 2022 | Year- on-year change | As at 31 December 2022 | Quarter- on-quarter change |
|---|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------------|
| Combined MAU of Weixin and WeChat | 1,319 | 1,288 | 2% | 1,313 | stable |
| Mobile device MAU of QQ | 597 | 564 | 6% | 572 | 4% |
| Fee-based VAS registered subscriptions | 226 | 239 | -5% | 234 | -3% |

BUSINESS REVIEW AND OUTLOOK

During the first quarter of 2023, we achieved solid revenue growth as our payment volumes benefitted from, and facilitated, domestic consumption recovery, our games revenue improved, and our advertising revenue sustained rapid growth. Our non-IFRS net profit increased at a faster pace, reflecting a positive revenue mix shift, operational efficiencies, and an easy base period. We are investing in our AI capabilities and cloud infrastructure to embrace the opportunities brought by foundation models, and expect AI to be a growth multiplier that enables us to better serve our users, customers, and society at large. Below are some highlights from our key products and business lines during the reporting period:

Communications and Social Networks

Within Weixin, Video Accounts consumption continued to grow with rapid increases in time spent and video views. We are nurturing the creator community for Video Accounts by upgrading onboarding support with greater traffic incentives, wider creator coverage and more effective content creator tools. In addition, we have enhanced the eCommerce infrastructure, enabling creators to benefit from sales commissions associated with eCommerce transactions. The Video Accounts creator community is increasingly vibrant: the number of daily active creators and daily video uploads more than doubled year-on-year while the number of creators with over 10,000 followers more than tripled year-on-year.

For QQ, we deployed a new architecture to optimise development efficiency, strengthen security and improve graphical experience. This new architecture will significantly enhance future product deployments of QQ across multiple platforms.

Digital Content

Long-form video subscriptions decreased 9% year-on-year to 113 million while subscription revenue decreased 6% year-on-year, primarily due to delayed content releases. We are enhancing our content to cater to evolving user demands. In April 2023, we released a self-commissioned drama series, *The Long Season*, which became the highest-rated domestic drama series in the past five years, according to the Douban review aggregation website¹. We are extending our collaboration with short-form video services to expand our long-form content popularity and capture more monetisation opportunities. Music subscription revenue grew 30% year-on-year as we upgraded the listening experience and strengthened cooperation with labels and artists, enhancing user engagement and paying propensity.

Domestic Games

As a result of our continued and dedicated Minor protection program, Minors contributed 0.4% of total time spent and 0.7% of total gross receipts for our domestic games during the first quarter of 2023, down by 96% and 90% respectively from the same period three years ago.

We resumed revenue growth as several of our most popular games delivered robust performances. *Honour of Kings* released *ShanHaiJing*-themed outfits with targeted marketing programs, generating record-high gross receipts in the first quarter of 2023. *CrossFire PC*, a game we operated since 2008, attracted returning players with promotions targeting Internet cafes. *CrossFire Mobile*, which we released in 2015, added popular content based on a virtual idol group created for the game. Both *CrossFire PC* and *CrossFire Mobile* achieved record-high gross receipts in the first quarter of 2023.

Our recently launched game titles in high potential genres also reached new milestones. *Fight of the Golden Spatula*, an auto-battler game we released in 2021, increased gross receipts by more than 30% year-on-year in the first quarter of 2023, and achieved a record-high average DAU of over 10 million in April 2023. *Arena Breakout*, an extraction shooter game we released in July 2022, grew and attained record-high DAU and gross receipts in the first quarter of 2023.

International Games

VALORANT increased MAU year-on-year with the release of a new map and a new agent. The game's gross receipts increased by more than 30% year-on-year in the first quarter of 2023, driven by popular Japan-themed and alien-themed weapon items.

¹ As of 16 May 2023

PUBG Mobile resumed sequential growth in DAU, benefitting from new combat features and enhanced player-versus-player gameplay. We introduced a map editing tool to facilitate user-generated content, enhancing user engagement and longevity.

Our subsidiary MiniClip launched Triple Match 3D in April 2022, which became a breakout success in the highly competitive match game genre. Leveraging creative gameplay and effective user acquisition, Triple Match 3D is the only title released within the last two years that is ranked among the top 10 games in the genre².

Online Advertising

We upgraded our machine learning advertising platform to incorporate our deep-learning model and standard product unit (SPU) database, delivering better targeting and higher conversions for advertisers.

Video Accounts attracted new advertisers and incremental spending from existing advertisers. Video Accounts' average eCPM sustained at a premium level versus those of other short-form video platforms, reflecting advertisers' recognition of our capability to route video views to Mini Program transactions within the Weixin app.

For our mobile ad network, on the supply side, we increased advertising inventory in high-conversion-rate properties, such as smart phone manufacturers' apps, while on the demand side, we attracted higher spending from ROI-focused advertisers, such as eCommerce platforms.

FinTech

Growth in commercial payment activities improved significantly. Offline commercial payment activities rebounded more sharply than online commercial payment, benefitting from people going out-and-about.

Cloud and Other Business Services

Business Services year-on-year revenue growth turned positive with notable increase in gross margin in the first quarter of 2023. Our Smart Transportation solutions are assisting the digitalisation of large-scale transportation projects. For example, we leveraged our expertise in areas such as cloud infrastructure, digital map and 3D rendering technologies for smart highway projects in Sichuan and metro systems in Guangzhou. The initial monetisation of technology support fee for live streaming eCommerce transactions also contributed to the revenue growth.

² Source: Top 10 match games by gross receipts in 1Q2023, according to data.ai

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2023 Compared to First Quarter of 2022

The following table sets forth the comparative figures for the first quarter of 2023 and the first quarter of 2022:

| | Unaudited | |
|---|---------------------------|-----------------|
| | Three months ended | |
| | 31 March | 31 March |
| | 2023 | 2022 |
| | (RMB in millions) | |
| Revenues | 149,986 | 135,471 |
| Cost of revenues | (81,804) | (78,397) |
| Gross profit | 68,182 | 57,074 |
| Interest income | 2,963 | 1,737 |
| Other gains/(losses), net | 944 | 13,133 |
| Selling and marketing expenses | (7,018) | (8,058) |
| General and administrative expenses | (24,642) | (26,669) |
| Operating profit | 40,429 | 37,217 |
| Finance costs, net | (2,650) | (1,935) |
| Share of profit/(loss) of associates and joint ventures, net | 80 | (6,280) |
| Profit before income tax | 37,859 | 29,002 |
| Income tax expense | (11,465) | (5,269) |
| Profit for the period | 26,394 | 23,733 |
| Attributable to: | | |
| Equity holders of the Company | 25,838 | 23,413 |
| Non-controlling interests | 556 | 320 |
| | 26,394 | 23,733 |
| Non-IFRS operating profit | 48,389 | 36,538 |
| Non-IFRS profit attributable to equity holders of the Company | 32,538 | 25,545 |

Revenues. Revenues increased by 11% year-on-year to RMB150 billion for the first quarter of 2023. The following table sets forth our revenues by line of business for the first quarter of 2023 and the first quarter of 2022:

| | Unaudited | | | |
|-------------------------------|-------------------------------------|----------------------------|----------------------|----------------------------|
| | Three months ended | | | |
| | 31 March 2023 | | 31 March 2022 | |
| | Amount | % of total revenues | Amount | % of total revenues |
| | (RMB in millions, unless specified) | | | |
| VAS | 79,337 | 53% | 72,738 | 54% |
| Online Advertising | 20,964 | 14% | 17,988 | 13% |
| FinTech and Business Services | 48,701 | 32% | 42,768 | 32% |
| Others | 984 | 1% | 1,977 | 1% |
| Total revenues | <u>149,986</u> | <u>100%</u> | <u>135,471</u> | <u>100%</u> |

- Revenues from VAS increased by 9% to RMB79.3 billion for the first quarter of 2023 on a year-on-year basis. International Games revenues increased by 25% to RMB13.2 billion, or up 18% excluding the impact of currency fluctuations, driven by the strong performance of recently launched GODDESS OF VICTORY: NIKKE and Triple Match 3D, as well as the robust growth of VALORANT. Domestic Games revenues grew by 6% to RMB35.1 billion, with increased revenues from established titles such as Honour of Kings, DnF and CrossFire Mobile, as well as recently launched title Arena Breakout. Social Networks revenues increased by 6% to RMB31 billion, driven by in-game virtual item sales and our music subscription service.
- Revenues from Online Advertising increased by 17% to RMB21 billion for the first quarter of 2023 on a year-on-year basis, driven by the addition of Video Accounts as a new advertising revenue stream, growth in advertising activities within Mini Programs and the recovery of our mobile ad network. Most industry categories experienced year-on-year growth in ad spend, which we attribute to the consumption recovery in China, amplified by our enhanced advertising infrastructure. Large eCommerce platforms increasingly recognised our services as a key user acquisition channel and increased their ad spend with us.

- Revenues from FinTech and Business Services increased by 14% year-on-year to RMB48.7 billion for the first quarter of 2023. FinTech Services year-on-year growth accelerated versus the fourth quarter of 2022, primarily driven by the recovery of commercial payment activities due to a consumption rebound in China. Business Services revenues returned to positive year-on-year growth during this period, due to increased sales of certain cloud services, as well as initial revenues generated via technology support fee related to live streaming eCommerce transactions within Video Accounts.

Cost of revenues. Cost of revenues increased by 4% to RMB81.8 billion for the first quarter of 2023 on a year-on-year basis, driven by higher transaction costs associated with FinTech services, increased channel and distribution costs, and content costs, which were partially offset by lower bandwidth and server costs due to technology optimisation. As a percentage of revenues, cost of revenues decreased to 55% for the first quarter of 2023 from 58% for the first quarter of 2022. This decline was due to the growth rebound of certain high-margin business lines, the launch of new revenue-generating services such as Video Accounts, and cost optimisation and efficiency improvement efforts, which led to high revenue growth with low incremental costs. The following table sets forth our cost of revenues by line of business for the first quarter of 2023 and the first quarter of 2022:

| | Unaudited | | | |
|-------------------------------------|---------------------------|--------------------------------------|----------------------|--------------------------------------|
| | Three months ended | | | |
| | 31 March 2023 | | 31 March 2022 | |
| | Amount | % of segment revenues | Amount | % of segment revenues |
| (RMB in millions, unless specified) | | | | |
| VAS | 36,598 | 46% | 36,055 | 50% |
| Online Advertising | 12,225 | 58% | 11,394 | 63% |
| FinTech and Business Services | 31,900 | 66% | 29,269 | 68% |
| Others | 1,081 | 110% | 1,679 | 85% |
| Total cost of revenues | <u>81,804</u> | | <u>78,397</u> | |

- Cost of revenues for VAS increased by 2% year-on-year to RMB36.6 billion for the first quarter of 2023, reflecting higher channel and distribution costs and content costs related to games.
- Cost of revenues for Online Advertising increased by 7% year-on-year to RMB12.2 billion for the first quarter of 2023, primarily due to higher channel and distribution costs resulting from the recovery of our mobile ad network.
- Cost of revenues for FinTech and Business Services increased by 9% year-on-year to RMB31.9 billion for the first quarter of 2023, primarily due to higher transaction costs arising from increased commercial payment activities, partially offset by optimised operating costs including bandwidth and server costs related to Business Services.

Other gains/(losses), net. We recorded net other gains of RMB0.9 billion for the first quarter of 2023.

Selling and marketing expenses. Selling and marketing expenses decreased by 13% to RMB7 billion for the first quarter of 2023 on a year-on-year basis, reflecting disciplined spending on marketing activities. As a percentage of revenues, selling and marketing expenses decreased to 5% for the first quarter of 2023 from 6% for the first quarter of 2022.

General and administrative expenses. General and administrative expenses decreased by 8% to RMB24.6 billion for the first quarter of 2023 on a year-on-year basis, primarily due to a reduction in staff costs, including those related to share-based compensation.

Finance costs, net. Net finance costs increased by 37% to RMB2.6 billion for the first quarter of 2023, mainly due to higher interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB0.1 billion for the first quarter of 2023, compared to share of losses of RMB6.3 billion for the first quarter of 2022. Non-IFRS share of losses of associates and joint ventures improved to RMB0.1 billion for the first quarter of 2023 from losses of RMB2.2 billion for the first quarter of 2022, mainly due to increased profitability of certain domestic associates driven by their revenue growth and cost optimisation measures.

Income tax expense. Income tax expense rose by 118% year-on-year to RMB11.5 billion for the first quarter of 2023, driven by pre-tax profit growth, an increased provision for withholding tax, and a one-time adjustment for deferred taxes related to an overseas subsidiary.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 10% to RMB25.8 billion for the first quarter of 2023 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 27% to RMB32.5 billion for the first quarter of 2023.

First Quarter of 2023 Compared to Fourth Quarter of 2022

The following table sets forth the comparative figures for the first quarter of 2023 and the fourth quarter of 2022:

| | Unaudited | |
|---|---------------------------|--------------------|
| | Three months ended | |
| | 31 March | 31 December |
| | 2023 | 2022 |
| | (RMB in millions) | |
| Revenues | 149,986 | 144,954 |
| Cost of revenues | (81,804) | (83,132) |
| Gross profit | 68,182 | 61,822 |
| Interest income | 2,963 | 2,582 |
| Other gains/(losses), net | 944 | 85,854 |
| Selling and marketing expenses | (7,018) | (6,115) |
| General and administrative expenses | (24,642) | (27,314) |
| Operating profit | 40,429 | 116,829 |
| Finance costs, net | (2,650) | (3,658) |
| Share of profit/(loss) of associates and joint ventures, net | 80 | (1,692) |
| Profit before income tax | 37,859 | 111,479 |
| Income tax expense | (11,465) | (4,575) |
| Profit for the period | 26,394 | 106,904 |
| Attributable to: | | |
| Equity holders of the Company | 25,838 | 106,268 |
| Non-controlling interests | 556 | 636 |
| | 26,394 | 106,904 |
| Non-IFRS operating profit | 48,389 | 39,426 |
| Non-IFRS profit attributable to equity holders of the Company | 32,538 | 29,711 |

Revenues. Revenues increased by 3% to RMB150 billion for the first quarter of 2023 on a quarter-on-quarter basis.

- Revenues from VAS increased by 13% to RMB79.3 billion. International Games revenues decreased by 5% to RMB13.2 billion due to negative seasonality following the holiday period in December. Domestic Games revenues rose by 26% to RMB35.1 billion, driven by positive seasonality during the Chinese New Year period. Notably, games such as Honour of Kings, CrossFire Mobile, DnF and PeaceKeeper Elite witnessed a robust sequential upturn in their revenues. Social Networks revenues increased by 8% to RMB31 billion, primarily attributable to higher in-game virtual item sales.
- Revenues from Online Advertising decreased by 15% to RMB21 billion, reflecting sequentially negative advertising seasonality due to the Chinese New Year period.
- Revenues from FinTech and Business Services increased by 3% to RMB48.7 billion, with higher FinTech revenues driven by a resurgence in offline commercial payment activities, partially offset by lower Business Services revenues due to seasonally fewer cloud project deployments versus the year-end period.

Cost of revenues. Cost of revenues decreased by 2% to RMB81.8 billion for the first quarter of 2023 on a quarter-on-quarter basis, reflecting reduced content costs and lower bandwidth and server costs, partially offset by increased channel and distribution costs and FinTech transaction costs. As a percentage of revenues, cost of revenues decreased to 55% for the first quarter of 2023 from 57% for the fourth quarter of 2022.

- Cost of revenues for VAS increased by 4% to RMB36.6 billion for the first quarter of 2023, due to higher channel and distribution costs related to games.
- Cost of revenues for Online Advertising decreased by 11% to RMB12.2 billion for the first quarter of 2023, mainly due to reduced content costs and lower bandwidth and server costs.
- Cost of revenues for FinTech and Business Services increased by 2% to RMB31.9 billion for the first quarter of 2023, primarily due to the resurgence in commercial payment activities, which resulted in higher FinTech transaction costs.

Selling and marketing expenses. Selling and marketing expenses increased by 15% to RMB7 billion for the first quarter of 2023 on a quarter-on-quarter basis.

General and administrative expenses. General and administrative expenses decreased by 10% to RMB24.6 billion for the first quarter of 2023 on a quarter-on-quarter basis, mainly due to reduced staff costs.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB0.1 billion for the first quarter of 2023, compared to share of losses of RMB1.6 billion for the fourth quarter of 2022. Non-IFRS share of losses of associates and joint ventures was RMB0.1 billion for the first quarter of 2023, compared to non-IFRS share of profits of RMB3.1 billion for the fourth quarter of 2022. The sequential change was due to certain investees experiencing fourth quarter peak seasonality for eCommerce activity and profitability.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 76% to RMB25.8 billion for the first quarter of 2023 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 10% to RMB32.5 billion for the first quarter of 2023, driven by the growth rebound of certain high-margin business lines, emerging revenue streams such as Video Accounts advertising and eCommerce monetisation, and improved efficiency.

