UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

Date: August 31, 2023

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(Address of principal executive office)
Commission File Number: 1-36764

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Commission File Number: 1-33434

Indicate by check mark whether the registrants file or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

This Form 6-K consists of (a) the Second Quarter 2023 Report of UBS Group AG and (b) the updated Risk Factors relating to UBS Group AG, which appears immediately following this page.

UBS Group

Second quarter 2023 report

Corporate calendar UBS Group AG

Publication of the third quarter 2023 report:	Tuesday, 7 November 2023
Publication of the fourth quarter 2023 report:	Tuesday, 6 February 2024

Publication dates of future quarterly and annual reports and results are made available as part of the corporate calendar of UBS AG at ubs.com/investors.

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Our key figures

	As of or for the quarter ended				As of or year-to-date	
USD m, except where indicated	30.6.23	31.3.23	31.12.22	30.6.22	30.6.23	30.6.22
Group results						
Total revenues	9,540	8,744	8,029	8,917	18,284	18,299
Negative goodwill	28,925				28,925	
Credit loss expense / (release)	740	38	7	7	778	25
Operating expenses	8,486	7,210	6,085	6,295	15,696	12,929
Operating profit / (loss) before tax	29,239	1,495	1,937	2,615	30,735	5,344
Net profit / (loss) attributable to shareholders	28,875	1,029	1,653	2,108	29,904	4,244
Diluted earnings per share (USD)[1]	8.99	0.32	0.50	0.61	9.30	1.22
Profitability and growth[2,3,4]						
Return on equity (%)	160.7	7.2	11.7	14.6	92.9	14.4
Return on equity (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)[5]	3.9					
Return on tangible equity (%)	177.8	8.1	13.2	16.4	103.6	16.2
Return on tangible equity (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)[5]	4.3					
Return on common equity tier 1 capital (%)	185.0	9.1	14.7	18.9	111.3	18.9
Return on common equity tier 1 capital (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)[5]	4.5					
Return on leverage ratio denominator, gross (%)	2.8	3.4	3.2	3.4	3.1	3.5
Cost / income ratio (%)[6]	88.9	82.5	75.8	70.6	85.8	70.7
Cost / income ratio (excluding integration-related expenses and acquisition costs) (%)[5,6]	80.3					
Effective tax rate (%)	1.2	30.7	14.5	19.0	2.7	20.2
Net profit growth (%)		(51.8)	22.6	5.1	604.6	10.8
Net profit growth (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)[5]	(66.8)					
Resources[2]						
Total assets	1,678,780	1,053,134	1,104,364	1,113,193	1,678,780	1,113,193
Equity attributable to shareholders	86,999	56,754	56,876	56,845	86,999	56,845
Common equity tier 1 capital[7]	80,258	44,590	45,457	44,798	80,258	44,798
Risk-weighted assets[7]	556,603	321,660	319,585	315,685	556,603	315,685
Common equity tier 1 capital ratio (%)[7]	14.4	13.9	14.2	14.2	14.4	14.2
Going concern capital ratio (%)[7]	16.8	17.9	18.2	19.0	16.8	19.0
Total loss-absorbing capacity ratio (%)[7]	35.2	34.3	33.0	33.7	35.2	33.7
Leverage ratio denominator[7]	1,677,877	1,014,446	1,028,461	1,025,422	1,677,877	1,025,422
Common equity tier 1 leverage ratio (%)[7]	4.78	4.40	4.42	4.37	4.78	4.37
Liquidity coverage ratio (%)[8]	175.2	161.9	163.7	160.8	175.2	160.8
Net stable funding ratio (%)	117.6	117.7	119.8	120.9	117.6	120.9
Other						
Invested assets (USD bn)[3,9,10]	5,530	4,184	3,981	3,933	5,530	3,933
Personnel (full-time equivalents)	119,100	73,814	72,597	71,294	119,100	71,294
Market capitalization[1,11]	69,932	74,276	65,608	56,781	69,932	56,781
Total book value per share (USD)[1]	26.95	18.59	18.30	17.45	26.95	17.45
Tangible book value per share (USD)[1]	24.61	16.54	16.28	15.51	24.61	15.51

1 Refer to the "Share information and earnings per share" section of this report for more information. 2 Refer to the "Targets, aspirations and capital guidance" section of the Annual Report 2022 for more information about our performance targets. 3 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 4 Credit Suisse's second quarter results for the one-month period ended 30 June 2023, as included in the Group's second quarter results, have been annualized for the purpose of the calculation of return measures, by multiplying such by four and two for quarterly and semi-annual measures, respectively. 5 Refer to the "Group performance" section of this report for a definition of integration-related expenses and for more information about negative goodwill, integration-related expenses, and acquisition costs. Refer also to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information about acquisition costs. 6 Negative goodwill is not used in the calculation as it is presented in a separate reporting line and is not part of total revenues. 7 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. 8 The disclosed ratios represent quarterly averages for the quarters presented and are calculated based on an average of 64 data points in the second quarter of 2023, 64 data points in the first quarter of 2023, 63 data points in the fourth quarter of 2022 and 64 data points in the second quarter of 2022. Refer to the "Liquidity and funding management" section of this report for more information. 9 Consists of invested assets for three UBS business divisions (Global Wealth Management, Asset Management and Personal & Corporate Banking) and, starting from the second quarter of 2023, for three Credit Suisse business divisions (Wealth Management, Swiss Bank and Asset Management). Refer to "Note 31 Invested assets and net new money" in the "Consolidated financial statements" section of the Annual Report 2022 for more information. 10 Comparative figures have been restated to include invested assets from associates in the Asset Management and Asset Management (Credit Suisse) business divisions, to better reflect the business strategy. 11 The calculation of market capitalization has been amended to reflect total shares issued multiplied by the share price at the end of the period. The calculation was previously based on total shares outstanding multiplied by the share price at the end of the period. Market capitalization has been increased by USD 10.0bn as of 31 March 2023, by USD 7.8bn as of 31 December 2022 and by USD 4.3bn as of 30 June 2022 as a result.

Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. We report a number of APMs in the discussion of the financial and operating performance of the Group, our business divisions and our Group Functions. We use APMs to provide a more complete picture of our operating performance and to reflect management's view of the fundamental drivers of our business results. A definition of each APM, the method used to calculate it and the information content are presented under "Alternative performance measures" in the appendix to this report. Our APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

UBS Group

Management report

Terms used in this report, unless the context requires otherwise

"UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our"	UBS Group AG and its consolidated subsidiaries
"UBS AG" and "UBS AG consolidated"	UBS AG and its consolidated subsidiaries
"Credit Suisse AG" and "Credit Suisse AG consolidated"	Credit Suisse AG and its consolidated subsidiaries
"Credit Suisse Group" and "Credit Suisse Group AG consolidated"	Pre-acquisition Credit Suisse Group
"Credit Suisse"	Credit Suisse AG and its consolidated subsidiaries, Credit Suisse Services AG, and other small former Credit Suisse Group entities now directly held by UBS Group AG
"UBS Group AG" and "UBS Group AG standalone"	UBS Group AG on a standalone basis
"Credit Suisse Group AG" and "Credit Suisse Group AG standalone"	Credit Suisse Group AG on a standalone basis
"UBS AG standalone"	UBS AG on a standalone basis
"Credit Suisse AG standalone"	Credit Suisse AG on a standalone basis
"UBS Switzerland AG" and "UBS Switzerland AG standalone"	UBS Switzerland AG on a standalone basis
"UBS Europe SE consolidated"	UBS Europe SE and its consolidated subsidiaries
"UBS Americas Holding LLC" and "UBS Americas Holding LLC consolidated"	UBS Americas Holding LLC and its consolidated subsidiaries
"1m"	One million, i.e., 1,000,000
"1bn"	One billion, i.e., 1,000,000,000
"1trn"	One trillion, i.e., 1,000,000,000,000

In this report, unless the context requires otherwise, references to any gender shall apply to all genders.

References to UBS Group's business divisions in this report

As of 30 June 2023, Credit Suisse's business is organized globally into five reporting segments and Corporate Center, which are referred to as Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), the Investment Bank (Credit Suisse), Asset Management (Credit Suisse), the Capital Release Unit (Credit Suisse) and Corporate Center (Credit Suisse) throughout this report. References to the pre-integration UBS business divisions are unchanged from our previous reports.

Acquisition of Credit Suisse Group

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG (the Transaction).

The acquisition followed a request from the Swiss Federal Department of Finance, the Swiss National Bank and the Swiss Financial Market Supervisory Authority (FINMA) to both firms to duly consider the Transaction in order to restore necessary confidence in the stability of the Swiss economy and banking system and to serve the best interests of the shareholders and stakeholders of UBS and Credit Suisse. As a result of further negotiations and supported by distinct government guarantees and measures, the firms subsequently entered into a merger agreement on 19 March 2023

Upon the completion of the Transaction, each outstanding, registered Credit Suisse Group AG share converted to the right to receive, subject to the payment of certain fees to the Credit Suisse Depositary in the case of Credit Suisse American depositary shares (ADS), a merger consideration consisting of 1/22.48 UBS Group AG shares. In aggregate, Credit Suisse Group AG shareholders received 5.1% of the outstanding UBS Group AG shares on the acquisition date, with a purchase price of USD 3.7bn.

UBS has accounted for the acquisition as a business combination under IFRS 3, Business Combinations, applying the acquisition method of accounting. Our consolidated financial statements for the second quarter of 2023 and the six months ended 30 June 2023 include results of operations of Credit Suisse with effect from 31 May 2023, as the effect of transactions and activities in the period from 31 May 2023 to 12 June 2023 on the consolidated financial statements was not material.

As part of the acquisition method of accounting, the assets and liabilities of the Credit Suisse Group have been converted from US generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) and have been remeasured at fair value at the acquisition date. The difference of USD 29bn between the fair value of the assets and liabilities acquired and the consideration transferred has been recognized in the income statement as negative goodwill. As agreed with the Swiss Financial Market Supervisory Authority (FINMA), a transitional common equity tier 1 (CET1) capital treatment has been applied for certain of these fair value adjustments, given the substantially temporary nature of the IFRS-3-accounting-driven effects. As such, IFRS equity reductions of USD 5.9bn (pre-tax) and USD 5.0bn (net of tax) as of the acquisition date have been neutralized for CET1 capital calculation purposes, of which USD 1.0bn (net of tax) relates to own-credit-related fair value adjustments. The transitional treatment is subject to linear amortization and will reduce to nil by 30 June 2027. The acquisition of the Credit Suisse Group resulted in a USD 237.7bn increase in RWA. As agreed with FINMA, the aggregation of the advanced measurement approach (AMA) models considering diversification effects resulted in a USD 10bn reduction in operational risk RWA in the second quarter of 2023. In addition, UBS Group will be subject to higher too-big-to-fail capital requirements for market share and total exposure after an appropriate transition period to be agreed with FINMA. The phase in of the increased capital requirements will commence from the end of 2025 and will be completed by the beginning of 2030 at the latest.

As of 30 June 2023, Credit Suisse business divisions represented separate reportable segments in the UBS Group, and are therefore included in the management discussion and analysis in this report in addition to the UBS business divisions before integration.

› **Refer to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information**

› **Refer to the "UBS business divisions and Group Functions, Credit Suisse business divisions and Corporate Center" section in this report for further information**

Termination of the Loss Protection Agreement and Public Liquidity Backstop facilities

Based on the emergency ordinance issued by the Swiss Federal Council on 16 March 2023, as amended on 19 March 2023, (the Emergency Ordinance), UBS Group AG entered into a loss protection agreement (the LPA) with the Swiss Confederation, with an effective date of 12 June 2023. As part of this agreement, the Swiss Confederation would have borne up to CHF 9bn losses, if realized, on a designated portfolio of Credit Suisse's non-core assets after the first CHF 5bn of losses, which would have been borne by UBS.

In connection with the Transaction, as of 30 June 2023 the Swiss National Bank (the SNB) confirmed continuing access to its existing liquidity facilities for the combined Group. Under the Emergency Ordinance, UBS AG and Credit Suisse AG also had access to additional SNB liquidity up to CHF 100bn on a combined basis, with the loans under the facility having preferential rights in bankruptcy proceedings. Credit Suisse Group was also allowed to borrow up to an additional CHF 100bn from the SNB backed by a Swiss federal default guarantee (the Public Liquidity Backstop), with the loans also having preferential rights in bankruptcy proceedings.

On 11 August 2023, UBS Group AG voluntarily terminated the LPA and the Public Liquidity Backstop. After reviewing all assets covered by the LPA since the closing of the Transaction in June and taking the appropriate fair value adjustments, UBS concluded that the LPA was no longer required. All loans under the Public Liquidity Backstop were fully repaid by the Credit Suisse Group as of the end of May 2023 and Credit Suisse AG fully repaid outstanding Emergency Liquidity Assistance Plus loans on 10 August 2023. Credit Suisse (Schweiz) AG has outstanding borrowing of CHF 38bn under the ELA facility, which are fully collateralized by Swiss mortgages.

Non-core and legacy portfolio

We have created a Non-core and Legacy (NCL) business division, which will include Credit Suisse positions and businesses not aligned with our strategy and policies, such as the assets and liabilities of the Capital Release Unit (Credit Suisse) and certain assets and liabilities of the Investment Bank (Credit Suisse), Wealth Management (Credit Suisse) and Asset Management (Credit Suisse), as well as the remaining assets and liabilities of UBS's Non-core and Legacy Portfolio and smaller amounts of assets and liabilities of UBS business divisions that we have assessed as not strategic in light of the acquisition of the Credit Suisse Group. As of 30 June 2023, the positions that will be included in NCL represented approximately USD 55bn of risk-weighted assets (RWA), excluding operational risk RWA, and USD 224bn of leverage ratio denominator (LRD). About half of these RWA are expected to run-off by the end of 2026. We intend to actively reduce the assets of the NCL business division in order to reduce operating costs and financial resource consumption, and to enable us to simplify infrastructure.

Integration and cost reduction

We aim to substantially complete the integration for the Group by the end of 2026. We further aim to achieve gross cost reductions of over USD 10bn by that time. Cumulative integration-related expenses are expected to be broadly offset by accretion-to-par effects of approximately USD 12bn related to fair value adjustments applied to amortized-cost financial instruments. Approximately USD 4bn of the aforementioned fair value adjustments relate to financial instruments that are expected to be accounted for as fair value through profit or loss in our Non-core and Legacy business division. We expect to revise our initial estimates of cumulative integration-related expenses, including their expected timing as we progress the integration, after the conclusion of our strategic planning process and around the publication of our fourth quarter 2023 results.

As part of the integration, we plan to simplify our legal structure, including the merger of UBS AG and Credit Suisse AG planned for 2024.

Based on these plans, and excluding integration-related expenses and accretion-to-par effects, we aim to achieve an exit-rate cost income ratio of less than 70% by end-2026 and to progress towards a 2026 exit rate return on CET1 capital of around 15%. We expect the underlying profit before tax for the UBS Group for the third quarter of 2023 to be at or around break-even and to deliver positive underlying profit before tax in the second half of the year, supported by various factors, including revenue stabilization, cost savings and lower funding costs.

Beginning with the third quarter of 2023, we will report five business divisions, Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank and NCL, and we will separately report Group Items.

Material weakness in the Credit Suisse Group's internal control over financial reporting as of 31 December 2022 and 31 December 2021

As registrants with the US Securities and Exchange Commission (the SEC), the UBS Group and Credit Suisse AG are subject to requirements under the Sarbanes–Oxley Act of 2002 with respect to financial reporting. This requires us to perform system and process evaluation and testing of internal controls over financial reporting to enable management to assess the effectiveness of our internal controls. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a registrant's financial statements will not be prevented or detected on a timely basis.

In March 2023, i.e., prior to the Transaction, the Credit Suisse Group disclosed that its management had identified certain material weaknesses in its internal controls over financial reporting, as a result of which it had concluded that, as of 31 December 2022, the Credit Suisse Group's internal control over financial reporting was not effective and, for the same reasons, had reached the same conclusion regarding the situation as of 31 December 2021. The Credit Suisse Group subsequently started a remediation program.

Since the acquisition, management has commenced a review of the processes and systems giving rise to the material weaknesses and the remediation program undertaken. This review is ongoing and we expect to adopt and implement further controls and procedures following the completion of the review and discussions with our regulators. In the course of this review management may become aware of facts that cause it to broaden the scope of the review. UBS expects to assess the implementation and operating effectiveness of the controls and procedures designed to remediate these weaknesses before reaching a conclusion on the effectiveness of internal controls over financial reporting for the 2023 financial year.

Integration of Credit Suisse (Schweiz)

After a thorough evaluation, we have determined to integrate Credit Suisse Schweiz AG with UBS Switzerland AG through a merger of the two banks. We believe the combined bank will be a stronger partner for our clients, the Swiss economy and communities and will produce greater value for shareholders. The combination will allow us to maintain our combined lending capacity in Switzerland and our risk discipline and culture.

We plan to complete the merger of the banks in 2024 and target client migration to a combined platform in 2025.

Recent developments

Regulatory and legal developments

Introduction of a public liquidity backstop in Switzerland

In May 2023, the Swiss Federal Council (the SFC) launched a consultation on the introduction of a public liquidity backstop (the PLB) for systemically important banks (SIBs) which was initially implemented as part of the emergency ordinance issued in connection with Credit Suisse Group. The proposed legislative changes aim to establish the PLB instrument as part of ordinary law in order to enable the Swiss government and the Swiss National Bank to support an SIB domiciled in Switzerland with liquidity in the process of resolution, in line with other financial centers. The introduction of the PLB is intended to increase the confidence of market participants in the ability of SIBs to become successfully recapitalized and remain solvent in a crisis.

In addition to the PLB, the proposed legislative changes would enact into ordinary law additional provisions contained in the emergency ordinance of March 2023, including mandated clawback of variable compensation in the event that government support is provided to an SIB.

The final proposals are expected to be presented to the Swiss Parliament by the SFC in September 2023, and, if adopted, legislative changes are expected to come into force by January 2025.

Further developments regarding the acquisition of Credit Suisse Group by UBS

The Swiss Federal Department of Finance (the FDF) is undertaking a review of the circumstances that led to the acquisition of the Credit Suisse Group by UBS. In May 2023, it convened a group of experts on banking stability to work on strategic considerations regarding the role of banks and the national framework related to the stability of the Swiss financial center. The group of experts is expected to present its findings to the FDF in the third quarter of 2023. The experts' findings will be considered by the SFC in its bi-annual too-big-to-fail (TBTF) review report by April 2024.