Other Financial Information

| | Unaudited | | |
|-------------------------------|-------------------------------------|-------------|----------|
| | Three months ended | | |
| | 31 March | 31 December | 31 March |
| | 2023 | 2022 | 2022 |
| | (RMB in millions, unless specified) | | |
| EBITDA (a) | 52,656 | 44,002 | 38,283 |
| Adjusted EBITDA (a) | 57,811 | 49,606 | 46,102 |
| Adjusted EBITDA margin (b) | 39% | 34% | 34% |
| Interest and related expenses | 2,800 | 2,826 | 2,103 |
| Net cash/(debt) (c) | 31,508 | (14,832) | (11,035) |
| Capital expenditures (d) | 4,411 | 5,651 | 6,971 |

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 cash/(debt) 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:

| | Unaudited | | |
|---|-------------------------------------|-------------|----------|
| | Three months ended | | |
| | 31 March | 31 December | 31 March |
| | 2023 | 2022 | 2022 |
| | (RMB in millions, unless specified) | | |
| Operating profit | 40,429 | 116,829 | 37,217 |
| Adjustments: | | | |
| Interest income | (2,963) | (2,582) | (1,737) |
| Other (gains)/losses, net | (944) | (85,854) | (13,133) |
| Depreciation of property, plant and equipment and investment properties | 5,073 | 5,160 | 5,686 |
| Depreciation of right-of-use assets | 1,599 | 1,718 | 1,636 |
| Amortisation of intangible assets and land use rights | 9,462 | 8,731 | 8,614 |
| EBITDA | 52,656 | 44,002 | 38,283 |
| Equity-settled share-based compensation | 5,155 | 5,604 | 7,819 |
| Adjusted EBITDA | 57,811 | 49,606 | 46,102 |

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 investment-related 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 2023 and 2022, the fourth quarter of 2022 to the nearest measures prepared in accordance with IFRS:

| Unaudited three months ended 31 March 2023 | | | | | | | | | |
|--|--------------------------|---|-----------------------------------|------------------------------------|-----------|--------|--------------------|----------|--------|
| 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 | 40,429 | 5,844 | (658) | 998 | 241 | 1,526 | 9 | - | 48,389 |
| Profit for the period | 26,394 | 7,313 | (5,224) | 2,271 | 1,862 | 1,526 | 9 | (706) | 33,445 |
| Profit attributable to equity holders | 25,838 | 7,094 | (5,224) | 2,098 | 1,852 | 1,526 | 9 | (655) | 32,538 |
| EPS (RMB per share) | | | | | | | | | |
| - basic | 2.725 | | | | | | | | 3.431 |
| - diluted | 2.639 | | | | | | | | 3.353 |
| Operating margin | 27% | | | | | | | | 32% |
| Net margin | 18% | | | | | | | | 22% |

| Unaudited three months ended 31 December 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 | 116,829 | 5,680 | (107,945) | 1,241 | 22,007 | 1,600 | 14 | - | 39,426 |
| Profit for the period | 106,904 | 7,217 | (107,955) | 2,601 | 23,700 | 1,600 | 206 | (3,717) | 30,556 |
| Profit attributable to equity holders | 106,268 | 7,124 | (107,928) | 2,420 | 23,693 | 1,600 | 206 | (3,672) | 29,711 |
| EPS (RMB per share) | | | | | | | | | |
| - basic | 11.173 | | | | | | | | 3.124 |
| - diluted | 10.977 | | | | | | | | 3.042 |
| Operating margin | 81% | | | | | | | | 27% |
| Net margin | 74% | | | | | | | | 21% |

| | 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) | SSV & CPP (e) | Others (f) | Income tax effects (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% |

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) Mainly including 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
- (f) Mainly including non-recurring compliance-related costs and expenses incurred for certain litigation settlements of the Group and/or arising from investee companies
- (g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 31 March 2023 and 31 December 2022 were as follows:

| | Unaudited 31 March 2023 | Audited 31 December 2022 |
|---------------------------|--|--------------------------------|
| | (RMB in millions) | |
| Cash and cash equivalents | 153,328 | 156,739 |
| Term deposits and others | 217,213 | 162,792 |
| | 370,541 | 319,531 |
| Borrowings | (192,329) | (175,248) |
| Notes payable | (146,704) | (159,115) |
| Net cash/(debt) | 31,508 | (14,832) |

As at 31 March 2023, the Group had net cash of RMB31.5 billion, compared to net debt of RMB14.8 billion as at 31 December 2022. The sequential improvement was mainly due to strong free cash flow generation.

For the first quarter of 2023, the Group generated free cash flow of RMB51.8 billion. This was a result of net cash flow generated from operating activities of RMB62.3 billion, partly offset by payments for capital expenditures of RMB4.6 billion, payments for media content of RMB4.4 billion, and payments for lease liabilities of RMB1.5 billion.

As at 31 March 2023, the fair value of our shareholdings³ in listed investee companies (excluding subsidiaries) was RMB472.8 billion, and the carrying value of our unlisted investments was RMB332.5 billion.

³ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023

| | | Unaudited | |
|---|------|------------------------------------|----------------|
| | | Three months ended 31 March | |
| | | 2023 | 2022 |
| | Note | RMB' Million | RMB' Million |
| Revenues | | | |
| Value-added Services | | 79,337 | 72,738 |
| Online Advertising | | 20,964 | 17,988 |
| FinTech and Business Services | | 48,701 | 42,768 |
| Others | | 984 | 1,977 |
| | | <u>149,986</u> | <u>135,471</u> |
| Cost of revenues | 2 | (81,804) | (78,397) |
| | | <u>68,182</u> | <u>57,074</u> |
| Gross profit | | | |
| Interest income | | 2,963 | 1,737 |
| Other gains/(losses), net | 3 | 944 | 13,133 |
| Selling and marketing expenses | 4 | (7,018) | (8,058) |
| General and administrative expenses | 4 | (24,642) | (26,669) |
| | | <u>40,429</u> | <u>37,217</u> |
| Operating profit | | | |
| Finance costs, net | | (2,650) | (1,935) |
| Share of profit/(loss) of associates and joint ventures, net | 5 | 80 | (6,280) |
| | | <u>37,859</u> | <u>29,002</u> |
| Profit before income tax | | | |
| Income tax expense | 6 | (11,465) | (5,269) |
| | | <u>26,394</u> | <u>23,733</u> |
| Profit for the period | | | |
| Attributable to: | | | |
| Equity holders of the Company | | 25,838 | 23,413 |
| Non-controlling interests | | 556 | 320 |
| | | <u>26,394</u> | <u>23,733</u> |
| Earnings per share for profit attributable to equity holders of the Company (in RMB per share) | | | |
| – basic | 7(a) | <u>2.725</u> | <u>2.455</u> |
| – diluted | 7(b) | <u>2.639</u> | <u>2.404</u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

| | Unaudited | |
|--|------------------------------------|------------------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | RMB' Million | RMB' Million |
| Profit for the period | 26,394 | 23,733 |
| Other comprehensive income, net of tax: | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Share of other comprehensive income of associates and joint ventures | (662) | (50) |
| Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures | 14 | – |
| Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income | 1 | – |
| Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income | 22 | (16) |
| Currency translation differences | (1,200) | (4,461) |
| Other fair value (losses)/gains, net | (1,151) | 3,217 |
| <i>Items that will not be subsequently reclassified to profit or loss</i> | | |
| Share of other comprehensive income of associates and joint ventures | (154) | 187 |
| Loss from changes in fair value of assets held for distribution | (29,991) | (17,130) |
| Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income | 34,362 | (58,850) |
| Currency translation differences | (2,846) | (142) |
| | <u>(1,605)</u> | <u>(77,245)</u> |
| Total comprehensive income for the period | <u>24,789</u> | <u>(53,512)</u> |
| Attributable to: | | |
| Equity holders of the Company | 23,612 | (52,277) |
| Non-controlling interests | 1,177 | (1,235) |
| | <u>24,789</u> | <u>(53,512)</u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

| | | Unaudited 31 March 2023 | Audited 31 December 2022 |
|---|------|--|--------------------------------|
| | Note | RMB' Million | RMB' Million |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 50,134 | 53,978 |
| Land use rights | | 17,905 | 18,046 |
| Right-of-use assets | | 20,529 | 22,524 |
| Construction in progress | | 12,196 | 9,229 |
| Investment properties | | 555 | 559 |
| Intangible assets | | 162,230 | 161,802 |
| Investments in associates | 9 | 245,659 | 246,043 |
| Investments in joint ventures | | 6,702 | 6,672 |
| Financial assets at fair value through profit or loss | 10 | 202,670 | 206,085 |
| Financial assets at fair value through other comprehensive income | 11 | 224,187 | 185,247 |
| Prepayments, deposits and other assets | | 34,259 | 36,752 |
| Other financial assets | | 5,313 | 6,987 |
| Deferred income tax assets | | 29,618 | 29,882 |
| Term deposits | | 31,070 | 28,336 |
| | | 1,043,027 | 1,012,142 |
| Current assets | | | |
| Inventories | | 2,015 | 2,333 |
| Accounts receivable | 12 | 45,410 | 45,467 |
| Prepayments, deposits and other assets | | 83,597 | 76,685 |
| Other financial assets | | 871 | 1,278 |
| Financial assets at fair value through profit or loss | 10 | 33,941 | 27,963 |
| Term deposits | | 151,143 | 104,776 |
| Restricted cash | | 3,874 | 2,783 |
| Cash and cash equivalents | | 153,328 | 156,739 |
| Assets held for distribution | | – | 147,965 |
| | | 474,179 | 565,989 |
| Total assets | | 1,517,206 | 1,578,131 |

| | | Unaudited 31 March 2023 | Audited 31 December 2022 |
|---|------|--|--------------------------------|
| | Note | RMB'Million | RMB'Million |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | – | – |
| Share premium | | 62,425 | 62,418 |
| Treasury shares | | (1,541) | (1,868) |
| Shares held for share award schemes | | (4,412) | (4,226) |
| Other reserves | | (22,201) | (40,914) |
| Retained earnings | | 744,212 | 705,981 |
| | | <u>778,483</u> | <u>721,391</u> |
| Non-controlling interests | | <u>62,890</u> | <u>61,469</u> |
| Total equity | | <u>841,373</u> | <u>782,860</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 15 | 166,408 | 163,668 |
| Notes payable | 16 | 146,704 | 148,669 |
| Long-term payables | | 12,232 | 9,067 |
| Other financial liabilities | | 5,711 | 5,574 |
| Deferred income tax liabilities | | 13,927 | 12,162 |
| Lease liabilities | | 16,926 | 18,424 |
| Deferred revenue | | 3,529 | 3,503 |
| | | <u>365,437</u> | <u>361,067</u> |
| Current liabilities | | | |
| Accounts payable | 14 | 102,317 | 92,381 |
| Other payables and accruals | | 53,705 | 61,139 |
| Borrowings | 15 | 25,921 | 11,580 |
| Notes payable | 16 | – | 10,446 |
| Current income tax liabilities | | 16,639 | 13,488 |
| Other tax liabilities | | 4,518 | 4,698 |
| Other financial liabilities | | 4,024 | 3,937 |
| Lease liabilities | | 6,127 | 6,354 |
| Deferred revenue | | 97,145 | 82,216 |
| Dividends payable for distribution in specie | 8(b) | – | 147,965 |
| | | <u>310,396</u> | <u>434,204</u> |
| Total liabilities | | <u>675,833</u> | <u>795,271</u> |
| Total equity and liabilities | | <u>1,517,206</u> | <u>1,578,131</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2023

| | 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 |
| Balance at 1 January 2023 | - | 62,418 | (1,868) | (4,226) | (40,914) | 705,981 | 721,391 | 61,469 | 782,860 |
| Comprehensive income | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 25,838 | 25,838 | 556 | 26,394 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| – share of other comprehensive income of associates and joint ventures | - | - | - | - | (811) | - | (811) | (5) | (816) |
| – loss from changes in fair value of assets held for distribution | - | - | - | - | (29,991) | - | (29,991) | - | (29,991) |
| – transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures | - | - | - | - | 14 | - | 14 | - | 14 |
| – net gains from changes in fair value of financial assets at fair value through other comprehensive income | - | - | - | - | 33,644 | - | 33,644 | 740 | 34,384 |
| – transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income | - | - | - | - | 1 | - | 1 | - | 1 |
| – currency translation differences | - | - | - | - | (3,955) | - | (3,955) | (91) | (4,046) |
| – other fair value losses, net | - | - | - | - | (1,128) | - | (1,128) | (23) | (1,151) |
| Total comprehensive income for the period | - | - | - | - | (2,226) | 25,838 | 23,612 | 1,177 | 24,789 |
| Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings | - | - | - | - | 19,561 | (19,606) | (45) | - | (45) |
| Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures | - | - | - | - | 68 | (68) | - | - | - |
| Share of other changes in net assets of associates and joint ventures | - | - | - | - | 1,391 | - | 1,391 | - | 1,391 |
| Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal | - | - | - | - | (3) | - | (3) | - | (3) |
| Transactions with equity holders | | | | | | | | | |
| Capital injection | - | - | - | - | - | - | - | 3 | 3 |
| Employee share option schemes: | | | | | | | | | |
| – value of employee services | - | 472 | - | - | 22 | - | 494 | 19 | 513 |
| – proceeds from shares issued | - | 470 | - | - | - | - | 470 | - | 470 |
| Employee share award schemes: | | | | | | | | | |
| – value of employee services | - | 4,209 | - | - | 357 | - | 4,566 | 81 | 4,647 |
| – shares withheld for share award schemes | - | - | - | (966) | - | - | (966) | - | (966) |
| – vesting of awarded shares | - | (780) | - | 780 | - | - | - | - | - |
| Tax benefit from share-based payments | - | - | - | - | 1 | - | 1 | - | 1 |
| Profit appropriations to statutory reserves | - | - | - | - | 102 | (102) | - | - | - |
| Repurchase and cancellation of shares | - | (4,364) | 1,868 | - | - | - | (2,496) | - | (2,496) |
| Repurchase of shares (to be cancelled) | - | - | (1,541) | - | - | - | (1,541) | - | (1,541) |
| Cash dividends | - | - | - | - | - | - | - | (257) | (257) |
| Dividends under distribution in specie | - | - | - | - | - | 32,169 | 32,169 | - | 32,169 |
| Non-controlling interests arising from business combinations | - | - | - | - | - | - | - | 91 | 91 |
| Acquisition of additional equity interests in non wholly-owned subsidiaries | - | - | - | - | 33 | - | 33 | (38) | (5) |
| Dilution of interests in subsidiaries | - | - | - | - | (115) | - | (115) | 101 | (14) |
| Changes in put option liabilities in respect of non-controlling interests | - | - | - | - | (99) | - | (99) | (14) | (113) |
| Recognition of put option liabilities arising from business combinations | - | - | - | - | (121) | - | (121) | - | (121) |
| Transfer of equity interests of subsidiaries to non-controlling interests | - | - | - | - | (258) | - | (258) | 258 | - |
| Total transactions with equity holders at their capacity as equity holders for the period | - | 7 | 327 | (186) | (78) | 32,067 | 32,137 | 244 | 32,381 |
| Balance at 31 March 2023 | - | 62,425 | (1,541) | (4,412) | (22,201) | 744,212 | 778,483 | 62,890 | 841,373 |

| | Unaudited | | | | | | | | |
|---|---|---------------|-----------------|-------------------------------------|----------------|-------------------|--------------|---------------------------|--------------|
| | Attributable to equity holders of the Company | | | | | | | | |
| | Share capital | Share premium | Treasury shares | 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 | RMB' Million |
| Balance at 1 January 2022 | – | 67,330 | – | (4,843) | 73,901 | 669,911 | 806,299 | 70,394 | 876,693 |
| Comprehensive income | | | | | | | | | |
| 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 |
| Total comprehensive income for the period | – | – | – | – | (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) |
| Transactions with equity holders | | | | | | | | | |
| 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 (to be cancelled) | – | – | (1,222) | – | – | – | (1,222) | – | (1,222) |
| Cash dividends | – | – | – | – | – | – | – | (208) | (208) |
| Dividends under distribution in specie | – | – | – | – | – | 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) | – |
| Total transactions with equity holders at their capacity as equity holders for the period | – | 4,487 | (1,222) | 157 | 1,457 | 17,796 | 22,675 | (1,741) | 20,934 |
| Balance at 31 March 2022 | – | 71,817 | (1,222) | (4,686) | 9,094 | 702,856 | 777,859 | 67,418 | 845,277 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

| | Unaudited | |
|---|------------------------------------|-----------------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| Net cash flows generated from operating activities | 62,297 | 33,822 |
| Net cash flows used in investing activities | (65,199) | (20,105) |
| Net cash flows generated from financing activities | 359 | 7,597 |
| Net (decrease)/increase in cash and cash equivalents | (2,543) | 21,314 |
| Cash and cash equivalents at beginning of the period | 156,739 | 167,966 |
| Exchange losses on cash and cash equivalents | (868) | (454) |
| Cash and cash equivalents at end of the period | <u>153,328</u> | <u>188,826</u> |

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 2023, 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 notes, comprising material accounting policy information 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 2022, which have been prepared in accordance with IFRS, as set out in the 2022 annual report of the Company dated 22 March 2023 (the “2022 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 2022 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 new standard and amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2023:

| | |
|---|--|
| IFRS 17 | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The Group has changed its accounting policies following the adoption of Amendments to IAS 12. From the effective date on 1 January 2023, the Group recognised deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date.

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

2 Segment information and revenues

The Group has the following reportable segments for the three months ended 31 March 2023 and 2022:

- 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 2023 and 2022. 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 2023 and 2022 is as follows:

| | Unaudited Three months ended 31 March 2023 | | | | |
|---------------------|---|--------------------------------------|--|-----------------------|----------------------|
| | VAS RMB'Million | Online Advertising RMB'Million | FinTech and Business Services RMB'Million | Others RMB'Million | Total RMB'Million |
| Segment revenues | 79,337 | 20,964 | 48,701 | 984 | 149,986 |
| Gross profit/(loss) | 42,739 | 8,739 | 16,801 | (97) | 68,182 |
| Cost of revenues | | | | | |
| Depreciation | 1,403 | 1,444 | 2,319 | 16 | 5,182 |
| Amortisation | 5,812 | 2,849 | 41 | 194 | 8,896 |

| | 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 | 72,738 | 17,988 | 42,768 | 1,977 | 135,471 |
| Gross profit | 36,683 | 6,594 | 13,499 | 298 | 57,074 |
| Cost of revenues | | | | | |
| Depreciation | 1,714 | 1,558 | 2,501 | 27 | 5,800 |
| Amortisation | 4,946 | 2,359 | 64 | 448 | 7,817 |

3 Other gains/(losses), net

| | Unaudited | |
|---|-----------------------------|---------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| Net gains on disposals and deemed disposals of investee companies (a) | 1,044 | 18,892 |
| Net fair value gains/(losses) on FVPL ((b) and Note 10) | 76 | (355) |
| Impairment provisions for investments in associates (Note 9(c)) | (271) | (7,000) |
| Impairment reversals/(provisions) for investments in joint ventures | 30 | (3) |
| Net fair value (losses)/gains on other financial instruments (c) | (208) | 75 |
| Subsidies and tax rebates | 2,740 | 2,920 |
| Donations (d) | (1,426) | (1,273) |
| Dividend income | 96 | 43 |
| Others | (1,137) | (166) |
| | <u>944</u> | <u>13,133</u> |

Note:

- (a) The disposal and deemed disposal gains of approximately RMB1,044 million recognised during the three months ended 31 March 2023 mainly comprised the following:
- aggregate net gains of approximately RMB888 million (three months ended 31 March 2022: RMB19,196 million) on disposals, partial disposals or deemed disposals of investee companies of the Group; and
 - aggregate net gains of approximately RMB156 million (three months ended 31 March 2022: net losses of approximately RMB304 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates. These investee companies are principally engaged in entertainment, local services and Internet-related businesses.
- (b) During the three months ended 31 March 2023, the net fair value gains on FVPL comprised net gains of approximately RMB249 million associated with treasury investments (three months ended 31 March 2022: RMB53 million) and net losses of approximately RMB173 million as a result of changes in valuations of certain investee companies (three months ended 31 March 2022: RMB408 million).

- (c) During the three months ended 31 March 2023, the net fair value losses on other financial instruments mainly included net losses of approximately RMB213 million as a result of changes in valuations of investment-related financial instruments (three months ended 31 March 2022: net gains of approximately RMB75 million).
- (d) During the three months ended 31 March 2023, donations mainly included approximately RMB1,391 million for SSV & CPP of the Group (three months ended 31 March 2022: RMB1,253 million).

4 Expenses by nature

| | Unaudited | |
|--|------------------------------------|--------------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| Transaction costs (a) | 33,271 | 30,899 |
| Employee benefits expenses (b) | 27,299 | 29,229 |
| Content costs (excluding amortisation of intangible assets) | 15,306 | 15,733 |
| Amortisation of intangible assets (c) | 9,442 | 8,597 |
| Bandwidth and server custody fees (excluding depreciation of right-of-use assets) | 6,266 | 7,476 |
| Depreciation of property, plant and equipment, investment properties and right-of-use assets | 6,672 | 7,322 |
| Promotion and advertising expenses | 4,264 | 5,339 |

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three months ended 31 March 2023, the Group had incurred expenses for the purpose of R&D of approximately RMB15,181 million (three months ended 31 March 2022: RMB15,383 million), which mainly comprised employee benefits expenses of approximately RMB13,051 million (three months ended 31 March 2022: RMB13,067 million).

No significant development expenses had been capitalised for the three months ended 31 March 2023 and 2022.

During the three months ended 31 March 2023, employee benefits expenses included the share-based compensation expenses of approximately RMB5,844 million (three months ended 31 March 2022: RMB8,136 million), which contained those incurred for employees related to SSV & CPP of approximately RMB18 million (three months ended 31 March 2022: RMB16 million).

- (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 2023, amortisation of media content was approximately RMB8,804 million (three months ended 31 March 2022: RMB7,638 million).

During the three months ended 31 March 2023, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB998 million (three months ended 31 March 2022: RMB1,388 million).

- (d) During the three months ended 31 March 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB135 million (three months ended 31 March 2022: RMB95 million).
- (e) During the three months ended 31 March 2023, non-recurring compliance-related costs and expenses incurred for certain litigation settlements were approximately RMB9 million, which were included in “General and administrative expenses” (three months ended 31 March 2022: RMB5 million, which were included in “Other gains/(losses), net”).

5 Share of profit/(loss) of associates and joint ventures, net

During the three months ended 31 March 2023, it represented the Group’s share of its associates and joint ventures’ post-acquisition profit or loss, including share of their impairment provisions for investee companies, goodwill and other intangible assets arising from acquisitions of approximately RMB1,621 million (three months ended 31 March 2022: RMB829 million), amortisation of intangible assets arising from acquisitions of approximately RMB1,273 million (three months ended 31 March 2022: RMB1,775 million), share-based compensation expenses of approximately RMB1,469 million (three months ended 31 March 2022: RMB1,499 million) and other net gains from investee companies of approximately RMB4,566 million (three months ended 31 March 2022: other net losses of approximately RMB7 million).

6 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 2023 and 2022.

(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 2023 and 2022.

(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 2023 and 2022. The general PRC CIT rate was 25% for the three months ended 31 March 2023 and 2022.

Certain subsidiaries of the Company 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 2023 and 2022. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a national key software enterprise was subject to a preferential corporate income tax rate of 10%.

In addition, certain subsidiaries of the Company were 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 2023 and 2022 at the respective rates prevailing in the relevant jurisdictions, which were not higher than 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 fulfillment 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 2023 and 2022 is analysed as follows:

| | Unaudited | |
|---------------------|------------------------------------|---------------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| Current income tax | 9,148 | 7,018 |
| Deferred income tax | 2,317 | (1,749) |
| | <u>11,465</u> | <u>5,269</u> |

7 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.

| | Unaudited | |
|---|------------------------------------|----------------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| Profit attributable to equity holders of the Company (RMB'Million) | <u>25,838</u> | <u>23,413</u> |
| Weighted average number of ordinary shares in issue (million shares) | <u>9,483</u> | <u>9,538</u> |
| Basic EPS (RMB per share) | <u>2.725</u> | <u>2.455</u> |

(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 of the Company (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.

| | Unaudited | |
|--|------------------------------------|---------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| Profit attributable to equity holders of the Company (RMB' Million) | 25,838 | 23,413 |
| Dilution effect arising from share-based awards granted by non wholly-owned subsidiaries and associates (RMB' Million) | <u>(351)</u> | <u>(121)</u> |
| Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million) | <u>25,487</u> | <u>23,292</u> |
| Weighted average number of ordinary shares in issue (million shares) | 9,483 | 9,538 |
| Adjustments for share options and awarded shares (million shares) | <u>174</u> | <u>151</u> |
| Weighted average number of ordinary shares for the calculation of diluted EPS (million shares) | <u>9,657</u> | <u>9,689</u> |
| Diluted EPS (RMB per share) | <u>2.639</u> | <u>2.404</u> |

8 Dividends

(a) Final dividends

A final dividend in respect of the year ended 31 December 2022 of HKD2.40 per share (2021: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 22 March 2023 and subject to the approval of the shareholders at the 2023 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 16 November 2022, 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 948 million Class B ordinary shares of Meituan to the shareholders. The share certificates of the relevant shares of Meituan in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 24 March 2023 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB115.8 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the Meituan Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB30.0 billion from 1 January 2023 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the Meituan Shares to be distributed. Upon the dispatch of the share certificates of the Meituan Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulative fair value losses of assets held for distribution amounting to approximately RMB19.0 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the three months ended 31 March 2023 and 2022.

9 Investments in associates

| | Unaudited 31 March 2023 RMB'Million | Audited 31 December 2022 RMB'Million |
|---------------------------|--|---|
| Investments in associates | | |
| – Listed entities (Note) | 122,497 | 125,535 |
| – Unlisted entities | 123,162 | 120,508 |
| | 245,659 | 246,043 |

Note:

As at 31 March 2023, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB259,990 million (31 December 2022: RMB264,090 million).

Movement of investments in associates is analysed as follows:

| | Unaudited | |
|--|------------------------------------|-------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| At beginning of period | 246,043 | 316,574 |
| Additions (a) | 2,418 | 4,379 |
| Transfers (b) | (1,945) | 2,205 |
| Dilution gains/(losses) on deemed disposals | 156 | (304) |
| Share of profit/(loss) of associates, net | 7 | (6,246) |
| Share of other comprehensive income of associates | (816) | 141 |
| Share of other changes in net assets of associates | 1,389 | 1,444 |
| Dividends | (195) | – |
| Disposals | (631) | (870) |
| Impairment provisions ((c) and Note 3) | (271) | (7,000) |
| Currency translation differences | (496) | (693) |
| | <hr/> | <hr/> |
| At end of period | 245,659 | 309,630 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

- (a) During the three months ended 31 March 2023, the Group's additions mainly comprised new investments and additional investments in certain investee companies which are engaged in games development.
- (b) During the three months ended 31 March 2023, the Group's transfers mainly comprised the following:
- (i) investment in an associate of approximately RMB2,304 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares upon its IPO in January 2023; and this investment with a carrying amount of approximately RMB2,291 million was transferred from investment in an associate to FVOCI due to resignation of the board representative in March 2023; and
 - (ii) investments in associates with an aggregate amount of approximately RMB1,045 million transferred to FVPL due to resignation of board representatives.
- (c) During the three months ended 31 March 2023, an aggregate impairment loss of approximately RMB271 million (three months ended 31 March 2022: RMB7,000 million) 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.

10 Financial assets at fair value through profit or loss

FVPL include the following:

| | Unaudited 31 March 2023 RMB'Million | Audited 31 December 2022 RMB'Million |
|--|--|---|
| Included in non-current assets: | | |
| Investments in listed entities | 13,596 | 12,443 |
| Investments in unlisted entities | 183,748 | 187,502 |
| Treasury investments and others | 5,326 | 6,140 |
| | 202,670 | 206,085 |
| Included in current assets: | | |
| Investments in listed entities | 2 | 2 |
| Treasury investments and others | 33,939 | 27,961 |
| | 33,941 | 27,963 |
| | 236,611 | 234,048 |

Movement of FVPL is analysed as follows:

| | Unaudited Three months ended 31 March | |
|----------------------------------|--|-------------|
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| At beginning of period | 234,048 | 202,757 |
| Additions and transfers (a) | 12,002 | 12,151 |
| Changes in fair value (Note 3) | 76 | (355) |
| Disposals and others | (6,591) | (4,422) |
| Currency translation differences | (2,924) | (1,228) |
| At end of period | 236,611 | 208,903 |

Note:

- (a) During the three months ended 31 March 2023, except as described in Note 9(b), the Group's additions and transfers mainly comprised new investments and additional investments with an aggregate amount of approximately RMB12,044 million in treasury investments, investee companies and others.

11 Financial assets at fair value through other comprehensive income

FVOCI include the following:

| | Unaudited 31 March 2023 RMB'Million | Audited 31 December 2022 RMB'Million |
|---|--|---|
| Equity investments in listed entities | 198,581 | 159,861 |
| Equity investments in unlisted entities | 22,994 | 22,838 |
| Treasury investments | 2,612 | 2,548 |
| | 224,187 | 185,247 |

Movement of FVOCI is analysed as follows:

| | Unaudited Three months ended 31 March 2023 RMB'Million | 2022 RMB'Million |
|----------------------------------|---|---------------------|
| At beginning of period | 185,247 | 250,257 |
| Additions and transfers (a) | 6,027 | 3,848 |
| Changes in fair value | 35,595 | (59,350) |
| Disposals | (1,050) | (3,450) |
| Currency translation differences | (1,632) | (1,312) |
| At end of period | 224,187 | 189,993 |

Note:

- (a) During the three months ended 31 March 2023, except as described in Note 9(b)(i), the Group's additions and transfers mainly comprised certain new investments and additional investments with an aggregate amount of approximately RMB2,983 million in investee companies which are principally engaged in business services, social media platform and other Internet-related businesses.

12 Accounts receivable

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

| | Unaudited 31 March 2023 RMB' Million | Audited 31 December 2022 RMB' Million |
|--------------|---|--|
| 0 ~ 30 days | 20,007 | 25,279 |
| 31 ~ 60 days | 9,971 | 9,247 |
| 61 ~ 90 days | 7,194 | 6,545 |
| Over 90 days | 8,238 | 4,396 |
| | 45,410 | 45,467 |

Receivable balances as at 31 March 2023 and 31 December 2022 mainly represented amounts due from online advertising customers and agents, FinTech and cloud customers, content production related customers, and third party platform providers.

Some online advertising customers and agents 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.

13 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 2023, 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 | | Unaudited Post-IPO Option | | Total Number of options |
|---------------------------------|---------------------------|----------------------|------------------------------|----------------------|-------------------------------|
| | Scheme II | | Scheme IV | | |
| | Average exercise price | Number of options | Average exercise price | Number of options | |
| At 1 January 2023 (Note) | HKD177.28 | 29,261,866 | HKD354.26 | 90,161,910 | 119,423,776 |
| Granted | - | - | HKD375.60 | 3,659,925 | 3,659,925 |
| Exercised | HKD131.00 | (4,307,036) | HKD272.37 | (263,538) | (4,570,574) |
| Lapsed/forfeited | - | - | HKD462.71 | (214,340) | (214,340) |
| At 31 March 2023 | HKD185.27 | <u>24,954,830</u> | HKD355.08 | <u>93,343,957</u> | <u>118,298,787</u> |
| Exercisable as at 31 March 2023 | HKD185.27 | <u>24,845,455</u> | HKD352.92 | <u>48,377,555</u> | <u>73,223,010</u> |
| At 1 January 2022 | 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) |
| At 31 March 2022 | HKD192.02 | <u>34,803,417</u> | HKD399.75 | <u>87,468,346</u> | <u>122,271,763</u> |
| Exercisable as at 31 March 2022 | HKD191.97 | <u>34,691,342</u> | HKD371.92 | <u>33,338,126</u> | <u>68,029,468</u> |

Note:

As a result of the distribution in specie of Meituan Shares, 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 prices of the outstanding share options thereunder as at 5 January 2023, and were reflected in the average exercise prices of related outstanding share options listed above.

During the three months ended 31 March 2023, no options were granted to any executive director of the Company (three months ended 31 March 2022: Nil).

(b) **Share award schemes**

The Company has adopted two share award schemes which were administered by an independent trustee appointed by the Group, and remained valid as of 31 March 2023. 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 2023 and 2022 are as follows:

| | Unaudited | |
|---|------------------------------------|--------------|
| | Number of awarded shares | |
| | Three months ended 31 March | |
| | 2023 | 2022 |
| At beginning of period | 123,861,178 | 121,314,396 |
| Granted (Note) | 16,267,451 | 20,363,266 |
| Lapsed/forfeited | (2,050,561) | (1,501,942) |
| Vested and transferred | (13,831,033) | (15,828,970) |
| | <hr/> | <hr/> |
| At end of period | 124,247,035 | 124,346,750 |
| | <hr/> | <hr/> |
| Vested but not transferred as at the end of period | 23,677 | 19,210 |
| | <hr/> | <hr/> |

Note:

As a result of the distribution in specie of Meituan Shares, 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 5 January 2023. The number of awarded shares granted during the three months ended 31 March 2023 included a total of 6,186,967 additional awarded shares which were awarded pursuant to such adjustments.

During the three months ended 31 March 2023, 74,542 awarded shares were granted to five independent non-executive directors of the Company (excluding the additional 2,600 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of Meituan Shares) (three months ended 31 March 2022: 52,000 awarded shares were granted to four independent non-executive directors of the Company (excluding the additional 3,182 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of Class A ordinary shares of JD.com, Inc.)).

14 Accounts payable

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

| | Unaudited | Audited |
|--------------|--------------------|--------------------|
| | 31 March | 31 December |
| | 2023 | 2022 |
| | RMB'Million | RMB'Million |
| 0 ~ 30 days | 98,076 | 87,612 |
| 31 ~ 60 days | 1,370 | 1,512 |
| 61 ~ 90 days | 269 | 180 |
| Over 90 days | 2,602 | 3,077 |
| | <hr/> | <hr/> |
| | 102,317 | 92,381 |
| | <hr/> | <hr/> |

15 Borrowings

| | Unaudited 31 March 2023 RMB'Million | Audited 31 December 2022 RMB'Million |
|--|--|---|
| Included in non-current liabilities: | | |
| Non-current portion of long-term USD bank borrowings, unsecured (a) | 126,838 | 141,090 |
| Non-current portion of long-term RMB bank borrowings, unsecured (a) | 39,515 | 22,514 |
| Non-current portion of long-term JPY bank borrowings, unsecured (a) | 38 | 45 |
| Non-current portion of long-term JPY bank borrowings, secured (a) | 3 | 3 |
| Non-current portion of long-term EUR bank borrowings, unsecured (a) | 6 | 7 |
| Non-current portion of long-term EUR bank borrowings, secured (a) | 8 | 9 |
| | <u>166,408</u> | <u>163,668</u> |
| Included in current liabilities: | | |
| RMB bank borrowings, unsecured (b) | 8,441 | 5,981 |
| Current portion of long-term USD bank borrowings, unsecured (a) | 17,454 | 5,572 |
| Current portion of long-term JPY bank borrowings, unsecured (a) | 18 | 19 |
| Current portion of long-term JPY bank borrowings, secured (a) | 1 | 1 |
| Current portion of long-term EUR bank borrowings, unsecured (a) | 4 | 4 |
| Current portion of long-term EUR bank borrowings, secured (a) | 3 | 3 |
| | <u>25,921</u> | <u>11,580</u> |
| | <u><u>192,329</u></u> | <u><u>175,248</u></u> |

Note:

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

| | Unaudited 31 March 2023 | | Audited 31 December 2022 | |
|---------------------|----------------------------|------------------------------|-----------------------------|------------------------------|
| | Amount (Million) | Interest rate (per annum) | Amount (Million) | Interest rate (per annum) |
| USD bank borrowings | USD20,998 | LIBOR + 0.80% ~ 0.95% | USD20,998 | LIBOR + 0.80% ~ 0.95% |
| USD bank borrowings | – | – | USD60 | 1.41% |
| RMB bank borrowings | RMB39,515 | 2.45% ~ 4.80% | RMB22,514 | 2.80% ~ 4.80% |
| JPY bank borrowings | JPY1,118 | 0.00% ~ 1.86% | JPY1,250 | 0.00% ~ 1.86% |
| JPY bank borrowings | JPY33 | TIBOR + 1.70% | JPY36 | TIBOR + 1.70% |
| EUR bank borrowings | EUR3 | 1.00% ~ 2.54% | EUR3 | 1.00% ~ 2.54% |

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 2023 | | Audited 31 December 2022 | |
|---------------------|----------------------------|------------------------------|-----------------------------|------------------------------|
| | Amount (Million) | Interest rate (per annum) | Amount (Million) | Interest rate (per annum) |
| RMB bank borrowings | RMB8,457 | 1.50% ~ 4.80% | RMB6,007 | 1.50% ~ 4.80% |

16 Notes payable

| | Unaudited 31 March 2023 RMB'Million | Audited 31 December 2022 RMB'Million |
|--|--|---|
| Included in non-current liabilities: | | |
| Non-current portion of long-term USD notes payable | 146,704 | 148,669 |
| Included in current liabilities: | | |
| Current portion of long-term USD notes payable | – | 10,446 |
| | 146,704 | 159,115 |

Note:

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

| | Unaudited 31 March 2023 | | Audited 31 December 2022 | |
|-------------------|----------------------------|------------------------------|-----------------------------|------------------------------|
| | Amount (Million) | Interest rate (per annum) | Amount (Million) | Interest rate (per annum) |
| USD notes payable | USD750 | LIBOR + 0.910% | USD1,250 | LIBOR + 0.605% ~ 0.910% |
| USD notes payable | USD20,700 | 1.375% ~ 4.700% | USD21,700 | 1.375% ~ 4.700% |

All of these notes payable issued by the Group were unsecured.

17 Subsequent events

There were no material subsequent events during the period from 1 April 2023 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 2023, the Company repurchased 12,473,100 shares on the Stock Exchange for an aggregate consideration of approximately HKD4,629 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 2023 | No. of shares purchased | Purchase consideration per share | | Aggregate consideration paid HKD |
|---|-------------------------------|-------------------------------------|-----------------------------|---|
| | | Highest price paid HKD | Lowest price paid HKD | |
| January | 7,853,100 | 384.80 | 329.00 | 2,873,963,975 |
| March | 4,620,000 | 393.80 | 362.80 | 1,755,093,825 |
| Total | <u>12,473,100</u> | | | <u>4,629,057,800</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 2023.

Employee and Remuneration Policies

As at 31 March 2023, the Group had 106,221 employees (31 March 2022: 116,213). 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 2023 was RMB27,299 million (for the three months ended 31 March 2022: RMB29,229 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 2023. 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 2022 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 2023 to 31 March 2023.

As to the deviation from code provisions B.2.2 (regarding the retirement and re-election of directors) and C.2.1 (regarding the segregation of the roles of chairman and chief executive) 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 express our sincere appreciation to all our staff and management team for their incredible dedication, integrity and commitment to the Group which enable us to strive through the ongoing challenges and deliver strong and sustainable performance. I would also like to express our heartfelt gratitude to all our shareholders and stakeholders for their unwavering support and trust.