In June 2023, the Swiss Parliament formed a parliamentary inquiry committee that is mandated to investigate the legitimacy, expediency and effectiveness of the management of the competent authorities and bodies in the context of the Credit Suisse Group crisis. The committee will report to the Swiss Parliament on the results of its investigation and will propose measures to remedy any identified deficiencies.

Both the findings of the group of experts and the conclusions by the inquiry committee may include potentially significant recommendations, which could result in more stringent regulation.

Swiss electorate votes in favor of a new Climate and Innovation Act

In June 2023, the Swiss electorate voted in favor of the new Climate and Innovation Act. The act defines a net-zero-by-2050 target for Switzerland, including interim targets for selected sectors of the Swiss economy. In addition, each Switzerland-domiciled company is required to set a net-zero target by 1 January 2025. The act also contains provisions for public funding to replace aged heating systems in buildings and for application of innovative technologies within companies. Article 9 of the act requires the financial sector to make an effective contribution to the transition to net zero and sets the general goal of the alignment of financial resources to climate-friendly outcomes. Specific measures to achieve the targets will be proposed in the CO_2 Act, which is currently under revision in Parliament.

Swiss electorate votes in favor of the implementation of global minimum taxation in Switzerland

In June 2023, the Swiss electorate voted in favor of the introduction of a minimum corporate tax rate as stipulated by the Global Anti-Base Erosion Model Rules (Pillar Two) of the Organisation for Economic Co-operation and Development. The amendment will be implemented by way of an ordinance of the SFC and will provide a minimum tax rate of 15% as of 1 January 2024 for Swiss companies with global earnings above EUR 750m. UBS does not expect the implementation of global minimum taxation in Switzerland to materially impact its effective tax rate.

Sanctions related to the Russia–Ukraine war

In August 2023, the SFC announced that Switzerland is implementing further EU sanctions against Russia following the EU taking new measures against Russia as part of the EU's 11th sanctions package, which was partially adopted by Switzerland in June 2023 by expanding the sanction lists concerning Russia. As part of the 11th sanctions package, the EU has created a specific legal basis for an instrument to prevent the evasion of sanctions. The SFC is determined to take effective action against the evasion of sanctions and will examine the implementation of this instrument in the event of its actual application by the EU. In addition, Switzerland is joining the EU in imposing sanctions at Moldova's request. UBS's sanctions programs are designed to comply with sanctions across multiple jurisdictions, including those imposed by the United Nations, Switzerland, the EU, the UK and the US.

Recent events in the US banking market

In May 2023, the Federal Reserve Board (the FRB) and the Federal Deposit Insurance Corporation (the FDIC) released reports that covered the circumstances leading to the closing of certain banking organizations following the events in the banking market in March 2023. The reports noted shortcomings in the supervisory agencies' execution of examination programs, including escalation of supervisory issues and staffing. They also raised concerns related to the regulatory framework, including the Federal Reserve's Tailoring Rule and other topics, such as interest rate risk management. UBS expects these developments to impact the regulatory environment in the US, where UBS maintains significant operations.

In addition, in June 2023, the FDIC issued a proposal to recover certain losses sustained in the resolution of uninsured deposits held by the now-closed banks, as required under existing banking regulations. The proposal would impose a special assessment on covered banks based on their respective levels of uninsured deposits above a certain threshold and based on a proposed assessment rate. UBS Bank USA would be impacted by this proposal once finalized.

US authorities consult on final Basel III implementation

In July 2023, US banking regulators, including the FRB, the FDIC and the Office of the Comptroller of the Currency (the OCC), issued a public consultation on a proposal that would implement the final components of the Basel III capital standards for US banking organizations and foreign-owned intermediate holding companies, such as UBS Americas Holding LLC and Credit Suisse Holdings (USA), Inc. Among others, the proposed rules would end the use of the internal model approach for credit risk by the largest banking organizations and would introduce instead a new standardized approach. In addition, the proposed rules for operational risks would replace the advanced measurement approach with a standardized measure. The proposal calls for a three-year transition period, starting on 1 July 2025, and full implementation by 1 July 2028. The impact on UBS will depend on new or revised regulatory interpretations, changes in business growth, market conditions and other factors.

The International Sustainability Standards Board issues global sustainability disclosure standards

In June 2023, the International Sustainability Standards Board (the ISSB) finalized its first set of requirements for corporate disclosures regarding sustainability matters: IFRS S1 and IFRS S2. IFRS S1 addresses the disclosure of a company's sustainability-related risks and opportunities. IFRS S2 addresses the disclosures for the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities and the entity's strategy for managing risks and opportunities. The standards incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD). These ISSB standards will be available for use from January 2024. UBS's implementation of the standards will depend, among other factors, on whether the standards are adopted in jurisdictions in which UBS files financial reports.

European Commission presents a new retail investor strategy

In May 2023, the European Commission presented draft legislative proposals aimed at empowering retail investors to make investment decisions that are aligned with their needs and preferences and ensuring that they are treated fairly and duly protected. The proposals also aim to encourage greater participation in EU capital markets and to enable a greater volume of funds to flow more easily into EU capital markets. The package revises EU capital markets rules, which, once agreed and in force, could have significant implications and require significant implementation efforts by UBS.

EU physical presence requirement for cross-border banking services

In June 2023, legislators in the EU reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive. The provisional agreement includes, alongside measures to implement the remaining elements of the Basel III standard, a framework that would require non-EU firms to establish a physical presence within the EU when providing certain banking services to EU-domiciled clients and counterparties (including deposit-taking and commercial lending), unless they are subject to an exemption. The changes will affect the cross-border provision of certain banking services and will require UBS to adapt its approaches to providing such services to clients in the EU. The requirement is expected to become effective in 2026, with grandfathering provisions for contracts already in existence at the date of introduction.

The revised Swiss Data Protection Act

The revised Swiss Federal Data Protection Act and the corresponding Federal Data Protection Ordinance will enter into force on 1 September 2023. The revised law represents a fundamental reform that strengthens the rights of consumers regarding their data by enhancing the transparency and accountability rules for companies processing data, among other measures. In addition, it seeks to align Swiss data protection law with the EU General Data Protection Regulation, in order to ensure continued cross-border transmission of data with EU Member States.

US Executive compensation rules

In October 2022, the Securities and Exchange Commission (the SEC) adopted rules requiring US national securities exchanges, including the New York Stock Exchange (the NYSE) and Nasdaq, to adopt listing standards that require issuers to adopt and enforce a policy to recover from executive officers incentive compensation received based on attainment of a financial reporting measure in the event that the issuer is required to prepare an accounting restatement of financial statements due to material non-compliance with financial reporting requirements. The SEC approved the listing standards promulgated by the NYSE and Nasdaq in June 2023 and the clawback policy requirement comes into effect as of 1 December 2023. Under the listing standards, an issuer must recover the amount of incentive-based compensation that would not have been received if it had been determined based on the restated financial information. UBS Group AG, UBS AG and Credit Suisse AG each have securities listed on US national securities exchanges and intend to adopt a policy to comply with the listing standards.

Other developments

Organizational changes

On 9 May 2023, Todd Tuckner was appointed a member of the Group Executive Board (the GEB) with immediate effect, and announced as the successor to Sarah Youngwood as Group Chief Financial Officer, effective from 12 June 2023.

Ulrich Körner, formerly the Chief Executive Officer of Credit Suisse AG, became a member of UBS's GEB on 12 June 2023. He is responsible for Credit Suisse's operational continuity and client focus, while supporting the integration process.

Beatriz Martin Jimenez joined the GEB on 9 May 2023 and was appointed Head Non-core and Legacy and President UBS EMEA effective from 12 June 2023. She also remains UBS Chief Executive for the UK.

Michelle Bereaux has been appointed Group Integration Officer and Stefan Seiler has been appointed Group Head Human Resources & Group Corporate Services, effective 12 June 2023. Both also became members of the GEB on 9 May 2023.

To further support the successful integration of Credit Suisse, Michael Dargan has been appointed Group Chief Operations and Technology Officer and continues as a member of the GEB.

Group performance

Income statement

	For the quarter ended			% change from		Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Net interest income	1,713	1,388	1,665	23	3	3,101	3,436
Other net income from financial instruments measured at fair value through profit or loss	2,463	2,681	1,619	(8)	52	5,143	3,845
Net fee and commission income	5,175	4,606	4,774	12	8	9,781	10,127
Other income	188	69	859	172	(78)	258	891
Total revenues	9,540	8,744	8,917	9	7	18,284	18,299
Negative goodwill	28,925					28,925	
Credit loss expense / (release)	740	38	7			778	25
Personnel expenses	5,651	4,620	4,422	22	28	10,271	9,343
General and administrative expenses	1,968	2,065	1,370	(5)	44	4,033	2,578
Depreciation, amortization and impairment of non-financial assets	866	525	503	65	72	1,391	1,009
Operating expenses	8,486	7,210	6,295	18	35	15,696	12,929
Operating profit / (loss) before tax	29,239	1,495	2,615			30,735	5,344
Tax expense / (benefit)	361	459	497	(21)	(27)	820	1,082
Net profit / (loss)	28,878	1,037	2,118			29,915	4,262
Net profit / (loss) attributable to non-controlling interests	3	8	10	(60)	(69)	11	18
Net profit / (loss) attributable to shareholders	28,875	1,029	2,108			29,904	4,244
Comprehensive income							
Total comprehensive income	28,011	1,833	1,079			29,844	1,008
Total comprehensive income attributable to non-controlling interests	(2)	13	(17)		(91)	11	9
Total comprehensive income attributable to shareholders	28,013	1,820	1,097			29,833	999

Group performance as reported and excluding negative goodwill, integration-related expenses, and acquisition costs

	For the quarter ended
USD m	30.6.23
Total revenues	9,540
Negative goodwill	28,925
Credit loss expense / (release)	740
Total operating expenses (as reported)	8,486
of which: integration-related expenses	*724*
of which: pre-acquisition UBS sub-group	*350*
of which: Credit Suisse	*374*
of which: acquisition costs	*106*
Total operating expenses (excluding integration-related expenses and acquisition costs)	7,656
Operating profit / (loss) before tax (as reported)	29,239
Operating profit / (loss) before tax (excluding negative goodwill, integration-related expenses, and acquisition costs)	1,144

The acquisition of Credit Suisse resulted in substantial negative goodwill, which is the excess of the fair value of the identifiable net assets acquired in the transaction over the fair value of the consideration transferred. Integration-related expenses amounted to USD 724m in the second quarter of 2023, of which USD 354m related to personnel costs, USD 206m to the impairment of in-progress software projects resulting from a reprioritization of software development activity and USD 89m to consulting, legal and audit fees. Integration-related expenses are defined as expenses that are temporary, incremental and directly related to the integration of UBS and Credit Suisse. They generally include costs of internal staff and contractors substantially dedicated to integration activities, redundancy costs, incremental expenses from the shortening of useful lives of property, equipment and software, and impairment charges relating to these assets. Classification as integration-related expense does not affect the timing of recognition and measurement of those expenses or the presentation in the income statement. Integration-related expenses incurred by Credit Suisse in the second quarter of 2023 also included expenses associated with restructuring programs that existed prior to the acquisition.

Acquisition costs amounted to USD 106m, of which USD 54m related to consulting and legal fees and USD 45m related to the loss protection agreement with the Swiss government.

Results: 2Q23 vs 2Q22

Operating profit before tax increased by USD 26,624m, to USD 29,239m, primarily reflecting negative goodwill of USD 28,925m and an increase in total revenues, partly offset by higher operating expenses and net credit loss expenses of USD 740m, compared with net credit loss expense of USD 7m in the second quarter of 2022. Total revenues increased by USD 623m, or 7%, to USD 9,540m, largely due to the consolidation of Credit Suisse revenues of USD 1,156m. Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increased by USD 892m, mainly attributable to the consolidation of the Credit Suisse Group, which accounted for USD 497m of the increase, with the remaining amount relating to the UBS business divisions driven by the impact of higher rates. In addition, net fee and commission income increased by USD 401m, mainly attributable to a larger invested assets base, following the acquisition of the Credit Suisse Group. This was partly offset by a USD 671m decrease in other income, largely due to the prior-year quarter including an USD 848m gain in Asset Management on the sale of a joint venture. Operating expenses increased by USD 2,191m, or 35%, to USD 8,486m, largely due to the consolidation of Credit Suisse expenses of USD 1,641m. The second quarter of 2023 included total integration-related expenses of USD 724m and acquisition costs of USD 106m. Personnel expenses increased by USD 1,229m, mainly reflecting higher expenses for salaries and variable compensation. General and administrative expenses increased by USD 598m, across most categories, partly offset by lower net expenses for litigation, regulatory and similar matters. Depreciation, amortization and impairment of non-financial assets increased by USD 363m, mainly driven by software impairments.

› **Refer to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information about the negative goodwill recognized**

Total revenues: 2Q23 vs 2Q22

Net interest income and other net income from financial instruments measured at fair value through profit or loss

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increased by USD 892m to USD 4,176m, mainly driven by the consolidation of Credit Suisse revenues, and higher revenues in Personal & Corporate Banking, and Global Wealth Management, partly offset by the Investment Bank.

Of the aforementioned increase, USD 497m can be attributed to the consolidation of Credit Suisse entities.

Personal & Corporate Banking increased by USD 300m to USD 941m, largely due to higher net interest income, mainly driven by higher deposit margins, which resulted from rising interest rates, and higher loan revenues, partly offset by lower deposit fees. The prior-year quarter also included a benefit from the Swiss National Bank deposit exemption.

Global Wealth Management increased by USD 173m to USD 1,721m, largely reflecting higher net interest income, mainly driven by higher deposit margins, which resulted from rising interest rates, more than offsetting the effects of lower average deposit volumes and lower loan revenues, which reflected lower average loan volumes and margins.

The Investment Bank decreased by USD 160m to USD 1,210m. Derivatives & Solutions decreased by USD 255m, driven by Equity Derivatives, Rates and Foreign Exchange, due to lower levels of volatility and client activity, partly offset by an increase in Credit revenues. This was partly offset by a USD 65m increase in Financing, mainly from higher revenues in Equity Financing, primarily reflecting the impact of higher rates. In addition, there was a USD 25m increase in Global Banking, mainly reflecting higher revenues from Leveraged Capital Markets.

› **Refer to "Note 4 Net interest income" in the "Consolidated financial statements" section of this report for more information about net interest income**

Net interest income and other net income from financial instruments measured at fair value through profit or loss

	For the quarter ended			% change from		Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,221	962	1,310	27	(7)	2,183	2,673
Net interest income from financial instruments measured at fair value through profit or loss and other	493	425	355	16	39	918	763
Other net income from financial instruments measured at fair value through profit or loss	2,463	2,681	1,619	(8)	52	5,143	3,845
Total	4,176	4,069	3,284	3	27	8,245	7,281
Global Wealth Management	1,721	1,803	1,548	(5)	11	3,523	2,991
of which: net interest income	*1,442*	*1,491*	*1,268*	*(3)*	*14*	*2,933*	*2,409*
of which: transaction-based income from foreign exchange and other intermediary activity[1]	*278*	*312*	*281*	*(11)*	*(1)*	*590*	*582*
Personal & Corporate Banking	941	834	641	13	47	1,775	1,306
of which: net interest income	*812*	*705*	*522*	*15*	*56*	*1,517*	*1,057*
of which: transaction-based income from foreign exchange and other intermediary activity[1]	*129*	*129*	*119*	*0*	*9*	*258*	*249*
Asset Management	(9)	(6)	(10)	50	(9)	(15)	(11)
Investment Bank[2]	1,210	1,660	1,370	(27)	(12)	2,870	3,373
Global Banking	*56*	*73*	*31*	*(24)*	*80*	*128*	*146*
Global Markets	*1,154*	*1,588*	*1,339*	*(27)*	*(14)*	*2,742*	*3,227*
Group Functions	(183)	(223)	(265)	(18)	(31)	(406)	(377)
Total UBS business divisions and Group Functions	3,680	4,069	3,284	(10)	12	7,748	7,281
Credit Suisse business divisions and Corporate Center	497					497	
of which: net interest income	*381*					*381*	

1 Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line Other net income from financial instruments measured at fair value through profit or loss. The amounts reported on this line are one component of Transaction-based income in the management discussion and analysis in the "Global Wealth Management" and "Personal & Corporate Banking" sections of this report. 2 Investment Bank information is provided at the business-line level rather than by financial statement reporting line, in order to reflect the underlying business activities, which is consistent with the structure of the management discussion and analysis in the "Investment Bank" section of this report.

Net fee and commission income

Net fee and commission income increased by USD 401m to USD 5,175m.

Credit-related fees and commission income increased by USD 201m to USD 296m, mainly due to the consolidation of USD 190m attributable to Credit Suisse revenues.

Fees for portfolio management and related services increased by USD 187m to USD 2,485m, largely attributable to the acquisition of the Credit Suisse Group, which contributed USD 231m of revenues and drove an increase in invested assets across the UBS Group, partly offset by USD 49m lower revenues in Global Wealth Management, mainly reflecting negative market performance.

Underwriting fee income increased by USD 42m to USD 153m, largely driven by USD 18m higher debt underwriting revenues from public offerings in the Investment Bank and due to the consolidation of USD 21m attributable to Credit Suisse revenues.

Net brokerage fees increased by USD 38m to USD 856m, mainly attributable to the consolidation of USD 112m attributable to Credit Suisse revenues, partly offset by a USD 44m decrease in Global Wealth Management, reflecting lower levels of client activity, particularly in the Americas and Asia Pacific, and a USD 30m decrease in the Investment Bank, mainly due to lower volumes of cash equities in the Execution Services business.

Investment fund fees decreased by USD 37m to USD 1,196m, mainly due to USD 31m and USD 23m lower revenues in Global Wealth Management and Asset Management, respectively, reflecting the impact of negative market performance, as well as pressure on margins from asset shifts in Asset Management. This was partly offset by an increase of USD 17m due to the consolidation of Credit Suisse revenues.

› **Refer to "Note 5 Net fee and commission income" in the "Consolidated financial statements" section of this report for more information**

Other income

Other income was USD 188m, compared with USD 859m in the prior-year quarter. The decrease was largely driven by the prior-year quarter including an USD 848m gain in Asset Management related to the sale of our shareholding in the Mitsubishi Corp.-UBS Realty Inc. joint venture.

› **Refer to the "Recent developments" section of the UBS Group second quarter 2022 report for more information about the sale of our shareholding in Mitsubishi Corp.-UBS Realty Inc.**

Credit loss expense / release: 2Q23 vs 2Q22

Total net credit loss expenses in the second quarter of 2023 were USD 740m, reflecting USD 644m net credit loss expenses related to stage 1 and 2 positions, USD 77m net credit loss expenses related to stage 3 positions and USD 19m related to purchased credit-impaired positions. Net credit loss expenses of USD 16m related to UBS AG's business divisions. Net credit loss expenses for Credit Suisse AG's business divisions of USD 724m were largely attributable to the initial recognition of ECL allowances and provisions of USD 654m for the purchased non-credit-impaired portfolios, with a further USD 70m of credit loss expenses recognized for credit-impaired positions after the acquisition date. Recognition of expected credit losses for non-credit-impaired positions is required by IFRS 9 as a subsequent measurement adjustment after recognizing on the acquisition date the respective assets and commitments at fair value, as part of the purchase price allocation under IFRS 3.

› **Refer to "Note 8 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information**

Credit loss expense / (release)

USD m	Stages 1 and 2	Stage 3	Purchased credit-impaired (PCI)	Total
For the quarter ended 30.6.23				
Global Wealth Management	(4)	9		5
Personal & Corporate Banking	(11)	21		10
Asset Management	0	0		0
Investment Bank	5	(4)		1
Group Functions	0	0		0
Subtotal UBS	(10)	26		16
Wealth Management (Credit Suisse)	143	0	7	149
Swiss Bank (Credit Suisse)	217	7	0	224
Asset Management (Credit Suisse)	1	0	0	1
Investment Bank (Credit Suisse)	189	0	12	200
Capital Release Unit (Credit Suisse)	104	44	0	148
Corporate Center (Credit Suisse)	2	0	0	2
Subtotal Credit Suisse	654	51	19	724
Total	644	77	19	740
For the quarter ended 31.3.23				
Global Wealth Management	15	0		15
Personal & Corporate Banking	15	0		16
Asset Management	0	0		0
Investment Bank	(5)	12		7
Group Functions	0	0		0
Total	**26**	**12**		**38**
For the quarter ended 30.6.22				
Global Wealth Management	(8)	6		(3)
Personal & Corporate Banking	26	8		35
Asset Management	0	0		0
Investment Bank	(2)	(26)		(28)
Group Functions	0	2		2
Total	**16**	**(9)**		**7**

Operating expenses: 2Q23 vs 2Q22

Operating expenses

	For the quarter ended			% change from		Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Personnel expenses	5,651	4,620	4,422	22	28	10,271	9,343
of which: salaries and variable compensation	*4,804*	*3,885*	*3,786*	*24*	*27*	*8,689*	*7,954*
of which: variable compensation – financial advisors [1]	*1,110*	*1,111*	*1,122*	*0*	*(1)*	*2,222*	*2,342*
General and administrative expenses	1,968	2,065	1,370	(5)	44	4,033	2,578
of which: net expenses for litigation, regulatory and similar matters	*69*	*721*	*221*	*(90)*	*(69)*	*790*	*278*
of which: other general and administrative expenses	*1,899*	*1,345*	*1,149*	*41*	*65*	*3,243*	*2,300*
Depreciation, amortization and impairment of non-financial assets	866	525	503	65	72	1,391	1,009
Total operating expenses	8,486	7,210	6,295	18	35	15,696	12,929

1 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.

Personnel expenses

Personnel expenses increased by USD 1,229m to USD 5,651m, largely due to the consolidation of Credit Suisse expenses of USD 1,087m, and included total integration-related expenses of USD 354m. Salaries and variable compensation increased by USD 1,018m due to the acquisition and included integration-related expenses of USD 330m. Excluding these factors, salary costs increased due to annual salary adjustments and foreign currency effects, partly offset by lower variable compensation.

- **Refer to "Note 6 Personnel expenses" in the "Consolidated financial statements" section of this report for more information**

General and administrative expenses

General and administrative expenses increased by USD 598m to USD 1,968m, largely due to the consolidation of Credit Suisse expenses of USD 451m, and included total integration-related expenses of USD 125m and USD 106m in acquisition costs. Total costs for litigation, regulatory and similar matters decreased by USD 152m.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

- **Refer to "Note 7 General and administrative expenses" in the "Consolidated financial statements" section of this report for more information**
- **Refer to "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information about litigation, regulatory and similar matters**
- **Refer to the "Regulatory and legal developments" of the Annual Report 2022 and the "Risk Factors" filed on Form 6-K, together with the 2Q2023 UBS Group AG report, on 31 August 2023 for more information**

Depreciation, amortization and impairment of non-financial assets

Depreciation, amortization and impairment of non-financial assets increased by USD 363m to USD 866m, mainly driven by USD 244m of integration-related expenses, largely due to an impairment of software projects in progress of USD 206m resulting from a reprioritization of software development activity in the context of the acquisition. Ongoing depreciation of internally developed software also increased, reflecting a higher level of capitalized cost.

Tax: 2Q23 vs 2Q22

Income tax expenses were USD 361m for the second quarter of 2023, representing an effective tax rate of 1.2%, compared with USD 497m and an effective tax rate of 19.0% for the prior-year quarter. Current tax expenses were USD 368m, compared with USD 367m, and relate to the taxable profits of UBS Switzerland AG and other entities. There was a net deferred tax benefit of USD 7m, compared with an expense of USD 130m in the prior-year quarter.

Negative goodwill recorded in the income statement did not result in any tax expense.

The effective tax rate for the second half of 2023 may differ materially from the rate of 23% per the previous guidance for the year if certain entities incur operating losses, reflecting integration-related expenses and restructuring costs, for which no DTAs are recognized. It may also differ due to remeasurement of DTAs connected with business planning or resulting from material changes to jurisdictional statutory tax rates.

Total comprehensive income attributable to shareholders

In the second quarter of 2023, total comprehensive income attributable to shareholders was USD 28,013m, reflecting net profit of USD 28,875m, which included the recognition of negative goodwill on the acquisition of the Credit Suisse Group of USD 28,925m, and other comprehensive income (OCI), net of tax, of negative USD 862m.

OCI related to cash flow hedges was negative USD 775m, mainly reflecting net unrealized losses on US dollar hedging derivatives resulting from increases in the relevant US dollar long-term interest rates.

OCI related to own credit on financial liabilities designated at fair value was negative USD 413m, primarily due to a tightening of our own credit spreads.

Defined benefit plan OCI was negative USD 53m, mainly reflecting a tax expense of USD 35m and negative pre-tax OCI in our UBS Swiss pension plan of USD 23m.

Foreign currency translation OCI was USD 368m, mainly resulting from a strengthening of the Swiss franc against the US dollar.

› **Refer to "Statement of comprehensive income" in the "Consolidated financial statements" section of this report for more information**
› **Refer to "Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital" in the "Capital management" section of this report for more information about the effects of OCI on common equity tier 1 capital**
› **Refer to "Note 20 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2022 for more information about own credit on financial liabilities designated at fair value**

Sensitivity to interest rate movements

As of 30 June 2023, it is estimated that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income from our banking book of approximately USD 1.8bn in the first year after such a shift. Of this increase, approximately USD 1.1bn, USD 0.3bn and USD 0.2bn would result from changes in Swiss franc, US dollar and euro interest rates, respectively. A parallel shift in yield curves by –100 basis points could lead to a combined decrease in annual net interest income of approximately USD 1.9bn in the first year after such a shift, showing similar currency contributions as for the aforementioned increase in rates.

The net interest income sensitivity estimates are based on a hypothetical scenario of an immediate change in interest rates, equal across all currencies and relative to implied forward rates as of 30 June 2023 applied to our banking book. These estimates further assume no change to balance sheet size and product mix, constant foreign exchange rates, and no specific management action. These estimates do not represent a forecast of our net interest income variability.

› **Refer to the "Risk management and control" section of this report for information about interest rate risk in the banking book**

Key figures and personnel

Below is an overview of selected key figures of the Group. For further information about key figures related to capital management, refer to the "Capital management" section of this report.

Cost / income ratio: 2Q23 vs 2Q22

The cost / income ratio was 88.9%, compared with 70.6%, mainly reflecting an increase in operating expenses, partly offset by an increase in total revenues. The operating loss incurred by Credit Suisse entities is reflected in the overall increase of the ratio for the UBS Group.

Personnel: 2Q23 vs 1Q23

The number of personnel employed as of 30 June 2023 was 119,100 (full-time equivalents), a net increase of 45,286 compared with 31 March 2023, predominantly attributable to the onboarding of Credit Suisse staff to the UBS Group.

Equity, CET1 capital and returns

	As of or for the quarter ended			Year-to-date	
USD m, except where indicated	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Net profit					
Net profit attributable to shareholders	28,875	1,029	2,108	29,904	4,244
Equity					
Equity attributable to shareholders	86,999	56,754	56,845	86,999	56,845
Less: goodwill and intangible assets	7,569	6,272	6,312	7,569	6,312
Tangible equity attributable to shareholders	79,430	50,481	50,533	79,430	50,533
Less: other CET1 deductions	(827)	5,891	5,734	(827)	5,734
CET1 capital	80,258	44,590	44,798	80,258	44,798
Returns					
Return on equity (%)	160.7	7.2	14.6	92.9	14.4
Return on equity (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	3.9				
Return on tangible equity (%)	177.8	8.1	16.4	103.6	16.2
Return on tangible equity (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	4.3				
Return on CET1 capital (%)	185.0	9.1	18.9	111.3	18.9
Return on CET1 capital (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	4.5				

Common equity tier 1 capital: 2Q23 vs 1Q23

During the second quarter of 2023, our common equity tier 1 (CET1) capital increased by USD 35.7bn to USD 80.3bn, predominantly due to the acquisition of the Credit Suisse Group, which resulted in an increase of USD 36.1bn as of the acquisition date.

Return on CET1 capital: 2Q23 vs 2Q22

The annualized return on CET1 capital was 185.0%, compared with 18.9%, driven by the negative goodwill, partly offset by an increase in average CET1 capital. Excluding the impact of negative goodwill, integration-related expenses, and acquisition costs, the return on CET1 capital was 4.5%.

Risk-weighted assets: 2Q23 vs 1Q23

Risk-weighted assets (RWA) increased by USD 234.9bn to USD 556.6bn, predominantly due to the acquisition of the Credit Suisse Group, which resulted in a USD 237.7bn increase in RWA. Excluding that acquisition, RWA decreased by USD 5.7bn due to model updates, partly offset by increases of USD 1.5bn due to asset size and other movements and USD 1.4bn due to currency effects.

Common equity tier 1 capital ratio: 2Q23 vs 1Q23

Our CET1 capital ratio increased to 14.4% from 13.9%, reflecting the aforementioned increase in CET1 capital, partly offset by the increase in RWA.

Leverage ratio denominator: 2Q23 vs 1Q23

During the second quarter of 2023, the Group's leverage ratio denominator (the LRD) was USD 1,677.9bn. Compared with the first quarter of 2023, the LRD increased by USD 663.4bn, predominantly due to the acquisition of the Credit Suisse Group, which resulted in an increase of USD 644.4bn. Excluding that acquisition, the LRD increased by USD 13.4bn due to asset size and other movements, as well as USD 5.6bn due to currency effects.

Common equity tier 1 leverage ratio: 2Q23 vs 1Q23

Our CET1 leverage ratio increased to 4.78% from 4.40%, due to the aforementioned increase in CET1 capital, partly offset by the increase in the LRD.

Going concern leverage ratio: 2Q23 vs 1Q23

Our going concern leverage ratio decreased to 5.6% from 5.7%, due to the aforementioned increase in the LRD, largely offset by the increase in CET1 capital.

Results 6M23 vs 6M22

Operating profit before tax increased by USD 25,391m, to USD 30,735m, primarily reflecting negative goodwill of USD 28,925m.

Total revenues decreased by USD 15m to USD 18,284m, including the consolidation of Credit Suisse revenues of USD 1,156m.

Other income decreased by USD 633m, largely attributable to an USD 848m gain in Asset Management from the sale of a joint venture in the prior-year period, partly offset by gains recognized on repurchases of UBS's own debt instruments.

Net fee and commission income decreased by USD 346m, largely due to lower investment fund fees and portfolio management and related services fees in Global Wealth Management and Asset Management, mainly reflecting negative market performance, partly offset by the consolidation of Credit Suisse revenues. Net brokerage fees decreased, due to lower levels of client activity in the Investment Bank and in Global Wealth Management, partly offset by the consolidation of Credit Suisse revenues. M&A and corporate finance fees decreased due to lower related revenues in the Global Banking business of the Investment Bank, partly offset by the consolidation of revenues in Credit Suisse. This was partly offset by higher credit-related fees and commissions, largely attributable to Credit Suisse.

These decreases were partly offset by total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increasing by USD 964m, mainly due to the consolidation of Credit Suisse revenues and increases in Global Wealth Management and Personal & Corporate Banking, both primarily reflecting the impact of higher interest rates on revenues from deposits and loans, partly offset by a decrease in the Investment Bank, due to lower levels of client activity and volatility, predominantly in the Derivatives & Solutions business. This decrease was partly offset by an increase in Financing, largely driven by higher revenue in Prime Brokerage, a recovery, and higher revenues in Equities Financing and Clearing.

Expected credit loss expenses were USD 778m, compared with expenses of USD 25m in the prior-year period.

Operating expenses increased by USD 2,767m, or 21%, to USD 15,696m, largely due to the consolidation of Credit Suisse expenses of USD 1,641m. The first half of 2023 included total integration-related expenses of USD 724m and acquisition costs of USD 176m.

Personnel expenses increased by USD 928m due to the acquisition and included USD 354m of integration-related expenses. Excluding these factors, personnel expenses decreased, due to lower variable compensation, partly offset by higher salary costs due to annual salary adjustments.

General and administrative expenses increased by USD 1,455m, driven by the acquisition, and included USD 176m in acquisition costs and USD 125m of integration-related expenses. In addition, expenses for litigation, regulatory and similar matters increased, driven by the USD 665m increase in provisions recognized in the first quarter of 2023 related to the US residential mortgage-backed securities litigation matter.

Depreciation, amortization and impairment of non-financial assets increased by USD 382m, primarily relating to the aforementioned impairment of software. Ongoing depreciation of internally developed software also increased, reflecting a higher level of capitalized cost.

Outlook

Amid relatively robust economic growth data, and despite signs of abating inflation and decreasing wage pressures, central banks have continued to raise interest rates. Although improving, the outlook for economic growth, asset valuations and market volatility remains highly uncertain, and the effects of central bank tightening may have an impact on market liquidity. The implications of current geopolitical tensions and the ongoing Russia–Ukraine war add uncertainty to the macroeconomic outlook. Against this backdrop, in the second quarter of 2023 clients continued to diversify cash holdings by investing their deposits into higher yielding products, although at a slower pace. Client sentiment and activity levels remained muted, especially in the Americas and Asia Pacific.

The macroeconomic situation remains uncertain, as economic risk in China's economy and continuing concerns about inflation cloud growth in the US and developed financial markets. Although there are still geopolitical tensions, particularly stemming from US–China relations and the Russia–Ukraine war, we see improving sentiment and activity levels among our private clients. We expect positive net new asset flows in our asset–gathering businesses and some improvement in transaction volumes. Higher asset valuations are also expected to have a positive impact on our recurring net fee income year on year. We also expect net interest income will remain near to present levels in the current interest rate environment.

UBS business divisions and Group Functions, Credit Suisse business divisions and Corporate Center

Management report

As of 30 June 2023, the Credit Suisse business divisions represented separate reportable segments in the UBS Group, which are managed and reported on a pre-tax basis. Credit Suisse's business is organized globally into five business divisions (Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), the Investment Bank (Credit Suisse), Asset Management (Credit Suisse) and the Capital Release Unit (Credit Suisse)) and Corporate Center (Credit Suisse). References to the pre-integration UBS business divisions are unchanged.

The first part of this section provides information about the pre-integration UBS business divisions and Group Functions, and the second part provides information about the pre-integration Credit Suisse business divisions and Corporate Center.

The information for the pre-integration UBS business divisions and Group Functions is provided on the basis of International Financial Reporting Standards (IFRS) as of or for the three-month period ended 30 June 2023.

The information for the pre-integration Credit Suisse business divisions and Corporate Center is provided on the basis of US generally accepted accounting principles (US GAAP). With the acquisition date of 12 June 2023, for convenience, Credit Suisse business divisions and Corporate Center were consolidated with effect from 31 May 2023, as the effect of transactions and activities in the period from 31 May 2023 to 12 June 2023 on the consolidated financial statements was not material. As a consequence, the financial statements of UBS Group, and the Credit Suisse business divisions and Corporate Center disclosures for the second quarter 2023, include Credit Suisse information for the one month period ended 30 June 2023.

The table below provides a reconciliation of aggregated segment results of UBS and Credit Suisse to the UBS Group result.

Reconciliation of aggregated segment results for UBS and Credit Suisse to UBS Group result – for the three-month period ended 30 June 2023

USD m	UBS business divisions and Group Functions (IFRS)	Credit Suisse business divisions and Corporate Center (US GAAP, adjusted)[1]	Credit Suisse business divisions and Corporate Center – Reconciliation from US GAAP to IFRS	Negative goodwill from the acquisition of Credit Suisse (IFRS)	UBS Group (IFRS)
Period	1 April 2023 – 30 June 2023	1 June 2023 – 30 June 2023	1 June 2023 – 30 June 2023	Acquisition date	For the quarter ended 30 June 2023
Total revenues	8,384	743	413		9,540
Negative goodwill				28,925	28,925
Credit loss expense / (release)	16	101	623		740
Operating expenses	6,845	1,807	(166)		8,486
Operating profit / (loss) before tax	**1,523**	**(1,165)**	**(44)**	**28,925**	**29,239**
Tax expense / (benefit)					361
Net profit / (loss)					**28,878**

1 Represents the Credit Suisse business division result for June 2023 as presented to the Chief Operating Decision Maker (the UBS Group Executive Board). The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment.

Beginning with the third quarter of 2023, we will report five business divisions, Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank and Non-core and Legacy, and we will separately report Group Items.