We are confident that our solid commitment to innovation and excellence will ensure that we can continue to adhere to our belief in “Value for Users, Tech for Good” to create more value for our users, foster sustainable innovations and promote common prosperity initiatives.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 17 May 2023

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 (Koo)s Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:

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

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:

| Term | Definition |
|---------------------------|--|
| “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 |
| “2023 AGM” | the annual general meeting of the Company to be held on 17 May 2023 or any adjournment thereof |
| “AI” | artificial intelligence |
| “Audit Committee” | the audit committee of the Company |
| “Auditor” | PricewaterhouseCoopers, the auditor of the Company |
| “Board” | the board of directors of the Company |
| “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 |
| “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 Meituan Shares held by the Group to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of an entitlement to 1 Class B ordinary share of Meituan for every 10 shares of the Company held by each qualifying shareholder as at the record date |

| | |
|---------------------------------|--|
| “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 Hong Kong, the Macao Special Administrative Region and Taiwan, China |
| “EBITDA” | earnings before interest, tax, depreciation and amortisation |
| “eCPM” | effective cost per mille |
| “EPS” | earnings per share |
| “EUR” | the lawful currency of the European Union |
| “FinTech” | financial technology |
| “FVOCI” | financial assets at fair value through other comprehensive income |
| “FVPL” | financial assets at fair value through profit or loss |
| “Group” | the Company and its subsidiaries |
| “HKD” | the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region, the PRC |
| “IAS” | International Accounting Standards |
| “IFRS” | International Financial Reporting Standards |
| “Interim Financial Information” | the condensed consolidated interim financial information, comprising the consolidated statement of financial position as at 31 March 2023, 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 notes, comprising material accounting policy information and other explanatory information |

| | |
|------------------------------|--|
| “International Games” | for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business |
| “IPO” | initial public offering |
| “JPY” | the lawful currency of Japan |
| “LIBOR” | London InterBank Offered Rate |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MAU” | monthly active user accounts |
| “Meituan” | Meituan, a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose Class B ordinary shares are listed on the Stock Exchange |
| “Meituan Shares” | the Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, held by the Group which are to be distributed pursuant to the Distribution in Specie |
| “Miniclip” | Miniclip Group SA, a limited liability company incorporated in Switzerland |
| “Minor(s)” | players who are aged under 18 |
| “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 |
| “ROI” | return of investments for ad spend |
| “SSV & CPP” | Sustainable Social Value and Common Prosperity Programme |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “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 2023, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 13.9%, the CET1 leverage ratio was 4.40%, and the total loss-absorbing capacity ratio was 34.3%.¹ On the same date, invested assets stood at USD 4,160 billion, equity attributable to shareholders was USD 56,754 million and market capitalisation was USD 64,322 million. On the same date, UBS employed 73,814 people.²

On 31 March 2023, UBS AG consolidated CET1 capital ratio was 13.3%, the CET1 leverage ratio was 4.20%, and the total loss-absorbing capacity ratio was 33.5%.¹ On the same date, invested assets stood at USD 4,160 billion and equity attributable to UBS AG shareholders was USD 58,386 million. On the same date, UBS AG Group employed 48,105 people.²

The rating agencies S&P Global Ratings Europe Limited ("**S&P**"), Moody's Investors Service Ltd. ("**Moody's**"), and Fitch Ratings Ireland 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 A+ 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. Moody's 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/firms/credit-rating-agencies. Ratings given by Moody's are endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU**

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

² Full-time equivalents.

CRA Regulation") and currently appears on the list of credit ratings agencies published by ESMA on its website www.esma.europa.eu in accordance with the EU CRA Regulation. S&P and Fitch 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 Fitch are endorsed by Standard & Poor's Global Ratings UK Limited and Fitch Ratings 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 as of 4 April 2023 ("**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, 8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, 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 2022.

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. On 12 June 2023, Credit Suisse Group AG merged with and into UBS Group AG (Absorptionsfusion), becoming the holding company of Credit Suisse AG. UBS expects further changes to the Group's legal structure following such acquisition.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2022, including interests in significant subsidiaries, are discussed in "Note 28 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 2022 published on 06 March 2023 ("**Annual Report 2022**").

UBS AG's interests in subsidiaries and other entities as of 31 December 2022, including interests in significant subsidiaries, are discussed in "Note 28 Interests in subsidiaries and other entities" to the UBS AG's consolidated financial statements included in the Annual Report 2022.

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 2022.

- *Global Wealth Management* provides financial services, advice and solutions to private wealth clients. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management and banking products and services.
- *Personal & Corporate Banking* serves its private, corporate, and institutional clients' needs, from banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.

- *Asset Management* is a global, large-scale and diversified 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.
- *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 offering includes research, 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 Chief Digital and Information Office, Communications & Branding, Compliance, Finance, Group Sustainability and Impact, Human Resources, Group Legal, Regulatory & Governance, and Risk Control), Group Treasury and Non-core and Legacy Portfolio.

3.3 Competition

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

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

3.4 Recent Developments

3.4.1 UBS AG consolidated key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2022, 2021, and 2020 from the Annual Report 2022, except where noted. The selected consolidated financial information included in the table below for the quarter ended 31 March 2023 and 31 March 2022 was derived from the UBS AG First Quarter 2023 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 2022, 2021, and 2020 which is indicated as being unaudited in the table below was included in the Annual Report 2022, 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 2022 and the UBS AG First Quarter 2023 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 | | |
|--|--------------------------------|---------|--|----------|----------|
| | 31.3.23 | 31.3.22 | 31.12.22 | 31.12.21 | 31.12.20 |
| <i>USD million, except where indicated</i> | | | | | |
| | <i>unaudited</i> | | <i>audited, except where indicated</i> | | |

Results

Income statement

| | | | | | |
|---|-------|-------|--------|--------|--------|
| Total revenues ¹ | 8,844 | 9,494 | 34,915 | 35,828 | 33,474 |
| Net interest income | 1,388 | 1,746 | 6,517 | 6,605 | 5,788 |
| Net fee and commission income | 4,628 | 5,384 | 19,023 | 22,438 | 19,207 |
| Other net income from financial instruments measured at fair value through profit or loss | 2,673 | 2,225 | 7,493 | 5,844 | 6,930 |
| Credit loss expense / (release) | 38 | 18 | 29 | (148) | 695 |
| Operating expenses | 7,350 | 6,916 | 25,927 | 27,012 | 25,081 |
| Operating profit / (loss) before tax | 1,456 | 2,559 | 8,960 | 8,964 | 7,699 |
| Net profit / (loss) attributable to shareholders | 1,004 | 2,004 | 7,084 | 7,032 | 6,196 |

Balance sheet

| | | | | | |
|---|-----------|--|-----------|-----------|-----------|
| Total assets | 1,056,758 | | 1,105,436 | 1,116,145 | 1,125,327 |
| Total financial liabilities measured at amortized cost | 692,071 | | 705,442 | 744,762 | 732,364 |
| <i>of which: customer deposits</i> | 507,844 | | 527,171 | 544,834 | 527,929 |
| <i>of which: debt issued measured at amortized cost</i> | 54,733 | | 59,499 | 82,432 | 85,351 |
| <i>of which: subordinated debt ²</i> | 2,975 | | 2,968 | 5,163 | 7,744 |
| Total financial liabilities measured at fair value through profit or loss | 297,391 | | 333,382 | 300,916 | 325,080 |
| <i>of which: debt issued designated at fair value</i> | 74,974 | | 71,842 | 71,460 | 59,868 |
| Loans and advances to customers | 395,429 | | 390,027 | 398,693 | 380,977 |
| Total equity | 58,738 | | 56,940 | 58,442 | 58,073 |
| Equity attributable to shareholders | 58,386 | | 56,598 | 58,102 | 57,754 |

Profitability and growth

| | | | | | |
|---|--------|------|-------|-------|-------|
| Return on equity (%) ³ | 7.0 | 13.8 | 12.6* | 12.3* | 10.9* |
| Return on tangible equity (%) ⁴ | 7.8 | 15.5 | 14.2* | 13.9* | 12.4* |
| Return on common equity tier 1 capital (%) ⁵ | 9.4 | 19.3 | 16.8* | 17.6* | 16.6* |
| Return on leverage ratio denominator, gross (%) ^{6, 7} | 3.5 | 3.5 | 3.4* | 3.4* | 3.4* |
| Cost / income ratio (%) ⁸ | 83.1 | 72.8 | 74.3* | 75.4* | 74.9* |
| Net profit growth (%) ⁹ | (49.9) | 17.2 | 0.7* | 13.5* | 56.3* |

Resources

| | | | | | |
|--|-----------|-----------|------------|------------|------------|
| Common equity tier 1 capital ¹⁰ | 42,801 | 41,577 | 42,929 | 41,594 | 38,181 |
| Risk-weighted assets ¹⁰ | 321,224 | 309,374 | 317,823* | 299,005* | 286,743* |
| Common equity tier 1 capital ratio (%) ¹⁰ | 13.3 | 13.4 | 13.5* | 13.9* | 13.3* |
| Going concern capital ratio (%) ¹⁰ | 17.2 | 18.1 | 17.2* | 18.5* | 18.3* |
| Total loss-absorbing capacity ratio (%) ¹⁰ | 33.5 | 33.1 | 32.0* | 33.3* | 34.2* |
| Leverage ratio denominator ^{6, 10} | 1,018,023 | 1,072,766 | 1,029,561* | 1,067,679* | 1,036,771* |
| Common equity tier 1 leverage ratio (%) ^{6, 10} | 4.20 | 3.88 | 4.17* | 3.90* | 3.68* |

Other

| | | | | | |
|---|--------|--------|---------|---------|---------|
| Invested assets (USD billion) ¹¹ | 4,160 | 4,380 | 3,957 | 4,596 | 4,187 |
| Personnel (full-time equivalents) | 48,105 | 47,139 | 47,628* | 47,067* | 47,546* |

* unaudited

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

² Information for year ended 31 December 2020 is derived from the Annual Report 2021.

³ Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.

⁴ Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. This measure provides information about the profitability of the business in relation to tangible equity.

⁵ Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.

⁶ Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19.

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

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

⁹ Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period. This measure provides information about profit growth since the comparison period.

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

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

3.4.2 Regulatory, legal and other developments

Refer to “*Recent developments*” and “*Acquisition of Credit Suisse*” in the UBS Group First Quarter 2023 Report and to the registration statement of UBS Group AG filed with the SEC on Form F-4 on 9 June 2023, and any subsequent amendment, excluding the annexes thereto, as well as to “*Our environment*” and “*Regulatory and legal developments*” in the Annual Report 2022, for further information on key regulatory, legal and other developments.

3.5 Trend Information

For information on trends, refer to “*Outlook*” under “*Group performance*” in the UBS Group First Quarter 2023 Report, as well as to the “*Our environment*” section, and to “*Top and emerging risks*” in the “*Risk management and control*” section of the Annual Report 2022. In addition, please refer to the “*Risk factors*” and the “*Recent Developments*” sections of the Annual Report 2022 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.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors of UBS AG (“**BoD**”) exercises ultimate supervision over management, whereas the Executive Board of UBS AG (“**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, leading to 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 | 2024 | Chairman of the Board of Directors of UBS Group AG; member of the board of Norfolk Southern Corporation (chair of the risk and finance committee); member of the Board of Directors of the Bretton Woods Committee; member of the board of the Swiss Finance Council; member of the board of Americans for Oxford; member of the Oxford Chancellor’s Court of Benefactors; member of the Advisory Council of the British Museum; member of the International Advisory Council of the China Securities Regulatory Commission; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Monetary Conference; member of the Chief Executive’s Advisory Council (Hong Kong). |
| Lukas Gähwiler | Vice Chairman | 2024 | Vice Chairman of the Board of Directors of UBS Group AG; vice chairman of the Board of Directors of Pilatus Aircraft Ltd; member of the Board of Directors of Ringier AG; vice chairman of the Swiss Bankers Association; chairman of the Employers Association of Banks in Switzerland; member of the Board of Directors of the Swiss Employers Association; member of the Board of economiesuisse; chairman of the Foundation Board of the UBS Pension Fund; member of the board of the Swiss Finance Council; member of the Board of Trustees of Avenir Suisse. |
| Jeremy Anderson | Member | 2024 | 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 | 2024 | 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 | 2024 | 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; Opinion writer and consultant to Bloomberg Economics, Bloomberg. |
| Patrick Firmenich | Member | 2024 | Member of the Board of Directors of UBS Group AG; vice chairman of the board of DSM-Firmenich (chair of the nomination committee); 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 | 2024 | Member of the Board of Directors of UBS Group AG; founder, chairman and CEO of Primavera Capital Group; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; chairman of Primavera Capital Ltd; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong SAR; co-chairman of the Nature Conservancy Asia Pacific Council; member of the Board of Trustees of the Institute for Advanced Study; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd. |
| Mark Hughes | Member | 2024 | 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 | 2024 | 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; member of the Board of Directors of Fondation Leopold Bellan. |
| Julie G. Richardson | Member | 2024 | Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Datalog (chair of the audit committee); member of the Board of Fivetran; member of the Board of Coalition, Inc; member of the Board of Checkout.com. |
| Dieter Wemmer | Member | 2024 | Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); chairman of Marco Capital Holdings Limited, Malta and subsidiaries; member of the Berlin Center of Corporate Governance. |
| Jeanette Wong | Member | 2024 | 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.

| Member and business address | Function | Current principal activities outside UBS AG |
|---|---|--|
| Sergio P. Ermotti UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland | 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 Ermenegildo Zegna N.V. (Lead Non-Executive Director); member of the Board of Innosuisse – Swiss Innovation Agency. |
| Michelle Bereaux UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland | Integration Officer | Member of the Group Executive Board and Group Integration Officer of UBS Group AG. |
| Christian Bluhm UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland | Chief Risk Officer | Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; chairman of the Board of Christian Bluhm Photography AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute. |
| Mike Dargan UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland | Chief Operations and Technology Officer | Member of the Group Executive Board and Group Chief Operations and Technology Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of UBS Optimus Foundation; member of the Board of Directors of Done Next Holdings AG; member of the Board of Trustees of the Inter-Community School Zurich. |
| Suni Harford UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA | President Asset Management | Member of the Group Executive Board and President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; chair of the Board of UBS Optimus Foundation; member of the Leadership Council of the Bob Woodruff Foundation. |
| Naureen Hassan UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA | President UBS Americas | Member of the Group Executive Board and President UBS Americas of UBS Group AG; CEO and member of the Board of UBS Americas Holding LLC; member of the Board of the Securities Industry and Financial Markets Association; member of the Board of Ownership |

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

| | | |
|---|----------------------------|---|
| Bahnhofstrasse 45, 8001 Zurich, Switzerland | | Economics in Society at the University of Zurich Foundation Council; chairman of the Foundation Board of the Swiss Finance Institute; member of the Foundation Board of the UBS Swiss Pension Fund; Adjunct Professor for Leadership and Strategic Human Resource Management, Nanyang Business School, Singapore. |
| Todd Tuckner UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland | Chief Financial Officer | Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG. |

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 7 April 2021, 5 April 2022 and 4 April 2023, 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 2022 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2022 and in the UBS AG's standalone financial statements for the year ended 31 December 2022 (the "**Standalone Financial Statements 2022**"), respectively; and for financial year 2021 it is available in the "*UBS AG consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2021, published on 6 March 2022 ("**Annual Report 2021**") and in the UBS AG's standalone financial statements for the year ended 31 December 2021 published on 6 March 2022 (the "**Standalone Financial Statements 2021**"). 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 2022 and 2021 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 377-382 (inclusive) of the Annual Report 2022. 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 35-39 (inclusive) of the Standalone Financial Statements 2022.

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 2022.

7.3 Interim Financial Information

Reference is also made to the UBS Group AG first quarter 2023 report published on 25 April 2023 ("**UBS Group First Quarter 2023 Report**"), and the UBS AG first quarter 2023 report published on 27 April 2023 ("**UBS AG First Quarter 2023 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 2023. 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 13 Provisions and contingent liabilities*" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG First Quarter 2023 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 2023.

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 USD 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of USD 0.10 each (article 4), and (ii) conditional capital in the amount of USD 38,000,000, comprising 380,000,000 registered shares with a par value of USD 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a).

9. Documents Available

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

APPENDIX III

**EXTRACT OF
THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
UBS AG AND ITS SUBSIDIARIES
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

UBS AG interim consolidated financial statements (unaudited)

Income statement

| USD m | Note | For the quarter ended | | |
|---|------|-----------------------|--------------|--------------|
| | | 31.3.23 | 31.12.22 | 31.3.22 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 4,815 | 4,196 | 2,145 |
| Interest expense from financial instruments measured at amortized cost | 3 | (3,853) | (2,989) | (809) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 3 | 426 | 365 | 410 |
| Net interest income | 3 | 1,388 | 1,572 | 1,746 |
| Other net income from financial instruments measured at fair value through profit or loss | | 2,673 | 1,856 | 2,225 |
| Fee and commission income | 4 | 5,076 | 4,772 | 5,868 |
| Fee and commission expense | 4 | (447) | (413) | (485) |
| Net fee and commission income | 4 | 4,628 | 4,360 | 5,384 |
| Other income | | 155 | 290 | 139 |
| Total revenues | | 8,844 | 8,078 | 9,494 |
| Credit loss expense / (release) | 8 | 38 | 7 | 18 |
| Personnel expenses | 5 | 3,898 | 3,468 | 4,233 |
| General and administrative expenses | 6 | 2,983 | 2,327 | 2,233 |
| Depreciation, amortization and impairment of non-financial assets | | 469 | 488 | 449 |
| Operating expenses | | 7,350 | 6,282 | 6,916 |
| Operating profit / (loss) before tax | | 1,456 | 1,788 | 2,559 |
| Tax expense / (benefit) | 7 | 445 | 267 | 547 |
| Net profit / (loss) | | 1,012 | 1,522 | 2,012 |
| Net profit / (loss) attributable to non-controlling interests | | 8 | 4 | 8 |
| Net profit / (loss) attributable to shareholders | | 1,004 | 1,518 | 2,004 |

Statement of comprehensive income

| USD m | For the quarter ended | | |
|--|-----------------------|--------------|----------------------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Comprehensive income attributable to shareholders | | | |
| Net profit / (loss) | 1,004 | 1,518 | 2,004 |
| Other comprehensive income that may be reclassified to the income statement | | | |
| Foreign currency translation | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | 224 | 1,687 | (465) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | (126) | (794) | 212 |
| Foreign currency translation differences on foreign operations reclassified to the income statement | (1) | 0 | 0 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | (1) | 3 | 0 |
| Income tax relating to foreign currency translations, including the effect of net investment hedges | (2) | (10) | 2 |
| Subtotal foreign currency translation, net of tax | 95 | 886 | (251) |
| Financial assets measured at fair value through other comprehensive income | | | |
| Net unrealized gains / (losses), before tax ¹ | 2 | 5 | (439) |
| Net realized (gains) / losses reclassified to the income statement from equity | 0 | 0 | 0 |
| Income tax relating to net unrealized gains / (losses) | 0 | 0 | 112 |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | 2 | 6 | (327) |
| Cash flow hedges of interest rate risk | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | 387 | 59 | (2,465) ² |
| Net (gains) / losses reclassified to the income statement from equity | 349 | 210 | (237) |
| Income tax relating to cash flow hedges | (130) | (43) | 518 |
| Subtotal cash flow hedges, net of tax | 606 | 225 | (2,184) |
| Cost of hedging | | | |
| Cost of hedging, before tax | (5) | (69) | 77 |
| Income tax relating to cost of hedging | 0 | 3 | 0 |
| Subtotal cost of hedging, net of tax | (5) | (66) | 77 |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | 698 | 1,051 | (2,685) |
| Other comprehensive income that will not be reclassified to the income statement | | | |
| Defined benefit plans | | | |
| Gains / (losses) on defined benefit plans, before tax | 33 | (361) | 128 |
| Income tax relating to defined benefit plans | 4 | 27 | (17) |
| Subtotal defined benefit plans, net of tax | 38 | (333) | 110 |
| Own credit on financial liabilities designated at fair value | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | 69 | (304) | 423 |
| Income tax relating to own credit on financial liabilities designated at fair value | (17) | 71 | 0 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | 51 | (233) | 423 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 89 | (566) | 533 |
| Total other comprehensive income | 787 | 485 | (2,152) |
| Total comprehensive income attributable to shareholders | 1,791 | 2,003 | (148) |
| Comprehensive income attributable to non-controlling interests | | | |
| Net profit / (loss) | 8 | 4 | 8 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 5 | 13 | 18 |
| Total comprehensive income attributable to non-controlling interests | 13 | 17 | 26 |
| Total comprehensive income | | | |
| Net profit / (loss) | 1,012 | 1,522 | 2,012 |
| Other comprehensive income | 792 | 499 | (2,134) |
| <i>of which: other comprehensive income that may be reclassified to the income statement</i> | <i>698</i> | <i>1,051</i> | <i>(2,685)</i> |
| <i>of which: other comprehensive income that will not be reclassified to the income statement</i> | <i>94</i> | <i>(553)</i> | <i>551</i> |
| Total comprehensive income | 1,804 | 2,020 | (121) |

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. As a result, the related cumulative fair value losses of USD 449m pre-tax and USD 333m post-tax, previously recognized in Other comprehensive income, have been removed from equity and adjusted against the value of the assets at the reclassification date. ² Mainly reflects net unrealized losses on US dollar hedging derivatives, resulting from significant increases in the relevant US dollar long-term interest rates.