UBS business divisions and Group Functions

Global Wealth Management

Global Wealth Management[1]

	As of or for the quarter ended			% change from		Year-to-date	
USD m, except where indicated	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Results							
Net interest income	1,442	1,491	1,268	(3)	14	2,933	2,409
Recurring net fee income[2]	2,535	2,454	2,614	3	(3)	4,989	5,419
Transaction-based income[2]	749	843	793	(11)	(6)	1,592	1,747
Other income	10	4	2	173	388	14	5
Total revenues	4,736	4,792	4,677	(1)	1	9,528	9,581
Credit loss expense / (release)	5	15	(3)	(69)		20	(10)
Operating expenses	3,621	3,561	3,523	2	3	7,182	7,124
Business division operating profit / (loss) before tax	1,110	1,215	1,157	(9)	(4)	2,325	2,467
Performance measures and other information							
Pre-tax profit growth (year-on-year, %)[2]	(4.0)	(7.2)	(10.6)			(5.7)	(8.8)
Cost / income ratio (%)[2]	76.5	74.3	75.3			75.4	74.4
Financial advisor compensation[3]	1,110	1,111	1,122	0	(1)	2,222	2,342
Net new fee-generating assets (USD bn)[2]	12.6	19.7	0.4			32.3	19.8
Fee-generating assets (USD bn)[2]	1,380	1,335	1,244	3	11	1,380	1,244
Fee-generating asset margin (bps)[2]	76.7	78.1	79.6			77.4	80.6
Net new money (USD bn)[2]	16.2	27.7	(17.6)			43.9	18.4
Invested assets (USD bn)[2]	3,037	2,962	2,811	3	8	3,037	2,811
Loans, gross (USD bn)[4]	220.4	223.8	227.1	(2)	(3)	220.4	227.1
Customer deposits (USD bn)[4]	336.1	330.3	349.3	2	(4)	336.1	349.3
Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[2,5]	0.3	0.3	0.3			0.3	0.3
Advisors (full-time equivalents)	8,992	9,117	9,224	(1)	(3)	8,992	9,224

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. Since the second quarter of 2022, assets related to our Global Financial Intermediaries business have been excluded from fee-generating assets, given that fee-generating investment management products, such as mandates, are not central to this business. Furthermore, client commitments into closed-ended private-market investment funds are included as fee-generating assets once recurring fees are charged, rather than when commitments are funded. These changes have been applied prospectively. 3 Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. 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. Recruitment loans to financial advisors were USD 1,751m as of 30 June 2023. 4 Loans and Customer deposits in this table include customer brokerage receivables and payables, respectively, which are presented in a separate reporting line on the balance sheet. 5 Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures. Excludes loans to financial advisors.

Results: 2Q23 vs 2Q22

Profit before tax decreased by USD 47m, or 4%, to USD 1,110m, mainly driven by higher operating expenses, partly offset by higher total revenues.

Total revenues

Total revenues increased by USD 59m, or 1%, to USD 4,736m, mainly reflecting higher net interest income, partly offset by lower recurring net fee and transaction-based income.

Net interest income increased by USD 174m, or 14%, to USD 1,442m, mainly driven by higher deposit margins, which resulted from rising interest rates, more than offsetting the effects of lower average deposit volumes and lower loan revenues, which reflected lower average loan volumes and margins.

Recurring net fee income decreased by USD 79m, or 3%, to USD 2,535m, mainly reflecting negative market performance, slightly offset by the impact from net new fee-generating assets over the past year, which were primarily in lower-margin products.

Transaction-based income decreased by USD 44m, or 6%, to USD 749m, mainly driven by lower levels of client activity, particularly in the Americas and Asia Pacific.

Credit loss expense / release

Net credit loss expenses were USD 5m, primarily related to stage 3 positions, compared with net releases of USD 3m in the second quarter of 2022.

Operating expenses

Operating expenses increased by USD 98m, or 3%, to USD 3,621m, mainly driven by unfavorable foreign currency effects, increases in technology expenses and personnel expenses, and integration-related expenses associated with the acquisition of the Credit Suisse Group. These were partly offset by lower provisions for litigation, regulatory and similar matters.

Invested assets: 2Q23 vs 1Q23

Invested assets increased by USD 75bn, or 3%, to USD 3,037bn, mainly driven by positive market performance of USD 57bn, net new money inflows of USD 16bn and positive foreign currency effects of USD 5bn.

Fee-generating assets: 2Q23 vs 1Q23

Fee-generating assets increased by USD 45bn, or 3%, to USD 1,380bn, driven by net positive market performance and foreign currency effects, as well as net new fee-generating asset inflows of USD 12.6bn, with positive flows across all regions.

Loans: 2Q23 vs 1Q23

Loans decreased by USD 3.4bn to USD 220.4bn, mainly driven by negative net new loans of USD 4.3bn, partly offset by positive foreign currency effects.

Customer deposits: 2Q23 vs 1Q23

Customer deposits increased by USD 5.8bn to USD 336.1bn, mainly driven by net inflows into fixed-term and savings deposit products, partly offset by continued shifts into money market funds and US-government securities.

Results: 6M23 vs 6M22

Profit before tax decreased by USD 142m, or 6%, to USD 2,325m, mainly reflecting higher operating expenses, lower total revenues and net credit loss expenses compared with net credit loss releases in the first half of 2022.

Total revenues decreased by USD 53m to USD 9,528m, with decreases in recurring net fee and transaction-based income partly offset by increases in net interest income.

Net interest income increased by USD 524m, or 22%, to USD 2,933m, mainly driven by higher deposit margins, which resulted from rising interest rates, more than offsetting the effects of lower average deposit volumes and lower loan revenues, which reflected lower average volumes and margins.

Recurring net fee income decreased by USD 430m, or 8%, to USD 4,989m, primarily driven by negative market performance.

Transaction-based income decreased by USD 155m, or 9%, to USD 1,592m, mainly driven by lower levels of client activity, particularly in Asia Pacific and the Americas.

Net credit loss expenses were USD 20m, compared with net releases of USD 10m in the first half of 2022.

Operating expenses increased by USD 58m to USD 7,182m, mostly driven by higher technology expenses, unfavorable foreign currency effects, integration-related expenses associated with the acquisition of the Credit Suisse Group, as well as increased redundancy, travel and entertainment, tax and regulatory expenses, and outsourcing expenses. These were partly offset by lower provisions for litigation, regulatory and similar matters.

Regional breakdown of performance measures

As of or for the quarter ended 30.6.23 *USD bn, except where indicated*	Americas[1]	Switzerland	EMEA[2]	Asia Pacific	Global Wealth Management[3]
Total revenues (USD m)	2,541	529	994	672	4,736
Operating profit / (loss) before tax (USD m)	300	237	359	218	1,110
Cost / income ratio (%)[4]	87.8	56.1	63.9	67.6	76.5
Loans, gross	98.0[5]	45.8	42.9	32.9	220.4
Net new loans	(1.9)	(0.5)	(1.1)	(0.9)	(4.3)
Fee-generating assets[4]	841	135	280	122	1,380
Net new fee-generating assets[4]	5.5	1.7	4.0	1.4	12.6
Net new fee-generating asset growth rate (%)[4]	2.7	5.2	5.9	4.7	3.8
Net new money[4]	(3.4)	15.3	2.5	1.8	16.2
Net new money growth rate (%)[4]	(0.8)	22.2	1.7	1.5	2.2
Invested assets[4]	1,720	296	577	441	3,037
Advisors (full-time equivalents)	6,071	678	1,351	826	8,992

1 Including the following business units: United States and Canada; and Latin America. 2 Including the following business units: Europe; and Middle East and Africa. 3 Including minor functions, which are not included in the four regions individually presented in this table, with USD 1m of total revenues, USD 3m of operating loss before tax, USD 0.7bn of loans, USD 0.1bn of net new loans, USD 0.8bn of fee-generating assets, USD 0.0bn of net new fee-generating asset inflows, USD 0.0bn of net new money inflows, USD 3bn of invested assets and 66 advisors in the second quarter of 2023. 4 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 5 Loans include customer brokerage receivables, which are presented in a separate reporting line on the balance sheet.

Regional comments 2Q23 vs 2Q22, except where indicated

Americas

Profit before tax decreased by USD 97m to USD 300m. Total revenues decreased by USD 98m, or 4%, to USD 2,541m, driven by decreases across net interest, transaction-based and recurring net fee income. The cost / income ratio increased to 87.8% from 85.0%. Loans decreased 2% compared with the first quarter of 2023, to USD 98.0bn, reflecting USD 1.9bn of negative net new loans. Net new money outflows were USD 3.4bn, impacted by seasonal tax outflows in the US. Net new fee-generating assets were USD 5.5bn.

Switzerland

Profit before tax increased by USD 19m to USD 237m. Total revenues increased by USD 55m, or 12%, to USD 529m, mainly driven by higher net interest income. The cost / income ratio increased to 56.1% from 54.1%. Loans were stable at USD 45.8bn compared with the first quarter of 2023, as USD 0.5bn of negative net new loans were offset by positive foreign currency effects. Net new money inflows were USD 15.3bn. Net new fee-generating assets were USD 1.7bn.

EMEA

Profit before tax increased by USD 46m to USD 359m. Total revenues increased by USD 69m, or 7%, to USD 994m, driven by higher net interest income that was partly offset by a decrease in recurring net fee income. The cost / income ratio decreased to 63.9% from 66.3%. Loans decreased 1% compared with the first quarter of 2023, to USD 42.9bn, reflecting USD 1.1bn of negative net new loans. Net new money inflows were USD 2.5bn. Net new fee-generating assets were USD 4.0bn.

Asia Pacific

Profit before tax decreased by USD 21m to USD 218m. Total revenues slightly increased by USD 31m, or 5%, to USD 672m, mainly as decreases in transaction-based and recurring net fee income were offset by an increase in net interest income. The cost / income ratio increased to 67.6% from 62.7%. Loans decreased 3% compared with the first quarter of 2023, to USD 32.9bn, reflecting USD 0.9bn of negative net new loans. Net new money inflows were USD 1.8bn. Net new fee-generating assets were USD 1.4bn.

Personal & Corporate Banking

Personal & Corporate Banking – in Swiss francs[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF m, except where indicated	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Results							
Net interest income	731	651	502	12	45	1,382	996
Recurring net fee income[2]	213	210	202	2	5	423	412
Transaction-based income[2]	305	309	300	(1)	2	615	600
Other income	13	10	13	38	1	23	13
Total revenues	1,263	1,180	1,018	7	24	2,442	2,020
Credit loss expense / (release)	9	14	33	(37)	(73)	23	54
Operating expenses	641	613	587	5	9	1,254	1,173
Business division operating profit / (loss) before tax	612	553	398	11	54	1,165	793
Performance measures and other information							
Pre-tax profit growth (year-on-year, %)[2]	54.0	40.0	(12.8)			47.0	(2.6)
Cost / income ratio (%)[2]	50.8	51.9	57.7			51.3	58.1
Net interest margin (bps)[2]	202	181	142			192	141
Fee and trading income for Corporate & Institutional Clients[2]	228	231	213	(1)	7	459	434
Investment products for Personal Banking (CHF bn)[2]	23.6	22.7	21.4	4	10	23.6	21.4
Net new investment products for Personal Banking (CHF bn)[2]	0.55	0.86	0.46			1.41	1.43
Active Digital Banking clients in Personal Banking (%)[2,3]	77.5	77.2	73.6			77.4	73.4
Active Mobile Banking clients in Personal Banking (%)[2]	64.3	63.1	54.9			63.7	53.5
Active Digital Banking clients in Corporate & Institutional Clients (%)[2]	81.0	81.3	79.6			81.2	79.9
Loans, gross (CHF bn)	145.6	144.3	141.5	1	3	145.6	141.5
Customer deposits (CHF bn)	164.5	165.3	160.3	0	3	164.5	160.3
Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[2,4]	0.8	0.8	0.9			0.8	0.9

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 3 In the second quarter of 2023, 88.5% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). 4 Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

Results: 2Q23 vs 2Q22

Profit before tax increased by CHF 214m, or 54%, to CHF 612m, with higher total revenues and lower net credit loss expenses partly offset by higher operating expenses.

Total revenues

Total revenues increased by CHF 245m, or 24%, to CHF 1,263m, reflecting increases in all income lines, predominantly in net interest income.

Net interest income increased by CHF 229m to CHF 731m, mainly driven by higher deposit margins, which resulted from rising interest rates, and higher loan revenues, partly offset by lower deposit fees. The second quarter of 2022 included a benefit from the Swiss National Bank deposit exemption.

Recurring net fee income increased by CHF 11m to CHF 213m, partly reflecting higher revenues from account fees.

Transaction-based income increased by CHF 5m to CHF 305m, mainly driven by higher corporate client fees.

Other income was stable at CHF 13m.

Credit loss expense / release

Net credit loss expenses were CHF 9m, primarily related to stage 3 positions, compared with net expenses of CHF 33m in the second quarter of 2022.

Operating expenses

Operating expenses increased by CHF 54m, or 9%, to CHF 641m, mainly driven by higher technology expenses, accruals for variable compensation, and integration-related expenses associated with the acquisition of the Credit Suisse Group.

Results: 6M23 vs 6M22

Profit before tax increased by CHF 372m, or 47%, to CHF 1,165m, with higher total revenues and lower net credit loss expenses partly offset by higher operating expenses.

Total revenues increased by CHF 422m, or 21%, to CHF 2,442m, reflecting increases in all income lines, predominantly in net interest income.

Net interest income increased by CHF 386m to CHF 1,382m, mainly driven by higher deposit margins, which resulted from rising interest rates, and higher loan revenues, partly offset by lower deposit fees. The first half of 2022 included a benefit from the Swiss National Bank deposit exemption.

Recurring net fee income increased by CHF 11m to CHF 423m, mainly reflecting higher revenues from account fees.

Transaction-based income increased by CHF 15m to CHF 615m, mainly driven by higher corporate client and credit card fees.

Other income increased by CHF 10m to CHF 23m, mainly reflecting our share of the net profit from our equity ownership of SIX Group.

Net credit loss expenses were CHF 23m, mainly related to stage 3 positions, compared with net expenses of CHF 54m in the first half of 2022.

Total operating expenses increased by CHF 81m, or 7%, to CHF 1,254m, mainly driven by higher technology expenses and accruals for variable compensation.

Personal & Corporate Banking – in US dollars[1]

	As of or for the quarter ended			% change from		Year-to-date	
USD m, except where indicated	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Results							
Net interest income	812	705	522	15	56	1,517	1,057
Recurring net fee income[2]	237	227	210	4	13	464	438
Transaction-based income[2]	339	335	312	1	9	675	637
Other income	15	10	14	42	8	25	13
Total revenues	1,403	1,278	1,058	10	33	2,681	2,144
Credit loss expense / (release)	10	16	35	(36)	(71)	26	57
Operating expenses	712	663	610	7	17	1,376	1,246
Business division operating profit / (loss) before tax	681	599	413	14	65	1,279	841
Performance measures and other information							
Pre-tax profit growth (year-on-year, %)[2]	64.8	39.8	(17.1)			52.1	(5.2)
Cost / income ratio (%)[2]	50.8	51.9	57.7			51.3	58.1
Net interest margin (bps)[2]	203	181	139			192	139
Fee and trading income for Corporate & Institutional Clients[2]	254	250	221	1	15	504	461
Investment products for Personal Banking (USD bn)[2]	26.4	24.8	22.4	6	18	26.4	22.4
Net new investment products for Personal Banking (USD bn)[2]	0.61	0.94	0.48			1.54	1.53
Active Digital Banking clients in Personal Banking (%)[2,3]	77.5	77.2	73.6			77.4	73.4
Active Mobile Banking clients in Personal Banking (%)[2]	64.3	63.1	54.9			63.7	53.5
Active Digital Banking clients in Corporate & Institutional Clients (%)[2]	81.0	81.3	79.6			81.2	79.9
Loans, gross (USD bn)	162.5	157.6	148.2	3	10	162.5	148.2
Customer deposits (USD bn)	183.7	180.5	167.8	2	9	183.7	167.8
Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[2,4]	0.8	0.8	0.9			0.8	0.9

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 3 In the second quarter of 2023, 88.5% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). 4 Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

Asset Management

Asset Management[1]

	As of or for the quarter ended			% change from		Year-to-date	
USD m, except where indicated	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Results							
Net management fees[2]	492	479	515	3	(5)	971	1,076
Performance fees	7	23	9	(69)	(23)	31	26
Net gain from disposal of a joint venture			848				848
Total revenues	499	502	1,372	(1)	(64)	1,001	1,950
Credit loss expense / (release)	0	0	0			0	0
Operating expenses	409	408	413	0	(1)	818	817
Business division operating profit / (loss) before tax	90	94	959	(5)	(91)	184	1,133
Performance measures and other information							
Pre-tax profit growth (year-on-year, %)[3]	(90.7)	(45.8)	275.7			(83.8)	135.0
Cost / income ratio (%)[3]	82.1	81.2	30.1			81.6	41.9
Gross margin on invested assets (bps)[3,4]	17	18	49			18	34
Information by business line / asset class							
Net new money (USD bn)[3]							
Equities	13.8	(4.1)	(10.4)			9.7	(12.8)
Fixed Income	(0.7)	19.2	(0.3)			18.5	3.8
of which: money market	*(2.4)*	*18.0*	*0.5*			*15.6*	*(6.0)*
Multi-asset & Solutions	0.9	1.3	1.4			2.3	5.4
Hedge Fund Businesses	0.0	(0.9)	(1.6)			(0.8)	0.0
Real Estate & Private Markets	3.0	(1.2)	(0.7)			1.8	(0.4)
Total net new money excluding associates	17.0	14.4	(11.7)			31.4	(3.9)
of which: net new money excluding money market	*19.5*	*(3.6)*	*(12.1)*			*15.9*	*2.0*
Associates[5]	0.1	(0.3)	2.5			(0.1)	3.4
Total net new money[4]	17.2	14.1	(9.2)			31.3	(0.5)
Invested assets (USD bn)[3]							
Equities	519	481	449	8	16	519	449
Fixed Income	321	320	262	0	22	321	262
of which: money market	*136*	*138*	*85*	*(1)*	*60*	*136*	*85*
Multi-asset & Solutions	168	161	163	4	3	168	163
Hedge Fund Businesses	55	55	53	1	4	55	53
Real Estate & Private Markets	102	100	99	3	4	102	99
Total invested assets excluding associates	1,165	1,117	1,026	4	14	1,165	1,026
of which: passive strategies	*508*	*468*	*440*	*9*	*15*	*508*	*440*
Associates[5]	23	24	21	(5)	9	23	21
Total invested assets[4]	1,188	1,140	1,047	4	13	1,188	1,047
Information by region							
Invested assets (USD bn)[3]							
Americas	328	321	261	2	26	328	261
Asia Pacific[4]	173	177	174	(2)	(1)	173	174
Europe, Middle East and Africa (excluding Switzerland)	303	274	263	11	15	303	263
Switzerland	384	369	349	4	10	384	349
Total invested assets[4]	1,188	1,140	1,047	4	13	1,188	1,047
Information by channel							
Invested assets (USD bn)[3]							
Third-party institutional	656	626	593	5	10	656	593
Third-party wholesale	124	123	119	0	4	124	119
UBS's wealth management businesses	386	368	314	5	23	386	314
Associates[5]	23	24	21	(5)	9	23	21
Total invested assets[4]	1,188	1,140	1,047	4	13	1,188	1,047

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), distribution fees, incremental fund-related expenses, gains or losses from seed money and co-investments, funding costs, the negative pass-through impact of third-party performance fees, and other items that are not Asset Management's performance fees. 3 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 4 Comparative figures have been restated to include net new money and invested assets from associates, to better reflect the business strategy. 5 The invested assets and net new money amounts reported for associates are prepared in accordance with their local regulatory requirements and practices.

Results: 2Q23 vs 2Q22

Profit before tax decreased by USD 869m, or 91%, to USD 90m, primarily due to the second quarter of 2022 including a gain of USD 848m from the sale of our shareholding in the Mitsubishi Corp.-UBS Realty Inc. joint venture. Excluding that gain, profit before tax decreased by USD 22m, or 19%, primarily reflecting lower net management and performance fees.

› **Refer to the "Recent developments" section of the UBS Group second quarter 2022 report for more information about the sale of our shareholding in Mitsubishi Corp.-UBS Realty Inc.**

Total revenues

Total revenues decreased by USD 873m, or 64%, to USD 499m. The decrease was primarily due to the second quarter of 2022 including the aforementioned gain of USD 848m. Excluding that gain, total revenues decreased by USD 25m, or 5%.

Net management fees decreased by USD 23m, or 5%, to USD 492m, mainly reflecting negative market performance and pressure on margins from asset shifts.

Performance fees decreased by USD 2m to USD 7m, mainly in Hedge Fund Businesses and Equities.

Operating expenses

Operating expenses decreased by USD 4m, or 1%, to USD 409m, mainly reflecting lower personnel expenses, partly offset by foreign currency effects and increases in technology, control functions and general and administrative expenses.

Invested assets: 2Q23 vs 1Q23

Invested assets increased by USD 48bn to USD 1,188bn, reflecting positive market performance of USD 25bn, net new money generation of USD 17bn and foreign currency effects of USD 6bn. Excluding money market flows, net new money generation (excluding associates) was USD 19bn. The second quarter of 2023 included a USD 19.6bn inflow from a European institutional client into indexed equities.

Results: 6M23 vs 6M22

Profit before tax decreased by USD 949m, or 84%, to USD 184m, primarily due to the first half of 2022 including the aforementioned gain of USD 848m. Excluding that gain, profit before tax decreased by USD 102m, or 36%, mainly reflecting lower net management fees.

Total revenues decreased by USD 949m, or 49%, to USD 1,001m. The decrease was primarily due to the first half of 2022 including the aforementioned gain of USD 848m. Excluding that gain, total revenues decreased by USD 101m, or 9%.

Net management fees decreased by USD 105m, or 10%, to USD 971m, mainly reflecting negative market performance and foreign currency effects, as well as pressure on margins from asset shifts.

Performance fees increased by USD 5m to USD 31m.

Operating expenses were broadly stable at USD 818m, mainly reflecting lower personnel expenses, offset by increases in technology expenses, general and administrative expenses, and control functions expenses.

Investment Bank

Investment Bank[1]

	As of or for the quarter ended			% change from		Year-to-date	
USD m, except where indicated	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Results							
Advisory	160	171	209	(6)	(23)	331	425
Capital Markets	210	212	168	(1)	25	422	502
Global Banking	371	383	377	(3)	(2)	753	927
Execution Services	358	422	399	(15)	(10)	780	895
Derivatives & Solutions	631	1,007	839	(37)	(25)	1,638	2,257
Financing	533	537	479	(1)	11	1,070	924
Global Markets	1,521	1,967	1,718	(23)	(11)	3,488	4,076
of which: Equities	*1,134*	*1,308*	*1,274*	*(13)*	*(11)*	*2,442*	*2,979*
of which: Foreign Exchange, Rates and Credit	*387*	*658*	*444*	*(41)*	*(13)*	*1,046*	*1,097*
Total revenues	1,892	2,349	2,094	(19)	(10)	4,241	5,003
Credit loss expense / (release)	1	7	(28)	(86)		8	(24)
Operating expenses	1,753	1,866	1,712	(6)	2	3,618	3,688
Business division operating profit / (loss) before tax	139	477	410	(71)	(66)	615	1,339
Performance measures and other information							
Pre-tax profit growth (year-on-year, %)[2]	(66.2)	(48.7)	(38.7)			(54.0)	23.9
Cost / income ratio (%)[2]	92.6	79.4	81.8			85.3	73.7
Average VaR (1-day, 95% confidence, 5 years of historical data)	12	12	11	1	8	12	11

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method.

Results: 2Q23 vs 2Q22

Profit before tax decreased by USD 271m, or 66%, to USD 139m, mainly driven by lower total revenues.

Total revenues

Total revenues decreased by USD 202m, or 10%, to USD 1,892m, reflecting lower revenues in Global Markets and Global Banking.

Global Banking

Global Banking revenues decreased by USD 6m, or 2%, to USD 371m, driven by lower Advisory revenues, partly offset by increased Capital Markets revenues. Fee-pool-comparable revenues[1] decreased 17%, compared with a 19% decrease in the overall global fee pool.[2]

Advisory revenues decreased by USD 49m, or 23%, to USD 160m, due to lower merger and acquisition transaction revenues, which decreased by USD 48m, or 26%, compared with a 41% decrease in the relevant global fee pool.[2]

Capital Markets revenues increased by USD 42m, or 25%, to USD 210m, mainly due to higher Leveraged Capital Markets revenues, which increased by USD 39m, or 269%. This was primarily due to a mark-to-market loss of USD 59m in the second quarter of 2022. Capital Markets fee-pool-comparable revenues[1] decreased by USD 7m, or 5%, compared with a 1% increase in the relevant global fee pool.[2]

Global Markets

Global Markets revenues decreased by USD 197m, or 11%, to USD 1,521m, primarily driven by lower Derivatives & Solutions and Execution Services revenues, partly offset by higher Financing revenues.

Execution Services revenues decreased by USD 41m, or 10%, to USD 358m, driven by lower Cash Equities revenues, due to lower exchange-traded volumes.

Derivatives & Solutions revenues decreased by USD 208m, or 25%, to USD 631m, driven by decreasing volatility during the second quarter of 2023, and lower client activity levels. The decreases were primarily in Equity Derivatives, Rates and Foreign Exchange revenues, partly offset by Credit revenues.

Financing revenues increased by USD 54m, or 11%, to USD 533m, with increases across all products, led by Equity Financing.

Equities
Global Markets Equities revenues decreased by USD 140m, or 11%, to USD 1,134m, mainly driven by Equity Derivatives revenues.

Foreign Exchange, Rates and Credit
Global Markets Foreign Exchange, Rates and Credit revenues decreased by USD 57m, or 13%, to USD 387m, primarily driven by lower Rates and Foreign Exchange revenues, partly offset by Credit revenues.

Credit loss expense / release
Net credit loss expenses were USD 1m, compared with net releases of USD 28m in the second quarter of 2022.

Operating expenses
Operating expenses increased by USD 41m, or 2%, to USD 1,753m, mainly driven by higher technology expenses and increases across a number of other expense lines, partly offset by lower provisions for litigation, regulatory and similar matters.

Results: 6M23 vs 6M22

Profit before tax decreased by USD 724m, or 54%, to USD 615m, mainly reflecting lower total revenues, partly offset by lower operating expenses.

Total revenues decreased by USD 762m, or 15%, to USD 4,241m, reflecting lower revenues in Global Markets and Global Banking.

Global Banking revenues decreased by USD 174m, or 19%, to USD 753m, reflecting lower Advisory and Capital Markets revenues. Our fee-pool-comparable revenues[1] decreased 27%, compared with a 26% decrease in the overall global fee pool.[2]

Advisory revenues decreased by USD 94m, or 22%, to USD 331m, due to lower merger and acquisition transaction revenues, which decreased by USD 88m, or 23%, compared with a 37% decrease in the relevant global fee pool.[2]

Capital Markets revenues decreased by USD 80m, or 16%, to USD 422m, mainly reflecting a USD 37m, or 25%, decrease in Equity Capital Markets revenues, compared with an 11% increase in the relevant global fee pool,[2] and a USD 14m, or 12%, decrease in Debt Capital Markets fee-pool-comparable revenues,[1] compared with a 9% decrease in the relevant global fee pool.[2]

Global Markets revenues decreased by USD 588m, or 14%, to USD 3,488m, driven by lower Derivatives & Solutions and Execution Services revenues, partly offset by higher Financing revenues.

Execution Services revenues decreased by USD 115m, or 13%, to USD 780m, mainly driven by Cash Equities revenues, due to lower exchange-traded volumes.

Derivatives & Solutions revenues decreased by USD 619m, or 27%, to USD 1,638m, mainly driven by Equity Derivatives revenues.

Financing revenues increased by USD 146m, or 16%, to USD 1,070m, with increases across all products.

Global Markets Equities revenues decreased by USD 537m, or 18%, to USD 2,442m, mainly driven by Equity Derivatives revenues.

Global Markets Foreign Exchange, Rates and Credit revenues decreased by USD 51m, or 5%, to USD 1,046m.

Net credit loss expenses were USD 8m, compared with net releases of USD 24m in the first half of 2022.

Operating expenses decreased by USD 70m, or 2%, to USD 3,618m, mainly driven by lower variable compensation, partly offset by higher technology expenses.

1 UBS fee-pool-comparable revenues consist of revenues from: merger-and-acquisition-related transactions; Equity Capital Markets, excluding derivatives; Leveraged Capital Markets, excluding the impact of mark-to-market movements on loan portfolios; and Debt Capital Markets, excluding revenues related to debt underwriting of UBS instruments.
2 Source: Dealogic, as of 30 June 2023.

Group Functions

Group Functions[1]

	As of or for the quarter ended			% change from		Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	1Q23	2Q22	30.6.23	30.6.22
Results							
Total revenues	(146)	(177)	(284)	(18)	(49)	(323)	(379)
Credit loss expense / (release)	0	0	2			0	2
Operating expenses	349	712	37	(51)	850	1,062	54
Operating profit / (loss) before tax	(495)	(890)	(324)	(44)	53	(1,385)	(436)
of which: Group Treasury	*15*	*(62)*	*(239)*			*(47)*	*(400)*
of which: Non-core and Legacy Portfolio	*8*	*(676)*	*1*		*446*	*(668)*	*46*
of which: Group Services	*(518)*	*(153)*	*(86)*	*239*	*500*	*(671)*	*(82)*

1 Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period.

Results: 2Q23 vs 2Q22

Group Functions recorded a loss before tax of USD 495m, compared with a loss of USD 324m.

Group Treasury

The Group Treasury result was positive USD 15m, compared with negative USD 239m. Income from accounting asymmetries, including hedge accounting ineffectiveness, was net positive USD 17m, compared with net negative income of USD 214m. The impacts in the prior-year quarter were driven by mark-to-market effects on portfolio-level economic hedges due to rising interest rates and cross-currency-basis widening. Income related to centralized Group Treasury risk management was negative USD 4m, compared with negative USD 19m.

Non-core and Legacy Portfolio

The Non-core and Legacy Portfolio result was positive USD 8m, compared with positive USD 1m.

Group Services

The Group Services result was negative USD 518m, compared with negative USD 86m, mainly due to integration-related expenses of USD 288m and acquisition costs of USD 106m associated with the acquisition of the Credit Suisse Group, as well as an USD 86m increase in funding costs related to deferred tax assets (DTAs), partly offset by remeasurement losses of USD 46m on properties held for sale in the second quarter of 2022.

Results: 6M23 vs 6M22

Group Functions recorded a loss before tax of USD 1,385m, compared with a loss of USD 436m.

The Group Treasury result was negative USD 47m, compared with negative USD 400m. This included income from accounting asymmetries, including hedge accounting ineffectiveness, of net negative USD 51m, compared with net negative income of USD 352m. Income related to centralized Group Treasury risk management was positive USD 8m, compared with negative USD 36m in the first half of 2022.

The Non-core and Legacy Portfolio result was negative USD 668m, compared with positive USD 46m. This was mainly due to an increase in provisions of USD 665m related to the US residential mortgage-backed securities litigation matter.

The Group Services result was negative USD 671m, compared with negative USD 82m, mainly due to integration-related expenses of USD 288m and acquisition costs of USD 176m associated with the acquisition of the Credit Suisse Group, as well as a USD 180m increase in funding costs related to DTAs, partly offset by remeasurement losses of USD 46m on properties held for sale in the first half of 2022.

Credit Suisse business divisions and Corporate Center

The information in this section is provided for the Credit Suisse business divisions and Corporate Center on the basis of US generally accepted accounting principles (US GAAP) as of or for the one-month period ended 30 June 2023. With the acquisition date of 12 June 2023, for convenience Credit Suisse business divisions and Corporate Center were consolidated with effect from 31 May 2023, as the effect of transactions and activities in the period from 31 May 2023 to 12 June 2023 on the consolidated financial statements was not material.

When acquisition accounting was performed under IFRS 3, *Business Combinations*, upon the acquisition of the Credit Suisse Group by UBS, certain effects resulted in a consequential impact for the US GAAP reporting of Credit Suisse. For the purpose of the business division reporting in this section, the US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment.

› **Refer to "Note 3 Segment reporting" in the "Consolidated financial statements" section of this report for a reconciliation from segment results to UBS Group result for the six month period ended 30 June 2023**

The **Wealth Management (Credit Suisse)** business division offers wealth management and investment solutions, as well as tailored financing and advisory services, to ultra high and high net worth individuals and external asset managers.

The **Swiss Bank (Credit Suisse)** business division offers advice and financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland.

The **Asset Management (Credit Suisse)** business division offers investment solutions and services to pension funds, governments, foundations and endowments, corporations, and individuals, with an emphasis on the Swiss market.

The **Investment Bank (Credit Suisse)** business division offers financial products and services focused on client-driven businesses and also supports the Wealth Management business division and its clients.

The **Capital Release Unit (Credit Suisse)** was established as a separate business division to accelerate the reduction of assets, release capital, reduce risk and target cost reductions in businesses that are not strategy-aligned and to manage the residual positions of the securitized product group business.

Corporate Center (Credit Suisse) includes operations such as bank financing, expenses for projects sponsored by the bank and certain expenses and revenues that have not been allocated to the business divisions.

Wealth Management (Credit Suisse)

Wealth Management (Credit Suisse) (US GAAP, adjusted)[1]

	As of or for the month ended
USD m, except where indicated	30.6.23
Statements of operations	
Net interest income[2]	120
Recurring commissions and fees[3]	122
Transaction- and performance-based revenues[4]	81
Other revenues	0
Net revenues	323
Provision for credit losses	7
Total operating expenses	427
Income / (loss) before taxes	(111)
Statement of operations metrics	
Cost / income ratio (%)	132.3
Balance sheet statistics	
Loans, gross (USD bn)[5]	80.8
Customer deposits (USD bn)	83.2
Number of relationship managers	1,547
Assets under management	
Assets under management (USD bn)	530
Net new assets / (net asset outflows) (USD bn)	0.8

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment. 2 Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. 3 Calculated as the total of recurring commissions and fees for services, such as investment product management, discretionary mandate and other asset management-related fees, fees from lending activities, fees for general banking products and services, and revenues from wealth structuring solutions. 4 Calculated as the total of transaction- and performance-based revenues, primarily arising from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income, and other transaction- and performance-based income. 5 Divisional metrics reflect where the loans are recorded and managed from a risk management view and do not reflect any revenue sharing arrangements that exist between divisions.

Results

Wealth Management (Credit Suisse) reported a loss before taxes of USD 111m. Net revenues were USD 323m. Total operating expenses were USD 427m, mainly reflecting expenses for compensation and benefits. Integration-related expenses were USD 46m.

Swiss Bank (Credit Suisse)

Swiss Bank (Credit Suisse) – in Swiss francs (US GAAP, adjusted)[1]

	As of or for the month ended
CHF m, except where indicated	30.6.23
Statements of operations	
Net interest income[2]	164
Recurring commissions and fees[3]	98
Transaction-based revenues[4]	45
Other revenues	(3)
Net revenues	304
Provision for credit losses	60
Total operating expenses	237
Income / (loss) before taxes	7
Statement of operations metrics	
Cost / income ratio (%)	77.9
Balance sheet statistics	
Customer deposits (CHF bn)	96.7
Loans, gross (CHF bn)[5]	154.1
Assets under management	
Assets under management (CHF bn)	524
Net new assets / (net asset outflows) (CHF bn)	(2.6)

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment. 2 Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. 3 Calculated as the total of recurring commissions and fees for services, such as investment product management, discretionary mandate and other asset management-related fees, fees from lending activities, fees for general banking products and services, and revenues from wealth structuring solutions. 4 Calculated as the total of transaction-based revenues, arising primarily from brokerage fees, fees from foreign exchange client transactions, corporate advisory fees, revenues from our Swiss investment banking business, equity participations income and other transaction-based income. 5 Divisional metrics reflect where the loans are recorded and managed from a risk management view and do not reflect any revenue sharing arrangements that exist between divisions.

Results

Swiss Bank (Credit Suisse) reported an income before taxes of CHF 7m. Net revenues were CHF 304m. Total operating expenses were CHF 237m, mainly reflecting expenses for compensation and benefits. Integration-related expenses were CHF 15m.

Swiss Bank (Credit Suisse) – in US dollars (US GAAP, adjusted)[1]

	As of or for the month ended
USD m, except where indicated	30.6.23
Statements of operations	
Net interest income[2]	183
Recurring commissions and fees[3]	109
Transaction-based revenues[4]	51
Other revenues	(4)
Net revenues	339
Provision for credit losses	67
Total operating expenses	264
Income / (loss) before taxes	8
Statement of operations metrics	
Cost / income ratio (%)	77.9
Balance sheet statistics	
Customer deposits (USD bn)	107.9
Loans, gross (USD bn)[5]	172.0
Assets under management	
Assets under management (USD bn)	585
Net new assets / (net asset outflows) (USD bn)	(2.9)

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment. 2 Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. 3 Calculated as the total of recurring commissions and fees for services, such as investment product management, discretionary mandate and other asset management-related fees, fees from lending activities, fees for general banking products and services, and revenues from wealth structuring solutions. 4 Calculated as the total of transaction-based revenues, arising primarily from brokerage fees, fees from foreign exchange client transactions, corporate advisory fees, revenues from our Swiss investment banking business, equity participations income and other transaction-based income. 5 Divisional metrics reflect where the loans are recorded and managed from a risk management view and do not reflect any revenue sharing arrangements that exist between divisions.