Balance sheet

| USD m | Note | 31.3.23 | 31.12.22 |
|---|------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | | 144,183 | 169,445 |
| Loans and advances to banks | | 14,773 | 14,671 |
| Receivables from securities financing transactions measured at amortized cost | | 60,010 | 67,814 |
| Cash collateral receivables on derivative instruments | 10 | 32,726 | 35,033 |
| Loans and advances to customers | 8 | 395,429 | 390,027 |
| Other financial assets measured at amortized cost | 11 | 49,289 | 53,389 |
| Total financial assets measured at amortized cost | | 696,411 | 730,379 |
| Financial assets at fair value held for trading | 9 | 118,009 | 108,034 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | | <i>37,569</i> | <i>36,742</i> |
| Derivative financial instruments | 9,10 | 114,253 | 150,109 |
| Brokerage receivables | 9 | 21,025 | 17,576 |
| Financial assets at fair value not held for trading | 9 | 66,511 | 59,408 |
| Total financial assets measured at fair value through profit or loss | | 319,799 | 335,127 |
| Financial assets measured at fair value through other comprehensive income | 9 | 2,241 | 2,239 |
| Investments in associates | | 1,114 | 1,101 |
| Property, equipment and software | | 11,274 | 11,316 |
| Goodwill and intangible assets | | 6,272 | 6,267 |
| Deferred tax assets | | 9,281 | 9,354 |
| Other non-financial assets | 11 | 10,367 | 9,652 |
| Total assets | | 1,056,758 | 1,105,436 |
| Liabilities | | | |
| Amounts due to banks | | 13,595 | 11,596 |
| Payables from securities financing transactions measured at amortized cost | | 9,870 | 4,202 |
| Cash collateral payables on derivative instruments | 10 | 32,240 | 36,436 |
| Customer deposits | | 507,844 | 527,171 |
| Funding from UBS Group AG measured at amortized cost | 12 | 63,093 | 56,147 |
| Debt issued measured at amortized cost | 14 | 54,733 | 59,499 |
| Other financial liabilities measured at amortized cost | 11 | 10,695 | 10,391 |
| Total financial liabilities measured at amortized cost | | 692,071 | 705,442 |
| Financial liabilities at fair value held for trading | 9 | 34,374 | 29,515 |
| Derivative financial instruments | 9,10 | 116,113 | 154,906 |
| Brokerage payables designated at fair value | 9 | 43,911 | 45,085 |
| Debt issued designated at fair value | 9,13 | 74,974 | 71,842 |
| Other financial liabilities designated at fair value | 9,11 | 28,018 | 32,033 |
| Total financial liabilities measured at fair value through profit or loss | | 297,391 | 333,382 |
| Provisions | 15 | 3,886 | 3,183 |
| Other non-financial liabilities | 11 | 4,673 | 6,489 |
| Total liabilities | | 998,021 | 1,048,496 |
| Equity | | | |
| Share capital | | 338 | 338 |
| Share premium | | 24,644 | 24,648 |
| Retained earnings | | 32,863 | 31,746 |
| Other comprehensive income recognized directly in equity, net of tax | | 541 | (133) |
| Equity attributable to shareholders | | 58,386 | 56,598 |
| Equity attributable to non-controlling interests | | 352 | 342 |
| Total equity | | 58,738 | 56,940 |
| Total liabilities and equity | | 1,056,758 | 1,105,436 |

Statement of changes in equity

| <i>USD m</i> | Share capital and share premium | Retained earnings | OCI recognized directly in equity, net of tax ¹ | <i>of which: foreign currency translation</i> | <i>of which: cash flow hedges</i> | Total equity attributable to shareholders |
|---|---------------------------------|-------------------|--|---|-----------------------------------|---|
| Balance as of 1 January 2023² | 24,985 | 31,746 | (133) | 4,098 | (4,234) | 56,598 |
| Premium on shares issued and warrants exercised | (5) ³ | | | | | (5) |
| Tax (expense) / benefit | 1 | | | | | 1 |
| Translation effects recognized directly in retained earnings | | 24 | (24) | | (24) | 0 |
| Share of changes in retained earnings of associates and joint ventures | | 0 | | | | 0 |
| New consolidations / (deconsolidations) and other increases / (decreases) | 0 | | | | | 0 |
| Total comprehensive income for the period | | 1,093 | 698 | 95 | 606 | 1,791 |
| <i>of which: net profit / (loss)</i> | | 1,004 | | | | 1,004 |
| <i>of which: OCI, net of tax</i> | | 89 | 698 | 95 | 606 | 787 |
| Balance as of 31 March 2023² | 24,982 | 32,863 | 541 | 4,193 | (3,652) | 58,386 |
| Non-controlling interests as of 31 March 2023 | | | | | | 352 |
| Total equity as of 31 March 2023 | | | | | | 58,738 |
| Balance as of 1 January 2022² | 24,991 | 27,912 | 5,200 | 4,617 | 628 | 58,102 |
| Tax (expense) / benefit | 3 | | | | | 3 |
| Translation effects recognized directly in retained earnings | | 1 | (1) | | (1) | 0 |
| Share of changes in retained earnings of associates and joint ventures | | 0 | | | | 0 |
| New consolidations / (deconsolidations) and other increases / (decreases) | 5 | | | | | 5 |
| Total comprehensive income for the period | | 2,537 | (2,685) | (251) | (2,184) | (148) |
| <i>of which: net profit / (loss)</i> | | 2,004 | | | | 2,004 |
| <i>of which: OCI, net of tax</i> | | 533 | (2,685) | (251) | (2,184) | (2,152) |
| Balance as of 31 March 2022² | 24,998 | 30,450 | 2,514 | 4,366 | (1,556) | 57,962 |
| Non-controlling interests as of 31 March 2022 | | | | | | 356 |
| Total equity as of 31 March 2022 | | | | | | 58,319 |

¹ Excludes other comprehensive income related to defined benefit plans and own credit that is recorded directly in Retained earnings. ² Excludes non-controlling interests. ³ Includes decreases related to recharges by UBS Group AG for share-based compensation awards granted to employees of UBS AG or its subsidiaries.

Statement of cash flows

| | Year-to-date | |
|---|-----------------|----------------|
| USD m | 31.3.23 | 31.3.22 |
| Cash flow from / (used in) operating activities | | |
| Net profit / (loss) | 1,012 | 2,012 |
| Non-cash items included in net profit and other adjustments: | | |
| Depreciation, amortization and impairment of non-financial assets | 469 | 449 |
| Credit loss expense / (release) | 38 | 0 |
| Share of net profits of associates and joint ventures and impairment related to associates | (10) | 4 |
| Deferred tax expense / (benefit) | (37) | 212 |
| Net loss / (gain) from investing activities | (87) | 19 |
| Net loss / (gain) from financing activities | 3,440 | (4,599) |
| Other net adjustments | (806) | 1,920 |
| Net change in operating assets and liabilities: | | |
| Loans and advances to banks and amounts due to banks | 1,855 | 3,869 |
| Securities financing transactions measured at amortized cost | 13,493 | 7,011 |
| Cash collateral on derivative instruments | (1,889) | (959) |
| Loans and advances to customers and customer deposits | (25,038) | 3,793 |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | (6,183) | 8,197 |
| Brokerage receivables and payables | (4,618) | 5,081 |
| Financial assets at fair value not held for trading and other financial assets and liabilities | (7,663) | (52) |
| Provisions and other non-financial assets and liabilities | (1,251) | (1,415) |
| Income taxes paid, net of refunds | (523) | (644) |
| Net cash flow from / (used in) operating activities | (27,798) | 24,899 |
| Cash flow from / (used in) investing activities | | |
| Purchase of property, equipment and software | (330) | (371) |
| Purchase of financial assets measured at fair value through other comprehensive income | (1,092) | (1,645) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 1,102 | 1,092 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (2,030) | (2,547) |
| Net cash flow from / (used in) investing activities | (2,350) | (3,472) |
| Cash flow from / (used in) financing activities | | |
| Net short-term debt issued / (repaid) | (2,429) | (5,188) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost ¹ | 27,237 | 24,824 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost ¹ | (23,175) | (21,201) |
| Net cash flows from other financing activities | (120) | (219) |
| Net cash flow from / (used in) financing activities | 1,513 | (1,784) |
| Total cash flow | | |
| Cash and cash equivalents at the beginning of the period | 195,200 | 207,755 |
| Net cash flow from / (used in) operating, investing and financing activities | (28,635) | 19,644 |
| Effects of exchange rate differences on cash and cash equivalents | 746 | (2,729) |
| Cash and cash equivalents at the end of the period² | 167,311 | 224,669 |
| <i>of which: cash and balances at central banks³</i> | <i>144,099</i> | <i>206,666</i> |
| <i>of which: loans and advances to banks</i> | <i>13,311</i> | <i>16,485</i> |
| <i>of which: money market paper⁴</i> | <i>9,901</i> | <i>1,518</i> |

Additional information

| | | |
|--|-------|-------|
| Net cash flow from / (used in) operating activities includes: | | |
| Interest received in cash | 7,064 | 2,889 |
| Interest paid in cash | 5,926 | 1,428 |
| Dividends on equity investments, investment funds and associates received in cash ⁵ | 525 | 456 |

¹ Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG measured at amortized cost in the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value in the balance sheet). ² USD 4,137m and USD 4,359m of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 March 2023 and 31 March 2022, respectively. Refer to "Note 22 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2022 for more information. ³ Includes only balances with an original maturity of three months or less. ⁴ Money market paper is included in the balance sheet under Financial assets at fair value not held for trading (31 March 2023: USD 9,644m; 31 March 2022: USD 1,202m), Other financial assets measured at amortized cost (31 March 2023: USD 218m; 31 March 2022: USD 138m), Financial assets at fair value held for trading (31 March 2023: USD 39m; 31 March 2022: USD 63m), and Financial assets measured at fair value through other comprehensive income (31 March 2023: USD 0m; 31 March 2022: USD 115m). ⁵ Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

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

Note 1 Basis of accounting

Basis of preparation

The consolidated financial statements (the financial statements) of UBS AG and its subsidiaries (together, UBS AG) are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and are presented in US dollars. 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 2022, except for the changes described in this Note. These interim financial statements are unaudited and should be read in conjunction with UBS AG's audited consolidated financial statements in the Annual Report 2022. 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 2022.

IFRS 17, Insurance Contracts

Effective from 1 January 2023, UBS AG has adopted IFRS 17, *Insurance Contracts*, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. The adoption has had no effect on UBS AG's financial statements. UBS AG does not provide insurance services in any market.

Other amendments to IFRS

Effective from 1 January 2023, UBS AG has adopted a number of minor amendments to IFRS, which have had no significant effect on UBS AG.

Currency translation rates

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

| | Closing exchange rate | | | Average rate ¹ | | |
|---------|-----------------------|----------|---------|---------------------------|----------|---------|
| | As of | | | For the quarter ended | | |
| | 31.3.23 | 31.12.22 | 31.3.22 | 31.3.23 | 31.12.22 | 31.3.22 |
| 1 CHF | 1.09 | 1.08 | 1.08 | 1.08 | 1.05 | 1.08 |
| 1 EUR | 1.08 | 1.07 | 1.11 | 1.08 | 1.04 | 1.12 |
| 1 GBP | 1.23 | 1.21 | 1.31 | 1.22 | 1.19 | 1.33 |
| 100 JPY | 0.75 | 0.76 | 0.82 | 0.75 | 0.73 | 0.85 |

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

Note 2 Segment reporting

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|--|--------------------------|------------------------------|------------------|-----------------|-----------------|------------------|
| For the quarter ended 31 March 2023¹ | | | | | | |
| Net interest income | 1,491 | 705 | (8) | (500) | (301) | 1,388 |
| Non-interest income | 3,301 | 572 | 510 | 2,845 | 228 | 7,456 |
| Total revenues | 4,792 | 1,278 | 502 | 2,345 | (73) | 8,844 |
| Credit loss expense / (release) | 15 | 16 | 0 | 7 | 0 | 38 |
| Operating expenses | 3,578 | 665 | 408 | 1,883 | 816 | 7,350 |
| Operating profit / (loss) before tax | 1,199 | 597 | 94 | 455 | (889) | 1,456 |
| Tax expense / (benefit) | | | | | | 445 |
| Net profit / (loss) | | | | | | 1,012 |
| As of 31 March 2023¹ | | | | | | |
| Total assets | 376,644 | 238,131 | 18,175 | 362,219 | 61,589 | 1,056,758 |
| For the quarter ended 31 March 2022¹ | | | | | | |
| Net interest income | 1,141 | 535 | (4) | 133 | (60) | 1,746 |
| Non-interest income | 3,763 | 552 | 582 | 2,777 | 74 | 7,748 |
| Total revenues | 4,904 | 1,087 | 578 | 2,910 | 14 | 9,494 |
| Credit loss expense / (release) | (7) | 23 | 0 | 4 | 0 | 18 |
| Operating expenses | 3,629 | 644 | 402 | 1,999 | 242 | 6,916 |
| Operating profit / (loss) before tax | 1,283 | 420 | 176 | 908 | (227) | 2,559 |
| Tax expense / (benefit) | | | | | | 547 |
| Net profit / (loss) | | | | | | 2,012 |
| As of 31 December 2022¹ | | | | | | |
| Total assets | 388,624 | 235,330 | 16,971 | 391,495 | 73,016 | 1,105,436 |

¹ Refer to "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2022 for more information about UBS AG's reporting segments.

Note 3 Net interest income

| <i>USD m</i> | For the quarter ended | | |
|--|-----------------------|--------------|--------------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Interest income from loans and deposits ¹ | 4,145 | 3,562 | 1,661 |
| Interest income from securities financing transactions measured at amortized cost ² | 766 | 636 | 118 |
| Interest income from other financial instruments measured at amortized cost | 259 | 207 | 72 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 23 | 14 | 41 |
| Interest income from derivative instruments designated as cash flow hedges | (376) | (223) | 253 |
| Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 4,815 | 4,196 | 2,145 |
| Interest expense on loans and deposits ³ | 2,909 | 2,216 | 429 |
| Interest expense on securities financing transactions measured at amortized cost ⁴ | 365 | 295 | 224 |
| Interest expense on debt issued | 555 | 455 | 135 |
| Interest expense on lease liabilities | 25 | 24 | 22 |
| Total interest expense from financial instruments measured at amortized cost | 3,853 | 2,989 | 809 |
| Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 962 | 1,207 | 1,336 |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 426 | 365 | 410 |
| Total net interest income | 1,388 | 1,572 | 1,746 |

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

Note 4 Net fee and commission income

| USD m | For the quarter ended | | |
|--|-----------------------|--------------|--------------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Underwriting fees | 149 | 121 | 203 |
| M&A and corporate finance fees | 178 | 196 | 237 |
| Brokerage fees | 880 | 759 | 1,078 |
| Investment fund fees | 1,178 | 1,148 | 1,388 |
| Portfolio management and related services | 2,210 | 2,121 | 2,463 |
| Other | 480 | 427 | 501 |
| Total fee and commission income¹ | 5,076 | 4,772 | 5,868 |
| <i>of which: recurring</i> | <i>3,413</i> | <i>3,324</i> | <i>3,860</i> |
| <i>of which: transaction-based</i> | <i>1,639</i> | <i>1,424</i> | <i>1,989</i> |
| <i>of which: performance-based</i> | <i>24</i> | <i>24</i> | <i>19</i> |
| Fee and commission expense | 447 | 413 | 485 |
| Net fee and commission income | 4,628 | 4,360 | 5,384 |

¹ Reflects third-party fee and commission income for the first quarter of 2023 of USD 3,145m for Global Wealth Management (fourth quarter of 2022: USD 2,965m; first quarter of 2022: USD 3,637m), USD 449m for Personal & Corporate Banking (fourth quarter of 2022: USD 390m; first quarter of 2022: USD 447m), USD 687m for Asset Management (fourth quarter of 2022: USD 676m; first quarter of 2022: USD 762m), USD 791m for the Investment Bank (fourth quarter of 2022: USD 738m; first quarter of 2022: USD 1,018m) and USD 3m for Group Functions (fourth quarter of 2022: USD 4m; first quarter of 2022: USD 4m).