Asset Management (Credit Suisse)

Asset Management (Credit Suisse) (US GAAP, adjusted)[1]

	As of or for the month ended
USD m, except where indicated	30.6.23
Statements of operations	
Management fees[2]	77
Performance and transaction revenues[3]	7
Investment and partnership income[4]	7
Net revenues	91
Provision for credit losses	2
Total operating expenses	103
Income / (loss) before taxes	(14)
Statement of operations metrics	
Cost / income ratio (%)	113.7

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment. 2 Management fees include fees on assets under management and asset administration revenues. 3 Performance revenues relate to the performance or return of the funds being managed and include investment-related gains and losses from proprietary funds. Transaction fees relate to the acquisition and disposal of investments in the funds being managed. 4 Investment and partnership income includes equity participation income from seed capital returns and from minority investments in third-party asset managers, income from strategic partnerships and distribution agreements, and other revenues.

Assets under management

	As of or for the month ended
USD bn	30.6.23
Traditional investments	264
Alternative investments	123
Investments and partnerships	49
Assets under management	436
Movements in assets under management	
Net new assets / (net asset outflows)	(2.2)
Other effects	7.5
of which: market movements	*4.3*
of which: foreign exchange	*3.2*
of which: other	*0.0*
Increase / (decrease) in assets under management	5.3

Results

Asset Management (Credit Suisse) reported a loss before taxes of USD 14m. Net revenues were USD 91m. Total operating expenses were USD 103m, mainly reflecting expenses for compensation and benefits. Integration-related expenses were USD 11m.

Investment Bank (Credit Suisse)

Investment Bank (Credit Suisse) (US GAAP, adjusted)[1]

	As of or for the month ended
USD m, except where indicated	30.6.23
Statements of operations	
Fixed-income sales and trading	37
Equity sales and trading	10
Capital markets	37
Advisory and other fees	27
Other revenues[2]	(9)
Net revenues	102
Provision for credit losses	(3)
Total operating expenses	715
Income / (loss) before taxes	(610)
Statement of operations metrics	
Cost / income ratio (%)	699.2

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment. 2 Other revenues includes treasury funding costs and changes in the carrying value of certain investments.

Results

Investment Bank (Credit Suisse) reported a loss before taxes of USD 610m. Net revenues were USD 102m. Total operating expenses were USD 715m, mainly reflecting expenses for compensation and benefits. Integration-related expenses were USD 222m.

Capital Release Unit (Credit Suisse)

Capital Release Unit (Credit Suisse) (US GAAP, adjusted)[1]

	As of or for the month ended
USD m, except where indicated	30.6.23
Statements of operations	
Net revenues	28
Provision for credit losses	28
Total operating expenses	198
Income / (loss) before taxes	(198)
Balance sheet statistics	
Loans, gross (USD bn)	19.8

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment.

Results

The Capital Release Unit (Credit Suisse) reported a loss before taxes of USD 198m. Net revenues were USD 28m. Total operating expenses were USD 198m, mainly reflecting general and administrative expenses, and compensation and benefits. Integration-related expenses were USD 24m.

Corporate Center (Credit Suisse)

Corporate Center (Credit Suisse) (US GAAP, adjusted)[1]

	As of or for the month ended
USD m	30.6.23
Statements of operations	
Net revenues	(140)
Provision for credit losses	0
Total operating expenses	100
Income / (loss) before taxes	(240)
of which: Treasury results	*(163)*
of which: Other	*(77)*

1 The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment.

Results

Corporate Center (Credit Suisse) reported a loss before taxes of USD 240m, reflecting negative net revenues of USD 140m and total operating expenses of USD 100m. Integration-related expenses were USD 55m.

Alignment of assets under management to invested assets

The below provides a reconciliation of Credit Suisse assets under management and net new assets to invested assets and net new money, respectively, based on UBS Group's policies that allow for the recognition as invested assets of all client assets managed by or deposited with UBS for investment purposes and exclude only those assets held for purely transactional purposes and custody-only assets, including corporate client assets held for cash management and transactional purposes, as the Group only administers such assets and does not offer advice on how they should be invested. UBS records a double counting within its total invested assets and net new money only when two business divisions are each independently providing a service to their respective clients, and both add value and generate revenue.

	Credit Suisse business divisions – since acquisition date					UBS business divisions[1]	UBS Group Total
USD bn	Wealth Management	Swiss Bank	Asset Management	Assets managed across businesses	Total		
as of 30 June 2023							
Assets under management[2]	530	585	436	(194)	1,357		
Adjustments to UBS policy	149	(466)	(15)	194	(137)		
Invested assets[2,3]	680	119	421	0	1,220	4,310	5,530
for the three-month period ended 30 June 2023							
Net new assets[2]	0.8	(2.9)	(2.2)	1.0	(3.4)		
Adjustments to UBS policy	(3.4)	1.8	0.3	(1.0)	(2.3)		
Net new money[2,3]	(2.6)	(1.1)	(2.0)	0.0	(5.7)	34.3	28.6

1 Consists of invested assets and net new money for Global Wealth Management, Asset Management and Personal & Corporate Banking. 2 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 3 Includes invested assets and net new money from associates in Asset Management and Asset Management (Credit Suisse). Refer to the "Asset Management" and "Asset Management (Credit Suisse)" sections of this report for more information.

Risk, capital, liquidity and funding, and balance sheet

Management report

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Risk management and control

The risk profile of UBS has changed with the acquisition of the Credit Suisse Group. Upon legal close, we have applied existing UBS prudent risk management practices and escalation protocols to material risks of Credit Suisse. Work is ongoing to align the financial risk policies of Credit Suisse to those of UBS. Credit Suisse positions and businesses not aligned with the core strategy and policies of UBS will be ringfenced in the Non-core and Legacy (NCL) business division, with the aim of a timely and orderly wind-down.

This section provides information about key developments during the reporting period and should be read in conjunction with the "Risk management and control" section of the Annual Report 2022.

› **Refer to the "Acquisition of Credit Suisse Group" section of this report for more information**

Credit risk

Overall banking products exposure

Overall banking products exposure increased by USD 505bn to USD 1,166bn as of 30 June 2023, driven by the acquisition of the Credit Suisse Group.

Credit-impaired stage 3 gross exposure increased by USD 319m to USD 2,816m. Total net credit loss expenses were USD 740m, reflecting USD 644m net credit loss expenses related to stage 1 and 2 positions, USD 77m net credit loss expenses related to stage 3 positions and USD 19m of purchased credit-impaired (PCI) positions.

In aggregate, exposure related to traded products increased by USD 24bn to USD 66bn during the second quarter of 2023, driven by the acquisition of the Credit Suisse Group.

› **Refer to the "Balance sheet and off-balance sheet" section of this report for more information about balance sheet movements**

› **Refer to the "Group performance" section and "Note 8 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about credit loss expense / release**

Loan underwriting

In the Investment Bank and the Investment Bank (Credit Suisse) pre-integration, mandated loan underwriting commitments on a notional basis increased by USD 2.8bn to USD 5.8bn as of 30 June 2023. This was mainly driven by an increase of USD 3.9bn from the acquisition of the Credit Suisse Group, offset by a decrease of USD 1.1bn in the Investment Bank, mainly due to expired commitments, as well as distribution and syndication activities. As of 30 June 2023, USD 3.3bn of commitments had not yet been distributed as originally planned.

Loan underwriting exposures are classified as held for trading, with fair values reflecting the market conditions at the end of the quarter. Credit hedges are in place to help protect against fair value movements in the portfolio.

Banking and traded products exposure in our business divisions, Group Functions and Corporate Center (Credit Suisse)

	30.6.23				
	UBS business divisions and Group Functions				
USD m	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions
Banking products[1]					
Gross exposure	339,117	250,641	1,417	69,074	18,614
of which: loans and advances to customers (on-balance sheet)	*214,887*	*162,534*	*(1)*	*12,750*	*433*
of which: guarantees and loan commitments (off-balance sheet)	*13,861*	*27,262*	*0*	*13,361*	*9,025*
Traded products[2,3]					
Gross exposure	8,668	345	0	33,041	
of which: over-the-counter derivatives	*6,666*	*330*	*0*	*9,061*	
of which: securities financing transactions	*0*	*0*	*0*	*16,536*	
of which: exchange-traded derivatives	*2,002*	*15*	*0*	*7,444*	
Other credit lines, gross[4]	12,813	25,002	0	5,357	115
Total credit-impaired exposure, gross	781	1,549	0	324	6
of which: stage 3	*781*	*1,549*	*0*	*324*	*6*
of which: PCI	*0*	*0*	*0*	*0*	*0*
Total allowances and provisions for expected credit losses (stages 1 to 3)	225	734	0	170	8
of which: stage 1	*86*	*163*	*0*	*53*	*5*
of which: stage 2	*51*	*145*	*0*	*48*	*0*
of which: stage 3	*88*	*426*	*0*	*69*	*3*
of which: PCI	*0*	*0*	*0*	*0*	*0*

	Credit Suisse business divisions and Corporate Center						
USD m	Wealth Management	Swiss Bank	Asset Management	Investment Bank	Capital Release Unit	Corporate Center	UBS Group Total
Banking products[1]							
Gross exposure	89,985	199,348	591	56,763	31,651	108,528	1,165,729
of which: loans and advances to customers (on-balance sheet)	*76,288*	*161,687*	*0*	*6,179*	*18,364*	*17*	*653,138*
of which: guarantees and loan commitments (off-balance sheet)	*10,903*	*30,387*	*212*	*46,978*	*9,674*	*1,046*	*162,709*
Traded products[2,5,6]							
Gross exposure	3,563	4,650	0	5,217	2,969	7,835	66,288
of which: over-the-counter derivatives	*2,083*	*4,096*	*0*	*2,341*	*1,565*	*14*	*26,157*
of which: securities financing transactions	*361*	*22*	*0*	*856*	*222*	*7,802*	*25,800*
of which: exchange-traded derivatives	*1,118*	*532*	*0*	*2,020*	*1,182*	*19*	*14,331*
Other credit lines, gross[4]	62,049	63,218	0	0	2	0	168,558
Total credit-impaired exposure, gross	1,543	549	0	324	873	84	6,033
of which: stage 3	*3*	*80*	*0*	*0*	*72*	*1*	*2,816*
of which: PCI	*1,539*	*468*	*0*	*324*	*802*	*83*	*3,216*
Total allowances and provisions for expected credit losses (stages 1 to 3)	157	220	1	202	149	2	1,868
of which: stage 1	*143*	*216*	*1*	*190*	*97*	*2*	*955*
of which: stage 2	*0*	*0*	*0*	*0*	*0*	*0*	*244*
of which: stage 3	*0*	*7*	*0*	*0*	*44*	*0*	*637*
of which: PCI	*14*	*(3)*	*0*	*13*	*8*	*0*	*32*

	31.3.23					
USD m	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS Group Total
Banking products[1]						
Gross exposure	320,390	236,562	1,456	70,695	32,064	661,167
of which: loans and advances to customers (on-balance sheet)	*218,213*	*157,616*	*(1)*	*13,834*	*1,272*	*390,935*
of which: guarantees and loan commitments (off-balance sheet)	*11,998*	*27,995*	*0*	*13,475*	*8,976*	*62,445*
Traded products[2,3]						
Gross exposure	8,816	300	0	32,785		41,902
of which: over-the-counter derivatives	*6,902*	*282*	*0*	*8,450*		*15,634*
of which: securities financing transactions	*0*	*0*	*0*	*17,193*		*17,193*
of which: exchange-traded derivatives	*1,914*	*19*	*0*	*7,142*		*9,075*
Other credit lines, gross[4]	12,296	24,006	0	4,658	111	41,071
Total credit-impaired exposure, gross (stage 3)	763	1,409	0	319	6	2,497
Total allowances and provisions for expected credit losses (stages 1 to 3)	226	714	0	173	8	1,121
of which: stage 1	*88*	*146*	*0*	*45*	*5*	*284*
of which: stage 2	*52*	*166*	*0*	*52*	*0*	*271*
of which: stage 3	*86*	*402*	*0*	*76*	*3*	*567*
of which: PCI						

1 IFRS 9 gross exposure including other financial assets at amortized cost, but excluding cash, receivables from securities financing transactions, cash collateral receivables on derivative instruments, financial assets at fair value through other comprehensive income, irrevocable committed prolongation of existing loans and unconditionally revocable committed credit lines, and forward starting reverse repurchase and securities borrowing agreements. 2 Internal management view of credit risk, which differs in certain respects from IFRS. 3 As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank and Group Functions is provided. 4 Unconditionally revocable committed credit lines. 5 Corporate Center (Credit Suisse) includes Corporate Functions exposure. 6 Credit Suisse traded products are presented before reflection of the impact of the purchase price allocation performed under IFRS 3, Business Combinations, following the acquisition of Credit Suisse Group by UBS. The acquisition date adjustment is less than USD 1bn, and if applied would lead to a reduction in our reported traded products exposure.

Collateralization of Loans and advances to customers

	UBS business divisions[1]				Credit Suisse business divisions[2]	
	Global Wealth Management		Personal & Corporate Banking		Wealth Management	Swiss Bank
USD m, except where indicated	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	30.6.23
Secured by collateral	212,280	215,803	145,372	141,509	68,805	135,780
Residential real estate	*64,178*	*63,237*	*116,429*	*112,769*	*12,400*	*107,310*
Commercial / industrial real estate	*4,990*	*4,974*	*21,291*	*20,416*	*3,529*	*21,891*
Cash	*25,884*	*27,278*	*3,043*	*2,989*	*11,406*	*1,313*
Securities	*101,435*	*103,480*	*2,191*	*2,177*	*29,708*	*2,687*
Other collateral	*15,792*	*16,834*	*2,418*	*3,157*	*11,761*	*2,580*
Subject to guarantees	103	112	2,669	2,697	3,041	4,914
Uncollateralized and not subject to guarantees	2,504	2,297	14,492	13,410	4,443	20,993
Total loans and advances to customers, gross	214,887	218,213	162,534	157,616	76,288	161,687
Allowances	(154)	(154)	(601)	(557)	(142)	(145)
Total loans and advances to customers, net of allowances	214,733	218,059	161,933	157,059	76,146	161,543
Collateralized loans and advances to customers in % of total loans and advances of customers, gross (%)	98.8	98.9	89.4	89.8	90.2	84.0

1 Collateral arrangements generally incorporate a range of collateral, including cash, securities, real estate and other collateral. UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. In the case of loan facilities with funded and unfunded elements, the collateral is first allocated to the funded element. 2 Credit Suisse applies a risk-based approach that generally prioritizes real estate collateral and prioritizes other collateral according to its liquidity profile. In the case of loan facilities with funded and unfunded elements, the collateral is proportionately allocated.

Market risk

The UBS Group excluding Credit Suisse continued to maintain generally low levels of management value-at-risk (VaR). Average management VaR (1-day, 95% confidence level) was unchanged, at USD 13m at the end of the second quarter of 2023. There were no new VaR negative backtesting exceptions in the second quarter of 2023. The number of negative backtesting exceptions within the most recent 250-business-day window remained at one. The Swiss Financial Market Supervisory Authority (FINMA) VaR multiplier derived from backtesting exceptions for market risk risk-weighted assets was unchanged compared with the prior quarter, at 3.0.

Credit Suisse's average management VaR (1-day, 98% confidence level) stood at USD 32m at the end of the second quarter of 2023. There was one new VaR negative backtesting exception in the second quarter of 2023, due to purchase price allocation adjustments, and the total number of negative backtesting exceptions within the most recent 250-business-day window was at three. The FINMA VaR multiplier derived from backtesting exceptions for market risk risk-weighted assets was unchanged compared with the prior quarter, at 3.0.

Management value-at-risk (1-day, 95% confidence, 5 years of historical data) of UBS Group business divisions and Group Functions excluding Credit Suisse by general market risk type[1]

					Average by risk type				
USD m	Min.	Max.	Period end	Average	Equity	Interest rates	Credit spreads	Foreign exchange	Commodities
Global Wealth Management	1	2	1	1	0	1	2	0	0
Personal & Corporate Banking	0	0	0	0	0	0	0	0	0
Asset Management	0	0	0	0	0	0	0	0	0
Investment Bank	5	18	16	12	8	10	4	2	3
Group Functions	3	6	5	5	1	4	3	0	0
Diversification effect[2,3]			(5)	(5)	(1)	(4)	(4)	(1)	0
Total as of 30.6.23	**7**	**20**	**18**	**13**	**8**	**11**	**6**	**2**	**3**
Total as of 31.3.23	7	24	16	13	7	12	6	2	3

Management value-at-risk (1-day, 98% confidence, 2 years of historical data) of Credit Suisse business divisions and Corporate Center by general market risk type[1,4]

					Average by risk type				
USD m	Min.	Max.	Period end	Average	Equity	Interest rates	Credit spreads	Foreign exchange	Commodities
Wealth Management (Credit Suisse)	12	14	12	13	1	1	13	0	0
Swiss Bank (Credit Suisse)	0	1	1	0	0	0	0	0	0
Asset Management (Credit Suisse)	0	0	0	0	0	0	0	0	0
Investment Bank (Credit Suisse)	15	29	16	19	14	10	7	2	2
Capital Release Unit (Credit Suisse)	16	21	16	18	3	9	14	1	0
Corporate Center (Credit Suisse)	3	3	3	3	0	2	3	0	0
Diversification effect[2,3]			(19)	(21)	(4)	(3)	(15)	(1)	0
Total as of 30.6.23	**28**	**37**	**29**	**32**	**14**	**20**	**21**	**2**	**2**

1 Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may occur on different days, and, likewise, the value-at-risk (VaR) for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. 2 The difference between the sum of the standalone VaR for the business divisions, Group Functions and Corporate Center (Credit Suisse) and the total VaR. 3 As the minima and maxima for different business divisions, Group Functions and Corporate Center (Credit Suisse) occur on different days, it is not meaningful to calculate a portfolio diversification effect. 4 In the second quarter of 2023, Credit Suisse AG consolidated introduced an enhanced approach to measure management value-at-risk for individual risk types. The enhanced approach is applied to each risk type using a collection of risk factors included within the respective risk type only, ignoring the cross-risk effects. This change in the measurement approach for individual risk types affected particularly standalone management VaR for equity risk and foreign exchange risk, with no impact on the total management VaR.

Economic value of equity and net interest income sensitivity

The economic value of equity (EVE) sensitivity in the UBS Group banking book to a parallel shift in yield curves of +1 basis point was negative USD 28.7m as of 30 June 2023, compared with negative USD 25.5m as of 31 March 2023. This excludes the sensitivity of USD 2.8m from additional tier 1 (AT1) capital instruments (as per specific FINMA requirements) in contrast to general Basel Committee on Banking Supervision (BCBS) guidance. The exposure in the banking book of the UBS Group increased during the quarter due to the inclusion of Credit Suisse but was lower for UBS AG, due to a shorter modeled duration assigned to own equity and tighter credit spreads on debt issuances.

The majority of our interest rate risk in the banking book is a reflection of the net asset duration that we run to offset our modeled sensitivity of net USD 23m (31 March 2023: USD 19.6m) assigned to our equity, goodwill and real estate, with the aim of generating a stable net interest income contribution. Of this, USD 17m and USD 5.1m are attributable to the US dollar and the Swiss franc portfolios, respectively, (31 March 2022: USD 13.9m and USD 4.9m, respectively).

In addition to the sensitivity mentioned above, we calculate the six interest rate shock scenarios prescribed by FINMA. The "Parallel up" scenario, assuming all positions were fair valued, was the most severe and would have resulted in a change in EVE of negative USD 5.4bn, or 5.8%, of our tier 1 capital (31 March 2023: negative USD 4.8bn, or 8.3%), which is well below the 15% threshold as per the BCBS supervisory outlier test for high levels of interest rate risk in the banking book.

The immediate effect on our tier 1 capital in the "Parallel up" scenario as of 30 June 2023 would have been a decrease of approximately USD 0.6bn, or 0.7% (31 March 2023: USD 0.4bn, or 0.6%), reflecting the fact that the vast majority of our banking book is accrual accounted or subject to hedge accounting. The "Parallel up" scenario would subsequently have a positive effect on net interest income, assuming a constant balance sheet.

› **Refer to "Interest rate risk in the banking book" in the "Market risk" section of the Annual Report 2022 for more information about the management of interest rate risk in the banking book**

› **Refer to "Sensitivity to interest rate movements" in the "Group performance" section of this report for more information about the effects of increases in interest rates on the net interest income of our banking book**

Interest rate risk – banking book

	30.6.23								
USD m	Effect on EVE[1] – FINMA						Effect on EVE[1] – BCBS		
Scenarios	CHF	EUR	GBP	USD	Other	Total	Additional tier 1 (AT1) capital instruments	Total	*of which: Credit Suisse*
+1 bp	(4.3)	(0.9)	(0.1)	(23.5)	0.1	(28.7)	2.8	(25.9)	*(5.0)*
Parallel up[2]	(639.8)	(165.0)	(32.5)	(4,549.6)	2.5	(5,384.4)	535.1	(4,849.2)	*(970.8)*
Parallel down[2]	646.6	204.1	24.7	4,687.9	(1.1)	5,562.2	(574.6)	4,987.6	*1,037.1*
Steepener[3]	(125.4)	(24.7)	15.8	(905.9)	(31.7)	(1,071.9)	(55.5)	(1,127.3)	*131.5*
Flattener[4]	3.8	(2.2)	(22.0)	(148.9)	30.2	(139.0)	173.3	34.3	*(333.3)*
Short-term up[5]	(213.7)	(54.4)	(30.1)	(2,006.1)	25.8	(2,278.6)	376.5	(1,902.1)	*(710.4)*
Short-term down[6]	209.8	57.5	29.2	2,139.0	(24.8)	2,410.9	(390.4)	2,020.5	*714.4*

	31.3.23							
USD m	Effect on EVE[1] – FINMA						Effect on EVE[1] – BCBS	
Scenarios	CHF	EUR	GBP	USD	Other	Total	Additional tier 1 (AT1) capital instruments	Total
+1 bp	(4.4)	(0.9)	(0.1)	(20.2)	0.0	(25.5)	3.1	(22.4)
Parallel up[2]	(624.4)	(157.2)	(16.7)	(3,961.2)	(17.3)	(4,776.8)	595.6	(4,181.3)
Parallel down[2]	696.2	186.5	7.2	3,907.3	8.8	4,806.0	(640.7)	4,165.3
Steepener[3]	(269.9)	(48.0)	(1.1)	(966.9)	(2.9)	(1,288.8)	(50.5)	(1,339.2)
Flattener[4]	148.8	22.1	(2.9)	30.3	(1.1)	197.2	181.7	378.9
Short-term up[5]	(97.3)	(27.2)	(6.9)	(1,554.6)	(9.7)	(1,695.7)	409.1	(1,286.6)
Short-term down[6]	101.6	28.7	7.4	1,724.7	7.6	1,870.0	(424.5)	1,445.5

1 Economic value of equity. 2 Rates across all tenors move by ±150 bps for Swiss franc, ±200 bps for euro and US dollar, and ±250 bps for pound sterling. 3 Short-term rates decrease and long-term rates increase. 4 Short-term rates increase and long-term rates decrease. 5 Short-term rates increase more than long-term rates. 6 Short-term rates decrease more than long-term rates.

Country risk

We remain watchful of a range of geopolitical developments and political changes in a number of countries, as well as international tensions arising from the Russia–Ukraine war, and US–China trade relations. Our direct exposure to Russia, Belarus and Ukraine is limited, and we continue to monitor potential second-order impacts, such as European energy security. We do have significant country risk exposure to major European economies, including France, Germany and the UK.

In the context of high inflation, central banks in most major economies have responded with interest rate hikes and tapering or reversing quantitative easing, which increases the chances of recessions in those economies. Banking sector volatility has eased, but there is still residual uncertainty about the trajectory of monetary policy. There are also concerns about energy and food security, global supply chain stresses and tight labor markets that are creating negative pressure on growth. Following the relaxation of COVID-19 restrictions, the Chinese economy rebounded for a time but now appears to be experiencing slower growth.

We continue to monitor potential trade policy disputes, as well as economic and political developments in addition to those mentioned above. In 2023, several emerging markets have faced economic, political and market pressures, particularly in light of interest rate hikes and a stronger US dollar. Our exposure to emerging market countries is less than 10% of our total country exposure and is mainly in Asia.

› **Refer to the "Risk management and control" section of the Annual Report 2022 for more information**

Non-financial risk

UBS is actively managing the inherent intensification of non-financial risk emerging from the acquisition of the Credit Suisse Group, the current operation of dual corporate structures, and the scale, pace and complexity of the required integration activities. We are cooperating with regulators to submit and execute implementation plans under increased regulatory requirements, including regulatory remediation requirements applicable to the Credit Suisse Group. We are also assessing and addressing internal controls over financial reporting to remediate the weaknesses the Credit Suisse Group identified in its controls. A Group Integration Officer has been appointed and a dedicated function and integration program set up to oversee the organizational changes. In addition, the Group is closely monitoring operational risk indicators, including attrition, to detect any potential for adverse impact on the control environment. We also focus on managing key subject matter experts and ensuring resources are sufficient to manage key controls.

There is an increased potential risk of operational disruption to business activities at our locations and / or those of third parties due to the complexity of operating an enlarged group of entities, combined with the increasingly dynamic threat environment, which is intensified by current geopolitical factors and evidenced by the increased volume and sophistication of cyberattacks. In addition, the Group faces multiple related regulatory deadlines to enhance operational resilience between 2023 and 2026. To that end, we have developed a global framework that is being implemented across all business divisions and jurisdictions, as well as provided to third parties, including third-party vendors, that are of critical importance to us. The framework will mature over time and is designed to drive enhancements in operational resilience.

A post-incident review following a ransomware attack on ION XTP in the first quarter of 2023 has been completed, and improvements to our frameworks for managing third parties that support our important business services have been identified. We intend to take actions to enhance our cyber-risk assessments and controls over third-party vendors.

Although we are continuing our efforts regarding innovation and digitalization, to ensure there is the right focus during this initial period of integration we have reprioritized some UBS changes.

The increasing interest in data-driven advisory processes, and use of artificial intelligence (AI) and machine learning, is opening up new questions related to the fairness of AI algorithms, data life cycle management, data ethics, data privacy and security, and records management. We seek to enhance our frameworks to implement controls for these risks and to meet regulatory expectations. In addition, new risks continue to emerge, such as those which result from the demand from our clients for distributed ledger tech, blockchain-based assets and cryptocurrencies; although we currently have limited exposure to such risks and relevant control frameworks for them are implemented and reviewed on a regular basis as they evolve.

Competition to find new business opportunities across the financial services sector, both for firms and for customers, is increasing. Thus, suitability risk, product selection, cross-divisional service offerings, quality of advice and price transparency also remain areas of heightened focus for UBS and for the industry as a whole.

Sustainable investing, market volatility and major legislation, such as the Swiss Financial Services Act (FIDLEG) in Switzerland, Regulation Best Interest (Reg BI) in the US and the Markets in Financial Instruments Directive II (MiFID II) in the EU, all significantly affect the industry and have required adjustments to control processes on a geographically aligned basis.

Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to us. We place additional focus on risk culture through our Three Keys program, as well as our conduct risk framework across our activities, which is designed to align our standards and conduct with these objectives and to retain momentum on fostering a strong culture.

Cross-border risk remains an area of regulatory attention for global financial institutions, with a strong focus on fiscal transparency, as well as market access, particularly third-country market access into the European Economic Area. Remote communication and implementation of digital solutions also require that these evolving client channels remain compliant. There is also an ongoing high level of attention regarding the risk that tax authorities may, on the basis of new interpretations of existing law, seek to impose taxation based on the existence of a permanent establishment. We maintain a series of controls designed to address these risks.

Financial crime, including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption, continues to present a major risk, as technological innovation and geopolitical developments increase the complexity of doing business and heightened regulatory attention continues. An effective financial crime prevention program therefore remains essential for UBS. Money laundering and financial fraud techniques are becoming increasingly sophisticated, and geopolitical volatility makes the sanctions landscape more complex, as new or novel sanctions may be imposed that require complex implementation in a short time frame, such as the extensive and continuously evolving sanctions arising from the Russia–Ukraine war.

In the US, the Office of the Comptroller of the Currency (the OCC) issued a Cease and Desist Order against us in May 2018 relating to our US branch anti-money-laundering (AML) and know-your-client (KYC) programs. In response, we initiated an extensive program for the purpose of ensuring sustainable remediation of US-relevant Bank Secrecy Act / AML issues across all our US legal entities. We have introduced significant improvements to the framework beginning in 2019 and continue to evolve it in response to new and emerging risks.

We continue to focus on strategic enhancements to our global AML / KYC and sanctions programs, including the exploration of new technologies and sophisticated monitoring and analytical capabilities, as well as the application of risk appetite statements for markets.

In September 2022, the Securities and Exchange Commission (the SEC) and the Commodity Futures Trading Commission (the CFTC) issued settlement orders with UBS AG relating to communications recordkeeping requirements in our US broker-dealers and our registered swap dealer. In response, we have initiated a program to remediate identified shortcomings.

Capital management

The disclosures in this section are provided for UBS Group AG on a consolidated basis and focus on key developments during the reporting period and information in accordance with the Basel III framework, as applicable to Swiss systemically relevant banks (SRBs). They should be read in conjunction with "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of the Annual Report 2022, which provides more information about our capital management objectives, planning and activities, as well as the Swiss SRB total loss-absorbing capacity (TLAC) framework.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and Credit Suisse AG, and subsidiaries thereof. UBS Group AG, UBS AG and Credit Suisse AG have contributed a significant portion of their respective capital to and provide substantial liquidity to such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements.

- › **Refer to the 30 June 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information relating to additional regulatory disclosures for UBS Group AG on a consolidated basis, as well as our significant regulated subsidiaries and sub-groups**
- › **Refer to the UBS AG second quarter 2023 report, available under "Quarterly reporting" at *ubs.com/investors*, and to the Credit Suisse AG second quarter 2023 report, which will be available in September 2023 under "Reports and Research" at *credit-suisse.com*, for more information about capital and other regulatory information for UBS AG consolidated and Credit Suisse AG consolidated, respectively, in accordance with the Basel III framework, as applicable to Swiss SRBs**

Swiss SRB going and gone concern requirements and information

As of 30.6.23	RWA		LRD	
USD m, except where indicated	in %		in %	
Required going concern capital				
Total going concern capital	14.90[1,2]	82,922	5.06[1,2]	84,894
Common equity tier 1 capital	10.60	58,988	3.56[3]	59,726
of which: minimum capital	*4.50*	*25,047*	*1.50*	*25,168*
of which: buffer capital	*5.50*	*30,613*	*2.00*	*33,558*
of which: countercyclical buffer	*0.42*	*2,328*		
Maximum additional tier 1 capital	4.30	23,934	1.50	25,168
of which: additional tier 1 capital	*3.50*	*19,481*	*1.50*	*25,168*
of which: additional tier 1 buffer capital	*0.80*	*4,453*		
Eligible going concern capital				
Total going concern capital	16.76	93,287	5.56	93,287
Common equity tier 1 capital	14.42	80,258	4.78	80,258
Total loss-absorbing additional tier 1 capital[4]	2.34	13,030	0.78	13,030
of which: high-trigger loss-absorbing additional tier 1 capital	*2.13*	*11,839*	*0.71*	*11,839*
of which: low-trigger loss-absorbing additional tier 1 capital	*0.21*	*1,190*	*0.07*	*1,190*
Required gone concern capital				
Total gone concern loss-absorbing capacity[5,6,7]	10.73	59,696	3.75	62,920
of which: base requirement including add-ons for market share and LRD	*10.73*[8]	*59,696*	*3.75*[8]	*62,920*
of which: base requirement	*9.65*	*53,684*	*3.38*	*56,628*
of which: additional requirement for market share and LRD	*1.08*	*6,011*	*0.38*	*6,292*
Eligible gone concern capital				
Total gone concern loss-absorbing capacity	18.46	102,753	6.12	102,753
Total tier 2 capital	0.10	539	0.03	539
of which: non-Basel III-compliant tier 2 capital	*0.10*	*539*	*0.03*	*539*
TLAC-eligible senior unsecured debt	18.36	102,214	6.09	102,214
Total loss-absorbing capacity				
Required total loss-absorbing capacity	25.62	142,618	8.81	147,814
Eligible total loss-absorbing capacity	35.22	196,040	11.68	196,040
Risk-weighted assets / leverage ratio denominator				
Risk-weighted assets		556,603		
Leverage ratio denominator				1,677,877

1 Includes applicable add-ons of 1.44% for risk-weighted assets (RWA) and 0.50% for leverage ratio denominator (LRD). 2 Total going concern capital requirements include the FINMA Pillar 2 capital add-on of USD 1,000m related to the supply chain finance funds matter at Credit Suisse. This Pillar 2 capital add-on results in additional CET1 capital ratio requirement of 18 basis points and additional CET1 leverage ratio requirement of 6 basis points as of 30 June 2023. 3 Our minimum CET1 leverage ratio requirement of 3.56% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement, a 0.25% market share add-on requirement based on our Swiss credit business and a 0.06% Pillar 2 capital add-on related to the supply chain funds matter at Credit Suisse. 4 Includes outstanding low-trigger loss-absorbing additional tier 1 capital instruments, which are available under the Swiss systemically relevant bank framework to meet the going concern requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements. 5 A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. 6 From 1 January 2023, the resolvability discount on the gone concern capital requirements for systemically important banks (SIBs) has been replaced with reduced base gone concern capital requirements equivalent to 75% of the total going concern requirements (excluding countercyclical buffer requirements). 7 As of July 2024, the Swiss Financial Market Supervisory Authority (FINMA) will have the authority to impose a surcharge of up to 25% of the total going concern capital requirements should obstacles to an SIB's resolvability be identified in future resolvability assessments. 8 Includes applicable add-ons of 1.08% for RWA and 0.38% for LRD.

We are subject to the going and gone concern requirements of the Swiss Capital Adequacy Ordinance that include the too-big-to-fail provisions applicable to Swiss SRBs. The table above provides the risk-weighted asset (RWA)- and leverage ratio denominator (LRD)-based requirements and information as of 30 June 2023.

In November 2022, the Swiss Federal Council adopted amendments to the Banking Act and the Banking Ordinance, which entered into force as of 1 January 2023. The amendments replaced the resolvability discount on the gone concern capital requirements for systemically important banks (SIBs), including UBS, with reduced base gone concern capital requirements equivalent to 75% of the total going concern requirements (excluding countercyclical buffer requirements). In addition, as of July 2024, the Swiss Financial Market Supervisory Authority (FINMA) will have the authority to impose a surcharge of up to 25% of the total going concern requirements based on obstacles to an SIB's resolvability identified in future resolvability assessments. Our total gone concern requirements remained substantially unchanged in the second quarter of 2023 as a result of these changes.

Transitional purchase price allocation adjustments for regulatory capital

As part of the acquisition of the Credit Suisse Group, the assets acquired and liabilities assumed, including contingent liabilities, were recognized at fair value as of the acquisition date in accordance with IFRS 3, *Business Combinations*. The purchase price allocation (PPA) fair value adjustments required under IFRS 3 are recognized as part of negative goodwill and include effects on financial instruments measured at amortized cost, such as fair value impacts from interest rates and own credit, that are expected to accrete back to par through the income statement as the instruments are held to maturity. Similar own-credit-related effects have also been recognized as part of the PPA adjustments on financial liabilities measured at fair value. As agreed with FINMA, a transitional common equity tier 1 (CET1) capital treatment has been applied for certain of these fair value adjustments, given the substantially temporary nature of the IFRS-3-accounting-driven effects. As such, IFRS equity reductions of USD 5.9bn (pre-tax) and USD 5.0bn (net of tax) as of the acquisition date have been neutralized for CET1 capital calculation purposes, of which USD 1.0bn (net of tax) relates to own-credit-related fair value adjustments. The transitional treatment is subject to linear amortization and will reduce to nil by 30 June 2027.

Total loss-absorbing capacity

The table below provides Swiss SRB going and gone concern information based on the Swiss SRB framework and requirements that are discussed under "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of the Annual Report 2022. Changes to the Swiss SRB framework and requirements after the publication of the Annual Report 2022 are described above.