Note 5 Personnel expenses

| USD m | For the quarter ended | | |
|---|-----------------------|--------------|--------------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Salaries and variable compensation ¹ | 3,356 | 3,013 | 3,685 |
| <i>of which: variable compensation – financial advisors²</i> | <i>1,111</i> | <i>1,073</i> | <i>1,220</i> |
| Contractors | 27 | 32 | 28 |
| Social security | 220 | 159 | 228 |
| Post-employment benefit plans | 174 | 113 | 182 |
| Other personnel expenses | 122 | 151 | 109 |
| Total personnel expenses | 3,898 | 3,468 | 4,233 |

¹ Includes role-based allowances. ² Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. 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 m | For the quarter ended | | |
|--|-----------------------|--------------|--------------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Outsourcing costs | 124 | 120 | 106 |
| Technology costs | 132 | 133 | 122 |
| Consulting, legal and audit fees | 108 | 151 | 104 |
| Real estate and logistics costs | 119 | 135 | 124 |
| Market data services | 99 | 94 | 93 |
| Marketing and communication | 34 | 76 | 31 |
| Travel and entertainment | 49 | 55 | 19 |
| Litigation, regulatory and similar matters ¹ | 721 | 50 | 57 |
| Other | 1,596 | 1,514 | 1,577 |
| <i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i> | <i>1,385</i> | <i>1,288</i> | <i>1,390</i> |
| Total general and administrative expenses | 2,983 | 2,327 | 2,233 |

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

Note 7 Income taxes

UBS AG recognized income tax expenses of USD 445m for the first quarter of 2023, representing an effective tax rate of 30.5%, compared with USD 547m and an effective tax rate of 21.4% for the first quarter of 2022.

Current tax expenses were USD 481m, compared with USD 335m. Current tax expenses included USD 359m in respect of the taxable profits of UBS Switzerland AG and other entities and USD 122m in respect of the US Corporate Alternative Minimum Tax (CAMT) that was introduced effective 1 January 2023.

There was a net deferred tax benefit of USD 37m, compared with a deferred tax expense of USD 212m. This includes a benefit of USD 122m that resulted from the recognition of deferred tax assets (DTAs) for tax credits carried forward in relation to CAMT and a benefit of USD 60m in respect of an increase in the expected value of future tax deductions for deferred compensation awards, due to an increase in the Group's share price during the quarter. These benefits were partly offset by expenses of USD 145m that primarily relate to the amortization of DTAs previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc. The pre-tax expense that was recognized in respect of the increase in provisions related to the US residential mortgage-backed securities litigation matter did not result in any tax benefit.

Note 8 Expected credit loss measurement

a) Credit loss expense / release

Total net credit loss expenses in the first quarter of 2023 were USD 38m, reflecting USD 26m net credit loss expenses related to stage 1 and 2 positions and USD 12m net credit loss expenses related to stage 3 positions, primarily in the Investment Bank.

Stage 1 and 2 net expenses of USD 26m included scenario-update-related expenses of USD 21m, primarily for real estate lending due to less optimistic house price forecasts and, to a lesser extent, lending to SME clients due to rising interest rates.

Note 8 Expected credit loss measurement (continued)

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

Scenarios and scenario weights

The expected credit loss (ECL) scenarios, along with their related macroeconomic factors and market data, were reviewed in light of the economic and political conditions prevailing in the first quarter of 2023 through a series of governance meetings, with input and feedback from UBS AG Risk and Finance experts across the business divisions and regions. UBS AG decided to apply the same scenarios (baseline, stagflationary geopolitical crisis, global crisis, asset price inflation) and weights in the first quarter of 2023 as in the fourth quarter of 2022. Refer to the table below for scenarios and weights applied.

The baseline scenario was updated with the latest macroeconomic data as of 31 March 2023. The assumptions on a calendar-year basis are included in the table below and imply a weaker economic forecast for 2023, mainly in the US, and less optimistic house price forecasts in the US and Switzerland, compared with 31 December 2022.

The global crisis scenario, the stagflationary geopolitical crisis scenario and the asset price inflation scenario were updated with current macroeconomic factors, resulting overall in modest allowances increases in real estate lending.

Post-model adjustments

Total stage 1 and 2 allowances and provisions amounted to USD 555m as of 31 March 2023 and included post-model adjustments (PMA) of USD 128m (31 December 2022: USD 131m).

The PMA represent uncertainty and risk, heightened geopolitical tensions, stagflation, and recession risk, as well as the recent volatility in the banking system, which cannot be fully and reliably modeled.

Comparison of shock factors

| Key parameters | Baseline | | |
|--|----------|-------|------|
| | 2022 | 2023 | 2024 |
| Real GDP growth (annual percentage change) | | | |
| US | 2.0 | 0.6 | 0.3 |
| Eurozone | 3.5 | 0.8 | 1.0 |
| Switzerland | 2.0 | 0.7 | 1.0 |
| Unemployment rate (% annual average) | | | |
| US | 3.7 | 3.8 | 5.1 |
| Eurozone | 6.7 | 6.7 | 6.9 |
| Switzerland | 2.2 | 2.2 | 2.5 |
| Fixed income: 10-year government bonds (% Q4) | | | |
| USD | 3.9 | 3.4 | 3.3 |
| EUR | 2.6 | 2.2 | 2.2 |
| CHF | 1.6 | 1.3 | 1.4 |
| Real estate (annual percentage change, Q4) | | | |
| US | 6.4 | (2.3) | 2.0 |
| Eurozone | 3.4 | (2.0) | 2.8 |
| Switzerland | 3.6 | 1.5 | 0.0 |

Economic scenarios and weights applied

| ECL scenario | Assigned weights in % | | |
|--|-----------------------|----------|---------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Asset price inflation | 0.0 | 0.0 | 0.0 |
| Baseline | 60.0 | 60.0 | 55.0 |
| Severe global interest rate steepening | – | – | 25.0 |
| Stagflationary geopolitical crisis | 25.0 | 25.0 | – |
| Global crisis | 15.0 | 15.0 | 20.0 |

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 m | 31.3.23 | | | | | | | |
|---|------------------------------|----------------|---------------|--------------|----------------|--------------|--------------|--------------|
| | Carrying amount ¹ | | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 144,183 | 144,144 | 39 | 0 | (12) | 0 | (12) | 0 |
| Loans and advances to banks | 14,773 | 14,728 | 45 | 0 | (6) | (5) | 0 | 0 |
| Receivables from securities financing transactions measured at amortized cost | 60,010 | 60,010 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 32,726 | 32,726 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 395,429 | 377,266 | 16,573 | 1,591 | (804) | (152) | (180) | (472) |
| of which: Private clients with mortgages | 159,409 | 149,701 | 8,999 | 709 | (171) | (43) | (103) | (25) |
| of which: Real estate financing | 48,672 | 45,159 | 3,504 | 8 | (42) | (18) | (24) | 0 |
| of which: Large corporate clients | 12,943 | 11,216 | 1,408 | 320 | (139) | (20) | (16) | (102) |
| of which: SME clients | 13,610 | 11,781 | 1,437 | 392 | (243) | (29) | (25) | (189) |
| of which: Lombard | 128,960 | 128,903 | 0 | 57 | (26) | (9) | 0 | (17) |
| of which: Credit cards | 1,831 | 1,418 | 381 | 32 | (37) | (8) | (10) | (20) |
| of which: Commodity trade finance | 3,053 | 3,022 | 20 | 10 | (96) | (5) | 0 | (91) |
| Other financial assets measured at amortized cost | 49,289 | 48,771 | 372 | 146 | (84) | (17) | (6) | (61) |
| of which: Loans to financial advisors | 2,571 | 2,323 | 121 | 127 | (54) | (6) | (2) | (46) |
| Total financial assets measured at amortized cost | 696,411 | 677,646 | 17,028 | 1,737 | (908) | (176) | (198) | (534) |
| Financial assets measured at fair value through other comprehensive income | 2,241 | 2,241 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 698,652 | 679,887 | 17,028 | 1,737 | (908) | (176) | (198) | (534) |
| | | Total exposure | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 22,670 | 21,670 | 887 | 113 | (54) | (13) | (8) | (33) |
| of which: Large corporate clients | 3,476 | 2,733 | 668 | 75 | (19) | (2) | (3) | (14) |
| of which: SME clients | 1,368 | 1,197 | 133 | 38 | (11) | (1) | (1) | (9) |
| of which: Financial intermediaries and hedge funds | 13,076 | 13,037 | 38 | 0 | (11) | (8) | (4) | 0 |
| of which: Lombard | 2,171 | 2,170 | 0 | 1 | (1) | 0 | 0 | (1) |
| of which: Commodity trade finance | 1,815 | 1,815 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,775 | 37,261 | 2,400 | 114 | (113) | (57) | (56) | 0 |
| of which: Large corporate clients | 23,294 | 21,263 | 1,948 | 83 | (95) | (47) | (49) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 4,748 | 4,748 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 41,970 | 40,206 | 1,724 | 40 | (44) | (36) | (8) | 0 |
| of which: Real estate financing | 8,226 | 8,037 | 188 | 0 | (6) | (6) | 0 | 0 |
| of which: Large corporate clients | 4,496 | 4,284 | 205 | 7 | (5) | (3) | (2) | 0 |
| of which: SME clients | 4,898 | 4,656 | 214 | 28 | (21) | (18) | (3) | 0 |
| of which: Lombard | 8,166 | 8,165 | 0 | 1 | 0 | 0 | 0 | 0 |
| of which: Credit cards | 9,567 | 9,078 | 486 | 3 | (7) | (5) | (2) | 0 |
| of which: Commodity trade finance | 370 | 370 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 4,161 | 4,126 | 33 | 2 | (3) | (3) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 113,323 | 108,010 | 5,044 | 269 | (214) | (108) | (72) | (33) |
| Total allowances and provisions | | | | | (1,121) | (284) | (271) | (567) |

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

Note 8 Expected credit loss measurement (continued)

| USD m | 31.12.22 | | | | | | | |
|---|------------------------------|----------------|---------------|--------------|----------------|--------------|--------------|--------------|
| | Carrying amount ¹ | | | | ECL allowances | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Financial instruments measured at amortized cost | | | | | | | | |
| Cash and balances at central banks | 169,445 | 169,402 | 44 | 0 | (12) | 0 | (12) | 0 |
| Loans and advances to banks | 14,671 | 14,670 | 1 | 0 | (6) | (5) | (1) | 0 |
| Receivables from securities financing transactions measured at amortized cost | 67,814 | 67,814 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 35,033 | 35,033 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 390,027 | 372,903 | 15,587 | 1,538 | (783) | (129) | (180) | (474) |
| <i>of which: Private clients with mortgages</i> | 156,930 | 147,651 | 8,579 | 699 | (161) | (27) | (107) | (28) |
| <i>of which: Real estate financing</i> | 46,470 | 43,112 | 3,349 | 9 | (41) | (17) | (23) | 0 |
| <i>of which: Large corporate clients</i> | 12,226 | 10,733 | 1,189 | 303 | (130) | (24) | (14) | (92) |
| <i>of which: SME clients</i> | 13,903 | 12,211 | 1,342 | 351 | (251) | (26) | (22) | (203) |
| <i>of which: Lombard</i> | 132,287 | 132,196 | 0 | 91 | (26) | (9) | 0 | (17) |
| <i>of which: Credit cards</i> | 1,834 | 1,420 | 382 | 31 | (36) | (7) | (10) | (19) |
| <i>of which: Commodity trade finance</i> | 3,272 | 3,261 | 0 | 11 | (96) | (6) | 0 | (90) |
| Other financial assets measured at amortized cost ² | 53,389 | 52,829 | 413 | 147 | (86) | (17) | (6) | (63) |
| <i>of which: Loans to financial advisors</i> | 2,611 | 2,357 | 128 | 126 | (59) | (7) | (2) | (51) |
| Total financial assets measured at amortized cost | 730,379 | 712,651 | 16,044 | 1,685 | (890) | (154) | (199) | (537) |
| Financial assets measured at fair value through other comprehensive income² | 2,239 | 2,239 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 732,618 | 714,889 | 16,044 | 1,685 | (890) | (154) | (199) | (537) |
| | | Total exposure | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 22,167 | 19,805 | 2,254 | 108 | (48) | (13) | (9) | (26) |
| <i>of which: Large corporate clients</i> | 3,663 | 2,883 | 721 | 58 | (26) | (2) | (3) | (21) |
| <i>of which: SME clients</i> | 1,337 | 1,124 | 164 | 49 | (5) | (1) | (1) | (3) |
| <i>of which: Financial intermediaries and hedge funds</i> | 11,833 | 10,513 | 1,320 | 0 | (12) | (8) | (4) | 0 |
| <i>of which: Lombard</i> | 2,376 | 2,376 | 0 | 1 | (1) | 0 | 0 | (1) |
| <i>of which: Commodity trade finance</i> | 2,121 | 2,121 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,996 | 37,531 | 2,341 | 124 | (111) | (59) | (52) | 0 |
| <i>of which: Large corporate clients</i> | 23,611 | 21,488 | 2,024 | 99 | (93) | (49) | (45) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 3,801 | 3,801 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 43,677 | 41,809 | 1,833 | 36 | (40) | (32) | (8) | 0 |
| <i>of which: Real estate financing</i> | 8,711 | 8,528 | 183 | 0 | (6) | (6) | 0 | 0 |
| <i>of which: Large corporate clients</i> | 4,578 | 4,304 | 268 | 5 | (4) | (1) | (2) | 0 |
| <i>of which: SME clients</i> | 4,723 | 4,442 | 256 | 26 | (19) | (16) | (3) | 0 |
| <i>of which: Lombard</i> | 7,855 | 7,854 | 0 | 1 | 0 | 0 | 0 | 0 |
| <i>of which: Credit cards</i> | 9,390 | 8,900 | 487 | 3 | (7) | (5) | (2) | 0 |
| <i>of which: Commodity trade finance</i> | 327 | 327 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 4,696 | 4,600 | 94 | 2 | (2) | (2) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 114,337 | 107,545 | 6,522 | 270 | (201) | (106) | (69) | (26) |
| Total allowances and provisions | | | | | (1,091) | (260) | (267) | (564) |

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances. ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 10a for more information.

Note 8 Expected credit loss measurement (continued)

The table below provides information about the ECL gross exposure and the ECL coverage ratio for UBS AG's core loan portfolios (i.e., *Loans and advances to customers* and *Loans to financial advisors*) and relevant off-balance sheet exposures. *Cash and balances at central banks, Loans and advances to banks, Receivables from securities financing transactions, Cash collateral receivables on derivative instruments* and *Financial assets measured at fair value through other comprehensive income* are not included in the table below, due to their lower sensitivity to ECL.

ECL coverage ratios are calculated by dividing ECL allowances and provisions by the gross carrying amount of the related exposures.

| Coverage ratios for core loan portfolio | | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
|--|------------------------|-------------------------------|---------------|--------------|--------------------|--------------------|------------|-----------|--------------|---------|
| | | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| On-balance sheet | | | | | | | | | | |
| Private clients with mortgages | 159,580 | 149,744 | 9,102 | 734 | 11 | 3 | 113 | 9 | 344 | |
| Real estate financing | 48,714 | 45,177 | 3,529 | 8 | 9 | 4 | 69 | 9 | 22 | |
| Total real estate lending | 208,294 | 194,921 | 12,631 | 742 | 10 | 3 | 101 | 9 | 341 | |
| Large corporate clients | 13,082 | 11,236 | 1,424 | 422 | 106 | 18 | 115 | 29 | 2,424 | |
| SME clients | 13,853 | 11,811 | 1,461 | 581 | 175 | 25 | 168 | 41 | 3,253 | |
| Total corporate lending | 26,936 | 23,047 | 2,886 | 1,003 | 142 | 22 | 142 | 35 | 2,904 | |
| Lombard | 128,985 | 128,912 | 0 | 74 | 2 | 1 | 0 | 1 | 2,286 | |
| Credit cards | 1,868 | 1,426 | 391 | 52 | 201 | 56 | 255 | 99 | 3,793 | |
| Commodity trade finance | 3,149 | 3,028 | 20 | 101 | 305 | 18 | 11 | 17 | 9,001 | |
| Other loans and advances to customers | 27,002 | 26,085 | 825 | 92 | 18 | 7 | 24 | 8 | 3,117 | |
| Loans to financial advisors | 2,626 | 2,329 | 123 | 174 | 206 | 26 | 145 | 32 | 2,659 | |
| Total other lending | 163,630 | 161,778 | 1,360 | 492 | 16 | 3 | 101 | 4 | 4,109 | |
| Total¹ | 398,859 | 379,746 | 16,876 | 2,237 | 22 | 4 | 108 | 9 | 2,319 | |
| Off-balance sheet | | | | | | | | | | |
| | Gross exposure (USD m) | | | | ECL coverage (bps) | | | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 | |
| Private clients with mortgages | 6,377 | 6,163 | 212 | 3 | 6 | 5 | 28 | 6 | 340 | |
| Real estate financing | 9,298 | 9,101 | 197 | 0 | 7 | 8 | 0 | 7 | 0 | |
| Total real estate lending | 15,675 | 15,263 | 409 | 3 | 6 | 7 | 0 | 6 | 340 | |
| Large corporate clients | 31,375 | 28,390 | 2,821 | 165 | 38 | 18 | 190 | 34 | 830 | |
| SME clients | 7,674 | 7,124 | 470 | 80 | 55 | 30 | 245 | 44 | 1,114 | |
| Total corporate lending | 39,049 | 35,514 | 3,290 | 245 | 41 | 21 | 198 | 36 | 923 | |
| Lombard | 12,456 | 12,455 | 0 | 1 | 1 | 1 | 0 | 1 | 0 | |
| Credit cards | 9,567 | 9,078 | 486 | 3 | 8 | 6 | 36 | 8 | 0 | |
| Commodity trade finance | 2,187 | 2,187 | 0 | 0 | 4 | 4 | 0 | 4 | 0 | |
| Financial intermediaries and hedge funds | 18,159 | 17,680 | 479 | 0 | 7 | 5 | 80 | 7 | 0 | |
| Other off-balance sheet commitments | 11,483 | 11,086 | 380 | 17 | 18 | 7 | 66 | 9 | 0 | |
| Total other lending | 53,852 | 52,485 | 1,345 | 22 | 8 | 5 | 60 | 6 | 0 | |
| Total² | 108,576 | 103,263 | 5,044 | 269 | 20 | 10 | 143 | 17 | 1,232 | |
| Total on- and off-balance sheet³ | 507,435 | 483,009 | 21,920 | 2,506 | 21 | 6 | 116 | 10 | 2,202 | |

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

Note 8 Expected credit loss measurement (continued)

| Coverage ratios for core loan portfolio | | | | | 31.12.22 | | | | |
|--|-------------------------------|----------------|---------------|--------------|--------------------|-----------|------------|-----------|--------------|
| On-balance sheet | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 157,091 | 147,678 | 8,686 | 727 | 10 | 2 | 123 | 9 | 381 |
| Real estate financing | 46,511 | 43,129 | 3,372 | 9 | 9 | 4 | 70 | 9 | 232 |
| Total real estate lending | 203,602 | 190,807 | 12,059 | 736 | 10 | 2 | 108 | 9 | 379 |
| Large corporate clients | 12,356 | 10,757 | 1,204 | 395 | 105 | 22 | 120 | 32 | 2,325 |
| SME clients | 14,154 | 12,237 | 1,364 | 553 | 177 | 22 | 161 | 36 | 3,664 |
| Total corporate lending | 26,510 | 22,994 | 2,567 | 949 | 144 | 22 | 142 | 34 | 3,106 |
| Lombard | 132,313 | 132,205 | 0 | 108 | 2 | 1 | 0 | 1 | 1,580 |
| Credit cards | 1,869 | 1,427 | 393 | 50 | 190 | 46 | 256 | 91 | 3,779 |
| Commodity trade finance | 3,367 | 3,266 | 0 | 101 | 285 | 18 | 0 | 18 | 8,901 |
| Other loans and advances to customers | 23,149 | 22,333 | 748 | 68 | 18 | 6 | 38 | 7 | 3,769 |
| Loans to financial advisors | 2,670 | 2,364 | 130 | 176 | 221 | 28 | 124 | 33 | 2,870 |
| Total other lending | 163,368 | 161,595 | 1,270 | 503 | 16 | 3 | 114 | 3 | 4,016 |
| Total¹ | 393,480 | 375,396 | 15,896 | 2,188 | 21 | 4 | 114 | 8 | 2,398 |
| Off-balance sheet | Gross exposure (USD m) | | | | ECL coverage (bps) | | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 6,535 | 6,296 | 236 | 3 | 5 | 4 | 18 | 4 | 1,183 |
| Real estate financing | 10,054 | 9,779 | 275 | 0 | 6 | 7 | 0 | 6 | 0 |
| Total real estate lending | 16,589 | 16,075 | 511 | 3 | 6 | 6 | 2 | 6 | 1,288 |
| Large corporate clients | 32,126 | 28,950 | 3,013 | 163 | 38 | 18 | 165 | 32 | 1,263 |
| SME clients | 7,122 | 6,525 | 499 | 98 | 47 | 30 | 214 | 43 | 304 |
| Total corporate lending | 39,247 | 35,475 | 3,513 | 260 | 40 | 20 | 172 | 34 | 903 |
| Lombard | 12,919 | 12,918 | 0 | 1 | 2 | 1 | 0 | 1 | 0 |
| Credit cards | 9,390 | 8,900 | 487 | 3 | 7 | 5 | 36 | 7 | 0 |
| Commodity trade finance | 2,459 | 2,459 | 0 | 0 | 3 | 3 | 0 | 3 | 0 |
| Financial intermediaries and hedge funds | 18,128 | 16,464 | 1,664 | 0 | 7 | 6 | 25 | 7 | 0 |
| Other off-balance sheet commitments | 11,803 | 11,454 | 346 | 3 | 11 | 8 | 68 | 9 | 0 |
| Total other lending | 54,700 | 52,195 | 2,498 | 7 | 6 | 5 | 33 | 6 | 0 |
| Total² | 110,537 | 103,745 | 6,522 | 270 | 18 | 10 | 106 | 16 | 980 |
| Total on- and off-balance sheet³ | 504,016 | 479,140 | 22,418 | 2,458 | 21 | 5 | 112 | 10 | 2,242 |

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

Note 9 Fair value measurement

a) Fair value hierarchy

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

During the first three months of 2023, assets and liabilities that were transferred from Level 2 to Level 1, or from Level 1 to Level 2, and were held for the entire reporting period were not material.

Determination of fair values from quoted market prices or valuation techniques¹

| USD m | 31.3.23 | | | | 31.12.22 | | | |
|--|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value on a recurring basis | | | | | | | | |
| Financial assets at fair value held for trading | 104,793 | 12,118 | 1,099 | 118,009 | 96,263 | 10,284 | 1,488 | 108,034 |
| <i>of which: Equity instruments</i> | 87,722 | 295 | 177 | 88,193 | 83,095 | 789 | 126 | 84,010 |
| <i>of which: Government bills / bonds</i> | 8,902 | 1,534 | 23 | 10,460 | 5,496 | 950 | 18 | 6,464 |
| <i>of which: Investment fund units</i> | 7,187 | 536 | 10 | 7,733 | 6,673 | 596 | 61 | 7,330 |
| <i>of which: Corporate and municipal bonds</i> | 977 | 7,702 | 442 | 9,121 | 976 | 6,509 | 541 | 8,026 |
| <i>of which: Loans</i> | 0 | 1,812 | 329 | 2,141 | 0 | 1,179 | 628 | 1,807 |
| <i>of which: Asset-backed securities</i> | 4 | 239 | 118 | 360 | 22 | 261 | 114 | 397 |
| Derivative financial instruments | 879 | 112,066 | 1,309 | 114,253 | 769 | 147,876 | 1,464 | 150,109 |
| <i>of which: Foreign exchange</i> | 515 | 51,733 | 3 | 52,251 | 575 | 84,882 | 2 | 85,459 |
| <i>of which: Interest rate</i> | 0 | 36,339 | 398 | 36,737 | 0 | 39,345 | 460 | 39,805 |
| <i>of which: Equity / index</i> | 1 | 21,180 | 578 | 21,759 | 1 | 21,542 | 653 | 22,195 |
| <i>of which: Credit</i> | 0 | 944 | 309 | 1,253 | 0 | 719 | 318 | 1,038 |
| <i>of which: Commodities</i> | 0 | 1,780 | 20 | 1,800 | 0 | 1,334 | 30 | 1,365 |
| Brokerage receivables | 0 | 21,025 | 0 | 21,025 | 0 | 17,576 | 0 | 17,576 |
| Financial assets at fair value not held for trading | 32,279 | 30,398 | 3,834 | 66,511 | 26,572 | 29,110 | 3,725 | 59,408 |
| <i>of which: Financial assets for unit-linked investment contracts</i> | 14,004 | 97 | 0 | 14,101 | 13,071 | 1 | 0 | 13,072 |
| <i>of which: Corporate and municipal bonds</i> | 86 | 13,601 | 241 | 13,928 | 35 | 14,101 | 230 | 14,366 |
| <i>of which: Government bills / bonds</i> | 17,824 | 3,140 | 0 | 20,965 | 13,103 | 3,638 | 0 | 16,741 |
| <i>of which: Loans</i> | 0 | 3,706 | 810 | 4,516 | 0 | 3,602 | 736 | 4,337 |
| <i>of which: Securities financing transactions</i> | 0 | 9,670 | 108 | 9,779 | 0 | 7,590 | 114 | 7,704 |
| <i>of which: Auction rate securities</i> | 0 | 0 | 1,321 | 1,321 | 0 | 0 | 1,326 | 1,326 |
| <i>of which: Investment fund units</i> | 295 | 183 | 288 | 766 | 307 | 178 | 190 | 675 |
| <i>of which: Equity instruments</i> | 70 | 0 | 879 | 949 | 57 | 0 | 792 | 849 |
| Financial assets measured at fair value through other comprehensive income on a recurring basis | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | 60 | 2,181 | 0 | 2,241 | 57 | 2,182 | 0 | 2,239 |
| <i>of which: Commercial paper and certificates of deposit</i> | 0 | 1,921 | 0 | 1,921 | 0 | 1,878 | 0 | 1,878 |
| <i>of which: Corporate and municipal bonds</i> | 60 | 233 | 0 | 293 | 57 | 278 | 0 | 335 |
| Non-financial assets measured at fair value on a recurring basis | | | | | | | | |
| Precious metals and other physical commodities | 4,506 | 0 | 0 | 4,506 | 4,471 | 0 | 0 | 4,471 |
| Non-financial assets measured at fair value on a non-recurring basis | | | | | | | | |
| Other non-financial assets ² | 0 | 0 | 18 | 18 | 0 | 0 | 21 | 21 |
| Total assets measured at fair value | 142,516 | 177,787 | 6,260 | 326,563 | 128,132 | 207,028 | 6,698 | 341,858 |

Note 9 Fair value measurement (continued)

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

| USD m | 31.3.23 | | | | 31.12.22 | | | |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value on a recurring basis | | | | | | | | |
| Financial liabilities at fair value held for trading | 28,332 | 5,941 | 101 | 34,374 | 23,578 | 5,823 | 114 | 29,515 |
| of which: Equity instruments | 19,411 | 370 | 58 | 19,839 | 16,521 | 352 | 78 | 16,951 |
| of which: Corporate and municipal bonds | 33 | 4,610 | 38 | 4,681 | 36 | 4,643 | 27 | 4,707 |
| of which: Government bills / bonds | 7,919 | 728 | 0 | 8,647 | 5,880 | 706 | 1 | 6,587 |
| of which: Investment fund units | 969 | 204 | 3 | 1,176 | 1,141 | 84 | 3 | 1,229 |
| Derivative financial instruments | 967 | 113,051 | 2,095 | 116,113 | 640 | 152,582 | 1,684 | 154,906 |
| of which: Foreign exchange | 529 | 52,706 | 33 | 53,267 | 587 | 87,897 | 24 | 88,508 |
| of which: Interest rate | 0 | 34,317 | 360 | 34,677 | 0 | 37,429 | 116 | 37,545 |
| of which: Equity / index | 1 | 23,207 | 1,365 | 24,573 | 0 | 24,963 | 1,184 | 26,148 |
| of which: Credit | 0 | 1,057 | 286 | 1,343 | 0 | 920 | 279 | 1,199 |
| of which: Commodities | 0 | 1,592 | 33 | 1,625 | 0 | 1,309 | 52 | 1,361 |
| Financial liabilities designated at fair value on a recurring basis | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 43,911 | 0 | 43,911 | 0 | 45,085 | 0 | 45,085 |
| Debt issued designated at fair value | 0 | 65,845 | 9,130 | 74,974 | 0 | 62,603 | 9,240 | 71,842 |
| Other financial liabilities designated at fair value | 0 | 26,083 | 1,935 | 28,018 | 0 | 30,055 | 1,978 | 32,033 |
| of which: Financial liabilities related to unit-linked investment contracts | 0 | 14,243 | 0 | 14,243 | 0 | 13,221 | 0 | 13,221 |
| of which: Securities financing transactions | 0 | 9,707 | 0 | 9,707 | 0 | 15,333 | 0 | 15,333 |
| of which: Funding from UBS Group AG | 0 | 903 | 1,356 | 2,259 | 0 | 508 | 1,287 | 1,796 |
| of which: Over-the-counter debt instruments and others | 0 | 1,230 | 579 | 1,809 | 0 | 993 | 691 | 1,684 |
| Total liabilities measured at fair value | 29,299 | 254,831 | 13,260 | 297,391 | 24,219 | 296,148 | 13,015 | 333,382 |

¹ Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for any of the periods presented. ² Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

b) Valuation adjustments

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when the pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

Deferred day-1 profit or loss reserves

| USD m | For the quarter ended | | |
|--|-----------------------|------------|------------|
| | 31.3.23 | 31.12.22 | 31.3.22 |
| Reserve balance at the beginning of the period | 422 | 426 | 418 |
| Profit / (loss) deferred on new transactions | 91 | 54 | 75 |
| (Profit) / loss recognized in the income statement | (113) | (61) | (69) |
| Foreign currency translation | 0 | 2 | 0 |
| Reserve balance at the end of the period | 399 | 422 | 425 |

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

Other valuation adjustment reserves on the balance sheet

| USD m | As of | |
|---|--------------|--------------|
| | 31.3.23 | 31.12.22 |
| Own credit adjustments on financial liabilities designated at fair value | 624 | 556 |
| of which: debt issued designated at fair value | 276 | 289 |
| of which: other financial liabilities designated at fair value | 347 | 266 |
| Credit valuation adjustments¹ | (33) | (33) |
| Funding valuation adjustments | (108) | (50) |
| Debit valuation adjustments | 6 | 4 |
| Other valuation adjustments | (801) | (839) |
| of which: liquidity | (299) | (311) |
| of which: model uncertainty | (502) | (529) |

¹ Amount does not include reserves against defaulted counterparties.

Note 9 Fair value measurement (continued)

c) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, as well as the inputs used in a given valuation technique that are considered significant as of 31 March 2023 and unobservable, and a range of values for those unobservable inputs.

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

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 20 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2022.

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

| | Fair value | | | | Valuation technique(s) | Significant unobservable input(s) ¹ | Range of inputs | | | | | | unit ¹ |
|--|------------|----------|-------------|----------|--|---|-----------------|-------|----------|------|-------------------------------|-----|-------------------|
| | Assets | | Liabilities | | | | 31.3.23 | | 31.12.22 | | weighted average ² | | |
| USD bn | 31.3.23 | 31.12.22 | 31.3.23 | 31.12.22 | | low | high | low | high | low | high | | |
| Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading | | | | | | | | | | | | | |
| <i>Corporate and municipal bonds</i> | 0.7 | 0.8 | 0.0 | 0.0 | Relative value to market comparable | Bond price equivalent | 1 | 102 | 85 | 14 | 112 | 85 | points |
| | | | | | Discounted expected cash flows | Discount margin | 437 | 437 | | 412 | 412 | | basis points |
| <i>Traded loans, loans measured at fair value, loan commitments and guarantees</i> | 1.3 | 1.7 | 0.0 | 0.0 | Relative value to market comparable | Loan price equivalent | 44 | 100 | 98 | 30 | 100 | 97 | points |
| | | | | | Discounted expected cash flows | Credit spread | 200 | 200 | 200 | 200 | 200 | 200 | basis points |
| | | | | | Market comparable and securitization model | Credit spread | 185 | 1,380 | 370 | 145 | 1,350 | 322 | basis points |
| <i>Auction rate securities</i> | 1.3 | 1.3 | | | Discounted expected cash flows | Credit spread | 115 | 202 | 149 | 115 | 196 | 144 | basis points |
| <i>Investment fund units³</i> | 0.3 | 0.3 | 0.0 | 0.0 | Relative value to market comparable | Net asset value | | | | | | | |
| <i>Equity instruments³</i> | 1.1 | 0.9 | 0.1 | 0.1 | Relative value to market comparable | Price | | | | | | | |
| Debt issued designated at fair value⁴ | | | 9.1 | 9.2 | | | | | | | | | |
| Other financial liabilities designated at fair value | | | 1.9 | 2.0 | Discounted expected cash flows | Funding spread | 25 | 175 | | 23 | 175 | | basis points |
| Derivative financial instruments | | | | | | | | | | | | | |
| <i>Interest rate</i> | 0.4 | 0.5 | 0.4 | 0.1 | Option model | Volatility of interest rates | 69 | 128 | | 75 | 143 | | basis points |
| | | | | | Discounted expected cash flows | Credit spreads | 11 | 565 | | 9 | 565 | | basis points |
| <i>Credit</i> | 0.3 | 0.3 | 0.3 | 0.3 | | Bond price equivalent | 3 | 278 | | 3 | 277 | | points |
| <i>Equity / index</i> | 0.6 | 0.7 | 1.4 | 1.2 | Option model | Equity dividend yields | 0 | 9 | | 0 | 20 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 131 | | 4 | 120 | | % |
| | | | | | | Equity-to-FX correlation | (40) | 84 | | (29) | 84 | | % |
| | | | | | | Equity-to-equity correlation | (25) | 100 | | (25) | 100 | | % |

¹ The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). ² Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. ³ The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. ⁴ Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, as well as 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)

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

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Level 1 / 2 parameters and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

Sensitivity of fair value measurements to changes in unobservable input assumptions¹

| USD m | 31.3.23 | | 31.12.22 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| Traded loans, loans measured at fair value, loan commitments and guarantees | 12 | (13) | 19 | (12) |
| Securities financing transactions | 27 | (29) | 33 | (37) |
| Auction rate securities | 45 | (45) | 46 | (46) |
| Asset-backed securities | 29 | (27) | 27 | (27) |
| Equity instruments | 188 | (164) | 183 | (161) |
| Interest rate derivatives, net | 20 | (13) | 18 | (12) |
| Credit derivatives, net | 3 | (5) | 3 | (4) |
| Foreign exchange derivatives, net | 4 | (5) | 10 | (5) |
| Equity / index derivatives, net | 371 | (338) | 361 | (330) |
| Other | 93 | (105) | 39 | (62) |
| Total | 791 | (744) | 738 | (696) |

¹ Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or Other.

e) Level 3 instruments: movements during the period

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

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

Note 9 Fair value measurement (continued)

| Movements of Level 3 instruments | | | | | | | | | | | |
|---|--|--|--|------------|------------|------------|--------------|------------------------|--------------------------|------------------------------|----------------------------------|
| USD bn | Balance at the beginning of the period | Net gains / losses included in comprehensive income ¹ | of which: related to instruments held at the end of the period | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance at the end of the period |
| For the three months ended 31 March 2023² | | | | | | | | | | | |
| Financial assets at fair value held for trading | | | | | | | | | | | |
| | 1.5 | 0.1 | 0.1 | 0.1 | (0.6) | 0.1 | 0.0 | 0.1 | (0.1) | 0.0 | 1.1 |
| of which: Investment fund units | 0.1 | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 |
| of which: Corporate and municipal bonds | 0.5 | 0.0 | 0.0 | 0.1 | (0.2) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.4 |
| of which: Loans | 0.6 | 0.0 | 0.0 | 0.0 | (0.4) | 0.1 | 0.0 | 0.0 | (0.0) | (0.0) | 0.3 |
| Derivative financial instruments – assets | | | | | | | | | | | |
| | 1.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.2 | (0.1) | 0.0 | (0.1) | 0.0 | 1.3 |
| of which: Interest rate | 0.5 | (0.0) | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | (0.1) | (0.0) | 0.4 |
| of which: Equity / index | 0.7 | (0.1) | (0.1) | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | (0.0) | 0.0 | 0.6 |
| of which: Credit | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | (0.0) | 0.0 | 0.3 |
| Financial assets at fair value not held for trading | | | | | | | | | | | |
| | 3.7 | 0.0 | 0.0 | 0.3 | (0.2) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 3.8 |
| of which: Loans | 0.7 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.8 |
| of which: Auction rate securities | 1.3 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 |
| of which: Equity instruments | 0.8 | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 |
| Derivative financial instruments – liabilities | | | | | | | | | | | |
| | 1.7 | 0.1 | 0.1 | 0.0 | 0.0 | 0.4 | (0.2) | 0.0 | 0.1 | 0.0 | 2.1 |
| of which: Interest rate | 0.1 | (0.0) | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | 0.2 | (0.0) | 0.4 |
| of which: Equity / index | 1.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.2 | (0.1) | 0.0 | (0.0) | 0.0 | 1.4 |
| of which: Credit | 0.3 | (0.0) | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.3 |
| Debt issued designated at fair value | 9.2 | 0.3 | 0.3 | 0.0 | 0.0 | 1.3 | (1.3) | 0.3 | (0.7) | 0.0 | 9.1 |
| Other financial liabilities designated at fair value | 2.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | (0.2) | (0.0) | 1.9 |
| For the three months ended 31 March 2022 | | | | | | | | | | | |
| Financial assets at fair value held for trading | | | | | | | | | | | |
| | 2.3 | (0.0) | (0.0) | 0.2 | (0.8) | 1.0 | 0.0 | 0.2 | (0.3) | 0.0 | 2.6 |
| of which: Investment fund units | 0.0 | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.0 |
| of which: Corporate and municipal bonds | 0.6 | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.6 |
| of which: Loans | 1.4 | 0.0 | 0.0 | 0.0 | (0.7) | 1.0 | 0.0 | 0.0 | (0.2) | 0.0 | 1.6 |
| Derivative financial instruments – assets | | | | | | | | | | | |
| | 1.1 | 0.5 | 0.5 | 0.0 | 0.0 | 0.4 | (0.3) | 0.0 | (0.0) | (0.0) | 1.7 |
| of which: Interest rate | 0.5 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | (0.0) | 0.8 |
| of which: Equity / index | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 | (0.1) | 0.0 | (0.0) | (0.0) | 0.4 |
| of which: Credit | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | (0.0) | 0.0 | 0.3 |
| Financial assets at fair value not held for trading | | | | | | | | | | | |
| | 4.2 | 0.0 | 0.0 | 0.3 | (0.5) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 4.0 |
| of which: Loans | 0.9 | 0.0 | 0.0 | 0.2 | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | 0.9 |
| of which: Auction rate securities | 1.6 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| of which: Equity instruments | 0.7 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | 0.7 |
| Derivative financial instruments – liabilities | | | | | | | | | | | |
| | 2.2 | (0.3) | (0.4) | 0.0 | 0.0 | 0.8 | (0.8) | 0.0 | (0.0) | (0.0) | 1.9 |
| of which: Interest rate | 0.3 | (0.2) | (0.2) | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | (0.0) | (0.0) | 0.2 |
| of which: Equity / index | 1.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.4 | (0.6) | 0.0 | (0.0) | (0.0) | 1.1 |
| of which: Credit | 0.3 | (0.1) | (0.1) | 0.0 | 0.0 | 0.2 | (0.1) | 0.0 | (0.0) | (0.0) | 0.4 |
| Debt issued designated at fair value | 11.9 | (0.6) | (0.6) | 0.0 | 0.0 | 2.5 | (2.4) | 0.1 | (0.5) | (0.1) | 10.8 |
| Other financial liabilities designated at fair value | 3.2 | (0.4) | (0.4) | 0.0 | 0.0 | 0.4 | (0.2) | 0.0 | (0.1) | (0.0) | 2.9 |

¹ Net gains / losses included in comprehensive income are recognized in Net interest income and Other net income from financial instruments measured at fair value through profit or loss in the Income statement, and also in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax in the Statement of comprehensive income. ² Total Level 3 assets as of 31 March 2023 were USD 6.3bn (31 December 2022: USD 6.7bn). Total Level 3 liabilities as of 31 March 2023 were USD 13.3bn (31 December 2022: USD 13.0bn).

Note 9 Fair value measurement (continued)

f) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value. Valuation principles applied when determining fair value estimates for financial instruments not measured at fair value are consistent with those described in "Note 20 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2022.

Financial instruments not measured at fair value

| <i>USD bn</i> | 31.3.23 | | 31.12.22 | |
|---|------------------------------|------------|------------------------------|------------|
| | Carrying amount ¹ | Fair value | Carrying amount ¹ | Fair value |
| Assets | | | | |
| Cash and balances at central banks | 144.2 | 144.2 | 169.4 | 169.4 |
| Loans and advances to banks | 14.8 | 14.8 | 14.7 | 14.6 |
| Receivables from securities financing transactions measured at amortized cost | 60.0 | 60.0 | 67.8 | 67.8 |
| Cash collateral receivables on derivative instruments | 32.7 | 32.6 | 35.0 | 35.0 |
| Loans and advances to customers | 395.4 | 383.8 | 390.0 | 377.7 |
| Other financial assets measured at amortized cost | 49.3 | 49.0 | 53.4 | 51.0 |
| Liabilities | | | | |
| Amounts due to banks | 13.6 | 13.6 | 11.6 | 11.6 |
| Payables from securities financing transactions measured at amortized cost | 9.9 | 9.9 | 4.2 | 4.2 |
| Cash collateral payables on derivative instruments | 32.2 | 32.2 | 36.4 | 36.4 |
| Customer deposits | 507.8 | 507.2 | 527.2 | 526.9 |
| Funding from UBS Group AG measured at amortized cost | 63.1 | 61.2 | 56.1 | 55.7 |
| Debt issued measured at amortized cost | 54.7 | 54.0 | 59.5 | 58.9 |
| Other financial liabilities measured at amortized cost ² | 7.5 | 7.5 | 7.2 | 7.2 |

¹ Includes certain financial instruments where the carrying amount is a reasonable approximation of the fair value due to the instruments' short-term nature (instruments that are receivable or payable on demand, or with a remaining maturity (excluding the effects of callable features) of three months or less). ² Excludes lease liabilities.

Note 10 Derivative instruments

a) Derivative instruments

| <i>As of 31.3.23, USD bn</i> | Derivative financial assets | Notional values related to derivative financial assets ¹ | Derivative financial liabilities | Notional values related to derivative financial liabilities ¹ | Other notional values ² |
|---|-----------------------------------|---|--|--|--|
| Derivative financial instruments | | | | | |
| Interest rate | 36.7 | 1,192 | 34.7 | 1,153 | 13,842 |
| Credit derivatives | 1.3 | 42 | 1.3 | 44 | |
| Foreign exchange | 52.3 | 3,374 | 53.3 | 3,236 | 56 |
| Equity / index | 21.8 | 400 | 24.6 | 532 | 76 |
| Commodities | 1.8 | 76 | 1.6 | 70 | 19 |
| Loan commitments measured at FVTPL | 0.0 | 1 | 0.0 | 5 | |
| Unsettled purchases of non-derivative financial instruments ³ | 0.3 | 33 | 0.2 | 14 | |
| Unsettled sales of non-derivative financial instruments ³ | 0.1 | 25 | 0.4 | 29 | |
| Total derivative financial instruments, based on IFRS netting⁴ | 114.3 | 5,143 | 116.1 | 5,081 | 13,993 |
| Further netting potential not recognized on the balance sheet ⁵ | (105.4) | | (104.3) | | |
| <i>of which: netting of recognized financial liabilities / assets</i> | <i>(84.9)</i> | | <i>(84.9)</i> | | |
| <i>of which: netting with collateral received / pledged</i> | <i>(20.5)</i> | | <i>(19.4)</i> | | |
| Total derivative financial instruments, after consideration of further netting potential | 8.8 | | 11.8 | | |

As of 31.12.22, USD bn

| <i>As of 31.12.22, USD bn</i> | Derivative financial assets | Notional values related to derivative financial assets ¹ | Derivative financial liabilities | Notional values related to derivative financial liabilities ¹ | Other notional values ² |
|---|-----------------------------------|---|--|--|--|
| Derivative financial instruments | | | | | |
| Interest rate | 39.8 | 1,057 | 37.5 | 1,023 | 11,255 |
| Credit derivatives | 1.0 | 37 | 1.2 | 37 | |
| Foreign exchange | 85.5 | 3,087 | 88.5 | 2,993 | 40 |
| Equity / index | 22.2 | 384 | 26.1 | 501 | 63 |
| Commodities | 1.4 | 68 | 1.4 | 64 | 18 |
| Loan commitments measured at FVTPL | 0.0 | 1 | 0.0 | 4 | |
| Unsettled purchases of non-derivative financial instruments ³ | 0.1 | 12 | 0.1 | 9 | |
| Unsettled sales of non-derivative financial instruments ³ | 0.1 | 13 | 0.0 | 11 | |
| Total derivative financial instruments, based on IFRS netting⁴ | 150.1 | 4,660 | 154.9 | 4,642 | 11,376 |
| Further netting potential not recognized on the balance sheet ⁵ | (139.4) | | (137.1) | | |
| <i>of which: netting of recognized financial liabilities / assets</i> | <i>(110.9)</i> | | <i>(110.9)</i> | | |
| <i>of which: netting with collateral received / pledged</i> | <i>(28.5)</i> | | <i>(26.2)</i> | | |
| Total derivative financial instruments, after consideration of further netting potential | 10.7 | | 17.8 | | |

¹ In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have a significantly different risk profile. ² Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for any of the periods presented. ³ Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. ⁴ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ⁵ Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 21 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2022 for more information.

Note 10 Derivative instruments (continued)

b) Cash collateral on derivative instruments

| <i>USD bn</i> | Receivables 31.3.23 | Payables 31.3.23 | Receivables 31.12.22 | Payables 31.12.22 |
|--|------------------------|---------------------|-------------------------|----------------------|
| Cash collateral on derivative instruments, based on IFRS netting ¹ | 32.7 | 32.2 | 35.0 | 36.4 |
| Further netting potential not recognized on the balance sheet ² | (18.6) | (17.3) | (22.9) | (21.9) |
| <i>of which: netting of recognized financial liabilities / assets</i> | <i>(15.6)</i> | <i>(14.3)</i> | <i>(20.9)</i> | <i>(20.0)</i> |
| <i>of which: netting with collateral received / pledged</i> | <i>(3.0)</i> | <i>(3.0)</i> | <i>(1.9)</i> | <i>(1.9)</i> |
| Cash collateral on derivative instruments, after consideration of further netting potential | 14.1 | 14.9 | 12.1 | 14.5 |

¹ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ² Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 21 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2022 for more information.

Note 11 Other assets and liabilities

a) Other financial assets measured at amortized cost

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|--|---------------|---------------|
| Debt securities | 40,646 | 44,594 |
| Loans to financial advisors | 2,571 | 2,611 |
| Fee- and commission-related receivables | 1,922 | 1,803 |
| Finance lease receivables | 1,344 | 1,314 |
| Settlement and clearing accounts | 542 | 1,174 |
| Accrued interest income | 1,340 | 1,276 |
| Other | 924 | 618 |
| Total other financial assets measured at amortized cost | 49,289 | 53,389 |

b) Other non-financial assets

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|---|---------------|--------------|
| Precious metals and other physical commodities | 4,506 | 4,471 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters ¹ | 2,235 | 2,205 |
| Prepaid expenses | 848 | 709 |
| VAT, withholding tax and other tax receivables | 1,830 | 1,405 |
| Properties and other non-current assets held for sale | 279 | 279 |
| Other | 670 | 583 |
| Total other non-financial assets | 10,367 | 9,652 |

¹ Refer to Note 15 for more information.

c) Other financial liabilities measured at amortized cost

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|---|---------------|---------------|
| Other accrued expenses | 1,613 | 1,564 |
| Accrued interest expenses | 1,954 | 2,008 |
| Settlement and clearing accounts | 1,533 | 1,060 |
| Lease liabilities | 3,174 | 3,211 |
| Other | 2,422 | 2,549 |
| Total other financial liabilities measured at amortized cost | 10,695 | 10,391 |

d) Other financial liabilities designated at fair value

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|---|---------------|---------------|
| Financial liabilities related to unit-linked investment contracts | 14,243 | 13,221 |
| Securities financing transactions | 9,707 | 15,333 |
| Over-the-counter debt instruments and other | 1,809 | 1,684 |
| Funding from UBS Group AG | 2,259 | 1,796 |
| Total other financial liabilities designated at fair value | 28,018 | 32,033 |

Note 11 Other assets and liabilities (continued)

e) Other non-financial liabilities

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|--|--------------|--------------|
| Compensation-related liabilities | 2,628 | 4,424 |
| <i>of which: net defined benefit liability</i> | 463 | 449 |
| Current tax liabilities | 952 | 1,044 |
| Deferred tax liabilities | 261 | 233 |
| VAT, withholding tax and other tax payables | 481 | 472 |
| Deferred income | 288 | 233 |
| Other | 62 | 84 |
| Total other non-financial liabilities | 4,673 | 6,489 |

Note 12 Funding from UBS Group AG measured at amortized cost

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|--|---------------|---------------|
| Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC) | 47,172 | 42,073 |
| Senior unsecured debt other than TLAC | 3,606 | 236 |
| Subordinated debt | 12,315 | 13,838 |
| <i>of which: eligible as high-trigger loss-absorbing additional tier 1 capital instruments</i> | 11,118 | 10,654 |
| <i>of which: eligible as low-trigger loss-absorbing additional tier 1 capital instruments</i> | 1,198 | 1,187 |
| Total funding from UBS Group AG measured at amortized cost¹ | 63,093 | 56,147 |

¹ UBS AG has also recognized funding from UBS Group AG that is designated at fair value. Refer to Note 11d for more information.

Note 13 Debt issued designated at fair value

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|---|---------------|---------------|
| Equity-linked ¹ | 44,721 | 41,901 |
| Rates-linked | 15,797 | 16,276 |
| Credit-linked | 2,815 | 2,170 |
| Fixed-rate | 6,673 | 6,538 |
| Commodity-linked | 4,311 | 4,294 |
| Other | 656 | 663 |
| Total debt issued designated at fair value | 74,974 | 71,842 |

¹ Includes investment fund unit-linked instruments issued.

Note 14 Debt issued measured at amortized cost

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|--|---------------|---------------|
| Short-term debt¹ | 27,412 | 29,676 |
| Senior unsecured debt | 15,472 | 17,892 |
| Subordinated debt | 2,975 | 2,968 |
| <i>of which: eligible as low-trigger loss-absorbing tier 2 capital instruments</i> | 2,438 | 2,422 |
| <i>of which: eligible as non-Basel III-compliant tier 2 capital instruments</i> | 538 | 536 |
| Debt issued through the Swiss central mortgage institutions | 8,873 | 8,962 |
| Long-term debt² | 27,320 | 29,823 |
| Total debt issued measured at amortized cost³ | 54,733 | 59,499 |

¹ Debt with an original contractual maturity of less than one year, includes mainly certificates of deposit and commercial paper. ² Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. ³ Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

Note 15 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

| <i>USD m</i> | 31.3.23 | 31.12.22 |
|---|--------------|--------------|
| Provisions other than provisions for expected credit losses | 3,673 | 2,982 |
| Provisions for expected credit losses ¹ | 214 | 201 |
| Total provisions | 3,886 | 3,183 |

¹ Refer to Note 8c for more information.

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

| <i>USD m</i> | Litigation, regulatory and similar matters ¹ | Restructuring ² | Other ³ | Total |
|---|---|----------------------------|--------------------|--------------|
| Balance as of 31 December 2022 | 2,586 | 98 | 297 | 2,982 |
| Increase in provisions recognized in the income statement | 729 | 7 | 13 | 749 |
| Release of provisions recognized in the income statement | (5) | (3) | (4) | (12) |
| Provisions used in conformity with designated purpose | (22) | (36) | (8) | (66) |
| Capitalized reinstatement costs | 0 | 0 | 1 | 1 |
| Foreign currency translation / unwind of discount | 19 | 1 | 1 | 20 |
| Balance as of 31 March 2023 | 3,306 | 66 | 300 | 3,673 |

¹ Consists of provisions for losses resulting from legal, liability and compliance risks. ² Consists of personnel-related restructuring provisions of USD 40m as of 31 March 2023 (31 December 2022: USD 70m) and provisions for onerous contracts of USD 26m as of 31 March 2023 (31 December 2022: USD 28m). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

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 is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. "UBS," "we" and "our" may, for purposes of this Note, refer to UBS AG and / or one or more of its subsidiaries, as applicable.

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

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 2023 report.

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

| <i>USD m</i> | Global Wealth Manage- ment | Personal & Corporate Banking | Asset Manage- ment | Investment Bank | Group Functions | Total |
|---|----------------------------------|------------------------------------|--------------------------|--------------------|--------------------|--------------|
| Balance as of 31 December 2022 | 1,182 | 159 | 8 | 308 | 928 | 2,586 |
| Increase in provisions recognized in the income statement | 17 | 0 | 0 | 46 | 665 | 729 |
| Release of provisions recognized in the income statement | (4) | 0 | 0 | (1) | 0 | (5) |
| Provisions used in conformity with designated purpose | (17) | 0 | 0 | (5) | 0 | (22) |
| Foreign currency translation / unwind of discount | 14 | 2 | 0 | 2 | 0 | 19 |
| Balance as of 31 March 2023 | 1,193 | 161 | 8 | 351 | 1,594 | 3,306 |

¹ Provisions, if any, for the matters described in item 3 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 5 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in item 4 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.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France in relation to UBS's cross-border business with French clients. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("*caution*") of EUR 1.1bn.

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

Our balance sheet at 31 March 2023 reflected provisions with respect to this matter in an amount of EUR 1.1bn (USD 1.2bn). 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 2023 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 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 in 2019. Later in 2019, the district court denied UBS's motion to dismiss. UBS and the DOJ are in advanced discussions to resolve this matter.

Our balance sheet at 31 March 2023 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 2.1bn, 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 2bn. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125m of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In 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. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141m and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment. UBS and the other banks have reached an agreement to resolve those individual matters.

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 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint later in 2017. In 2018, the court denied the defendants' motions to dismiss the amended complaint. In March 2022, the court denied plaintiffs' motion for class certification.

Note 15 Provisions and contingent liabilities (continued)

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 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 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and, subsequently, denied the petition of the USD exchange class. In 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 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in 2019. In 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In March 2022, the Second Circuit dismissed the appeal because appellants, who had been substituted in to replace the original plaintiffs who had withdrawn, lacked standing to pursue the appeal. In 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 2021. In September 2022, the court granted defendants' motion to dismiss the complaint in its entirety, while allowing plaintiffs the opportunity to file an amended complaint. Plaintiffs filed an amended complaint in October 2022, and defendants have moved to dismiss the amended complaint in November 2022.

Other benchmark class actions in the US:

Yen LIBOR / Euroyen TIBOR – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the plaintiffs' federal antitrust and racketeering claims. In 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. In October 2022, the appeals court affirmed the dismissal on multiple grounds. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In 2020, the appeals court reversed the dismissal and, subsequently, 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 2021. In August 2022, the court granted UBS's motion for reconsideration and dismissed the case against UBS.

Note 15 Provisions and contingent liabilities (continued)

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 2019. Plaintiffs appealed. In 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings. Plaintiffs filed a third amended complaint in November 2022 and defendants have moved to dismiss the amended complaint in January 2023.

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.

GBP LIBOR – The court dismissed the GBP LIBOR action in 2019. Plaintiffs have appealed.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint were granted in 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss later in 2021. In March 2022, the court granted defendants' motion to dismiss that complaint. Plaintiffs have appealed the dismissal. Similar class actions have been filed concerning European government bonds and other government bonds.

In 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172m. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 March 2023 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.

5. 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 2023 reflected a provision with respect to matters described in this item 5 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.

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