Swiss SRB going and gone concern information

USD m, except where indicated	30.6.23	31.3.23	31.12.22
Eligible going concern capital			
Total going concern capital	93,287	57,694	58,321
Total tier 1 capital	93,287	57,694	58,321
Common equity tier 1 capital	80,258	44,590	45,457
Total loss-absorbing additional tier 1 capital	13,030	13,104	12,864
of which: high-trigger loss-absorbing additional tier 1 capital	*11,839*	*11,905*	*11,675*
of which: low-trigger loss-absorbing additional tier 1 capital	*1,190*	*1,198*	*1,189*
Eligible gone concern capital			
Total gone concern loss-absorbing capacity	102,753	52,624	46,991
Total tier 2 capital	539	2,975	2,958
of which: low-trigger loss-absorbing tier 2 capital	*0*	*2,438*	*2,422*
of which: non-Basel III-compliant tier 2 capital	*539*	*538*	*536*
TLAC-eligible senior unsecured debt	102,214	49,649	44,033
Total loss-absorbing capacity			
Total loss-absorbing capacity	196,040	110,318	105,312
Risk-weighted assets / leverage ratio denominator			
Risk-weighted assets	556,603	321,660	319,585
Leverage ratio denominator	1,677,877	1,014,446	1,028,461
Capital and loss-absorbing capacity ratios (%)			
Going concern capital ratio	16.8	17.9	18.2
of which: common equity tier 1 capital ratio	*14.4*	*13.9*	*14.2*
Gone concern loss-absorbing capacity ratio	18.5	16.4	14.7
Total loss-absorbing capacity ratio	35.2	34.3	33.0
Leverage ratios (%)			
Going concern leverage ratio	5.6	5.7	5.7
of which: common equity tier 1 leverage ratio	*4.78*	*4.40*	*4.42*
Gone concern leverage ratio	6.1	5.2	4.6
Total loss-absorbing capacity leverage ratio	11.7	10.9	10.2

Total loss-absorbing capacity and movement

Our total loss-absorbing capacity (TLAC) increased by USD 85.7bn to USD 196.0bn in the second quarter of 2023.

Going concern capital and movement

Our going concern capital increased by USD 35.6bn to USD 93.3bn. Our common equity tier 1 (CET1) capital increased by USD 35.7bn to USD 80.3bn, predominantly due to the acquisition of the Credit Suisse Group, which resulted in an increase of USD 36.1bn as of the acquisition date (including transitional CET1 purchase price allocation adjustments of USD 5.0bn).

Our additional tier 1 (AT1) capital decreased by USD 0.1bn to USD 13.0bn, mainly reflecting interest rate risk hedge, foreign-currency translation and other effects.

Gone concern loss-absorbing capacity and movement

Our total gone concern loss-absorbing capacity increased by USD 50.1bn to USD 102.8bn, mainly due to the acquisition of the Credit Suisse Group, as 48 TLAC-eligible senior unsecured debt instruments denominated in US dollars, euro, pounds sterling and yen amounting to USD 53.5bn equivalent that were originally issued by the Credit Suisse Group were assumed as gone concern capital by the UBS Group. In addition, there was a USD 2.2bn increase in gone concern capital as the nominal amounts of two TLAC-eligible senior unsecured debt instruments not bought back under a tender offer were eligible again as gone concern capital in the second quarter of 2023 following the expiration of the tender offer on 4 April 2023. These effects were partly offset by a low-trigger loss-absorbing tier 2 capital instrument of USD 2.4bn that ceased to be eligible as it had less than one year to maturity, the calls of three TLAC-eligible unsecured debt instruments denominated in US dollars and Swiss francs amounting to USD 2.4bn equivalent, and interest rate risk hedge, foreign-currency translation and other effects. On 6 July 2023, UBS announced that it would redeem TLAC-eligible senior unsecured debt on 30 July 2023 (ISINs 144A: US902613AB45 / Reg S: USH42097BS52 with a nominal amount of USD 1.3bn, issued on 30 July 2020). This instrument remained eligible as gone concern capital as of 30 June 2023.

› **Refer to "Bondholder information" at *ubs.com/investors* for more information about the eligibility of capital and senior unsecured debt instruments and about key features and terms and conditions of capital instruments**

Loss-absorbing capacity and leverage ratios

Our CET1 capital ratio increased to 14.4% from 13.9%, reflecting an increase in CET1 capital of USD 35.7bn, partly offset by a USD 234.9bn increase in RWA.

Our CET1 leverage ratio increased to 4.78% from 4.40%, reflecting an increase in CET1 capital of USD 35.7bn, partly offset by a USD 663.4bn increase in the LRD.

Our gone concern loss-absorbing capacity ratio increased to 18.5% from 16.4%, due to an increase in gone concern loss-absorbing capacity of USD 50.1bn, partly offset by the aforementioned increase in RWA.

Our gone concern leverage ratio increased to 6.1% from 5.2%, due to an increase in gone concern loss-absorbing capacity of USD 50.1bn, partly offset by the aforementioned increase in the LRD.

Swiss SRB total loss-absorbing capacity movement

USD m

Going concern capital	Swiss SRB
Common equity tier 1 capital as of 31.3.23	**44,590**
Operating profit before tax excluding negative goodwill	314
Current tax (expense) / benefit	(368)
Foreign currency translation effects, before tax	371
CET1 capital acquired from Credit Suisse Group as of the acquisition date	31,051
Transitional CET1 purchase price allocation adjustments as of the acquisition date	5,005
Amortization of transitional CET1 purchase price allocation adjustments	(108)
Other[1]	(598)
Common equity tier 1 capital as of 30.6.23	80,258
Loss-absorbing additional tier 1 capital as of 31.3.23	**13,104**
Interest rate risk hedge, foreign currency translation and other effects	(74)
Loss-absorbing additional tier 1 capital as of 30.6.23	13,030
Total going concern capital as of 31.3.23	**57,694**
Total going concern capital as of 30.6.23	93,287
Gone concern loss-absorbing capacity	
Tier 2 capital as of 31.3.23	**2,975**
Debt no longer eligible as gone concern loss-absorbing capacity due to residual tenor falling to below one year	(2,437)
Interest rate risk hedge, foreign currency translation and other effects	1
Tier 2 capital as of 30.6.23	539
TLAC-eligible senior unsecured debt as of 31.3.23	**49,649**
TLAC-eligible senior unsecured debt acquired from Credit Suisse	53,466
Issuance of TLAC-eligible senior unsecured debt	82
Call of TLAC-eligible senior unsecured debt	(2,435)
Instruments eligible following the expiration of the tender offer	2,175
Interest rate risk hedge, foreign currency translation and other effects	(724)
TLAC-eligible senior unsecured debt as of 30.6.23	102,214
Total gone concern loss-absorbing capacity as of 31.3.23	**52,624**
Total gone concern loss-absorbing capacity as of 30.6.23	102,753
Total loss-absorbing capacity	
Total loss-absorbing capacity as of 31.3.23	**110,318**
Total loss-absorbing capacity as of 30.6.23	196,040

1 Includes dividend accruals for the current year (negative USD 0.5bn) and movements related to other items.

Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital

USD m	30.6.23	31.3.23	31.12.22
Total IFRS equity	87,635	**57,106**	**57,218**
Equity attributable to non-controlling interests	(636)	(352)	(342)
Defined benefit plans, net of tax	(987)	(361)	(311)
Deferred tax assets recognized for tax loss carry-forwards	(3,917)	(4,019)	(4,077)
Deferred tax assets for unused tax credits	(117)	(122)	
Deferred tax assets on temporary differences, excess over threshold		(139)	(64)
Goodwill, net of tax[1]	(5,761)	(5,758)	(5,754)
Intangible assets, net of tax	(894)	(148)	(150)
Compensation-related components (not recognized in net profit)	(2,013)	(1,711)	(2,287)
Expected losses on advanced internal ratings-based portfolio less provisions	(674)	(439)	(471)
Unrealized (gains) / losses from cash flow hedges, net of tax	4,451	3,652	4,234
Own credit related to (gains) / losses on financial liabilities measured at fair value that existed at the balance sheet date, net of tax	(130)	(582)	(523)
Own credit related to (gains) / losses on derivative financial instruments that existed at the balance sheet date	(142)	(125)	(105)
Prudential valuation adjustments	(488)	(228)	(201)
Accruals for dividends to shareholders for 2022		(1,683)	(1,683)
Transitional CET1 purchase price allocation adjustments	4,897		
Other[2]	(966)	(499)	(29)
Total common equity tier 1 capital	80,258	**44,590**	**45,457**

1 Includes goodwill related to significant investments in financial institutions of USD 19m as of 30 June 2023 (USD 20m as of 31 March 2023; USD 20m as of 31 December 2022) presented on the balance sheet line Investments in associates. 2 Includes dividend accruals for the current year and other items.

Additional information

Sensitivity to currency movements

Risk-weighted assets

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our RWA by USD 23bn and our CET1 capital by USD 3.0bn as of 30 June 2023 (31 March 2023: USD 14bn and USD 1.4bn, respectively) and decreased our CET1 capital ratio by 6 basis points (31 March 2023: 13 basis points). Conversely, a 10% appreciation of the US dollar against other currencies would have decreased our RWA by USD 21bn and our CET1 capital by USD 2.7bn (31 March 2023: USD 12bn and USD 1.3bn, respectively) and increased our CET1 capital ratio by 6 basis points (31 March 2023: 13 basis points).

Leverage ratio denominator

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our LRD by USD 109bn as of 30 June 2023 (31 March 2023: USD 62bn) and decreased our CET1 leverage ratio by 12 basis points (31 March 2023: 12 basis points). Conversely, a 10% appreciation of the US dollar against other currencies would have decreased our LRD by USD 99bn (31 March 2023: USD 56bn) and increased our CET1 leverage ratio by 13 basis points (31 March 2023: 12 basis points).

The aforementioned sensitivities do not consider foreign-currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

› **Refer to “Active management of sensitivity to currency movements” under “Capital management” in the “Capital, liquidity and funding, and balance sheet” section of the Annual Report 2022 for more information**

Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters related to UBS AG and subsidiaries described in "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report. We have employed for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this basis, with respect to the litigation, regulatory and similar matters related to UBS AG and subsidiaries, we estimate the maximum loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at USD 4.0bn as of 30 June 2023. This estimate is not related to and does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of our actual exposure in any of these matters.

› **Refer to "Non-financial risk" in the "Risk management and control" section of the Annual Report 2022 for more information**

› **Refer to "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information**

Risk-weighted assets

During the second quarter of 2023, RWA increased by USD 234.9bn to USD 556.6bn, predominantly due to the acquisition of the Credit Suisse Group, which resulted in a USD 237.7bn increase in RWA. Excluding that acquisition, RWA decreased by USD 5.7bn due to model updates, partly offset by increases of USD 1.5bn due to asset size and other movements and USD 1.4bn due to currency effects.

Movement in risk-weighted assets by key driver

	UBS Group AG consolidated excluding Credit Suisse							
USD bn	RWA as of 31.3.23	Currency effects	Methodology and policy changes	Model updates / changes	Regulatory add-ons	Asset size and other[1]	Acquisition of the Credit Suisse Group	RWA as of 30.6.23
Credit and counterparty credit risk[2]	201.0	1.3		(0.5)		2.2	152.4	356.4
Non-counterparty-related risk[3]	24.2	0.1				0.1	6.7	31.1
Market risk	15.1			(0.2)		(0.8)	9.5	23.6
Operational risk	81.4			(5.0)[4]			69.0[4]	145.4
Total	321.7	1.4		(5.7)		1.5	237.7	556.6

1 Includes the Pillar 3 categories "Asset size," "Credit quality of counterparties" and "Other." For more information, refer to the 30 June 2023 Pillar 3 report, available under "Pillar 3 disclosures" at ubs.com/investors. 2 Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. 3 Non-counterparty-related risk includes deferred tax assets recognized for temporary differences, property, equipment, software and other items. 4 Including diversification effects of USD 5bn. The diversification effects were allocated equally to Group Functions and Corporate Center (Credit Suisse).

Credit and counterparty credit risk

Credit and counterparty credit risk RWA were USD 356.4bn as of 30 June 2023. The increase of USD 155.4bn included an RWA increase of USD 152.4bn related to the acquisition of the Credit Suisse Group.

Excluding the impact of that acquisition, credit and counterparty credit risk RWA increased by USD 3.0bn. The increase included currency effects of USD 1.3bn. Asset size and other movements resulted in a USD 2.2bn increase in RWA:

– Global Wealth Management RWA increased by USD 1.2bn, mainly due to higher RWA from loans and loan commitments.

– Personal & Corporate Banking RWA increased by USD 1.1bn, primarily driven by higher RWA from loans.

– Investment Bank RWA increased by USD 0.1bn, mainly reflecting an increase in RWA on derivatives that was almost entirely offset by lower RWA from loans.

– Asset Management RWA decreased by USD 0.2bn.

– Group Functions RWA decreased by USD 0.1bn.

Model updates resulted in a RWA decrease of USD 0.5bn, primarily driven by an RWA decrease of USD 1.6bn related to the recalibration of certain multipliers as a result of our improvements to models, as well as a decrease in RWA of USD 0.7bn related to updates to the internal model method for derivatives. These decreases were partly offset by an increase of USD 0.6bn related to the quarterly phase-in impact for updates to the loss-given-default (LGD) model for private equity and hedge fund financing trades, an increase of USD 0.6bn related to a model update for hedge funds, and an increase of USD 0.6bn related to a model update for income-producing real estate.

› **Refer to the "Acquisition of Credit Suisse Group" section and the "Risk management and control" section of this report for more information**

› **Refer to the 30 June 2023 Pillar 3 report, available under "Pillar 3 disclosures" at *ubs.com/investors*, for more information**

› **Refer to "Credit risk models" in the "Risk management and control" section of the Annual Report 2022 for more information**

Outlook

We expect that regulatory-driven updates to credit and counterparty credit risk models will result in an RWA increase of around USD 5bn in the second half of 2023. The extent and timing of RWA changes may vary as model updates are completed and receive regulatory approval, along with changes in the composition of the relevant portfolios.

› **Refer to the "Acquisition of Credit Suisse Group" section of this report for more information**

Market risk

Market risk RWA increased by USD 8.5bn to USD 23.6bn in the second quarter of 2023, primarily as a result of the acquisition of the Credit Suisse Group, which resulted in a USD 9.5bn increase in RWA. Market risk RWA excluding that acquisition decreased by USD 1.0bn, driven by a decrease of USD 0.8bn from asset size and other movements in the Investment Bank's Global Markets business and a decrease of USD 0.2bn related to ongoing parameter updates of the value-at-risk (VaR) model. UBS is in discussions with FINMA regarding the integration of time decay into the regulatory VaR, which would replace the current add-on.

› **Refer to the "Acquisition of Credit Suisse Group" section and the "Risk management and control" section of this report for more information**

› **Refer to the 30 June 2023 Pillar 3 report, available under "Pillar 3 disclosures" at *ubs.com/investors,* for more information**

› **Refer to "Market risk" in the "Risk management and control" section of the Annual Report 2022 for more information**

Operational risk

Operational risk RWA increased by USD 64.0bn to USD 145.4bn, as a result of the acquisition of the Credit Suisse Group. The aggregation of the advanced measurement approach (AMA) models considering diversification effects resulted in a USD 10bn reduction in RWA in the second quarter of 2023. The diversification effects were allocated equally to Group Functions and Corporate Center (Credit Suisse) for the second quarter of 2023 reporting and will be allocated to the business divisions and Group Items based on the updated Group allocation methodology in the third quarter of 2023.

› **Refer to the "Acquisition of Credit Suisse Group" section and "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information**

› **Refer to "Non-financial risk" in the "Risk management and control" section of the Annual Report 2022 for information about the advanced measurement approach model**

Risk-weighted assets by business divisions, Group Functions and Corporate Center (Credit Suisse)

	30.6.23				
	UBS business divisions and Group Functions				
USD bn	Global Wealth Management	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	Group Functions
Credit and counterparty credit risk[1]	70.1	69.5	2.8	56.0	5.6
Non-counterparty-related risk[2]	5.7	1.9	0.6	3.8	12.4
Market risk	1.7	0.0		10.4	2.0
Operational risk	37.6	9.1	3.2	21.3	5.1[3]
Total	115.1	80.6	6.5	91.5	25.2

	Credit Suisse business divisions and Corporate Center						
USD bn	Wealth Management	Swiss Bank	Asset Management	Investment Bank	Capital Release Unit	Corporate Center	UBS Group Total
Credit and counterparty credit risk[1]	30.5	65.6	4.8	20.9	23.8	6.7	356.4
Non-counterparty-related risk[2]	1.4	1.9	0.2	1.7	0.9	0.6	31.1
Market risk	0.2	0.1	0.0	4.5	3.8	0.9	23.6
Operational risk	15.7	8.0	2.1	12.4	8.1	22.8[3]	145.4
Total	47.8	75.7	7.1	39.5	36.6	31.0	556.6

1 Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. 2 Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (30 June 2023: USD 12.4bn; 31 March 2023: USD 11.3bn), as well as property, equipment, software and other items (30 June 2023: USD 18.7bn; 31 March 2023: USD 12.8bn). 3 Including diversification effects of USD 5bn. The diversification effects were allocated equally to Group Functions and Corporate Center (Credit Suisse).

The below tables cover the prior period of the UBS business divisions preceding the acquisition.

	31.3.23					
USD bn	Global Wealth Management	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	Group Functions	UBS Group Total
Credit and counterparty credit risk[1]	68.4	66.9	3.0	57.0	5.7	201.0
Non-counterparty-related risk[2]	5.8	1.9	0.6	3.8	12.1	24.2
Market risk	1.8	0.0		11.5	1.8	15.1
Operational risk	37.6	9.1	3.2	21.3	10.1	81.4
Total	**113.6**	**77.9**	**6.7**	**93.7**	**29.7**	**321.7**

	30.6.23 vs 31.3.23					
USD bn	Global Wealth Management	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	Group Functions	UBS Group Total
Credit and counterparty credit risk[1]	1.7	2.7	(0.2)	(1.0)	(0.1)	155.4
Non-counterparty-related risk[2]	(0.1)	0.0	0.0	0.0	0.4	7.0
Market risk	(0.1)	0.0		(1.1)	0.3	8.5
Operational risk					(5.0)[3]	64.0
Total	**1.5**	**2.6**	**(0.2)**	**(2.2)**	**(4.5)**	**234.9**

1 Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. 2 Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (30 June 2023: USD 12.4bn; 31 March 2023: USD 11.3bn), as well as property, equipment, software and other items (30 June 2023: USD 18.7bn; 31 March 2023: USD 12.8bn). 3 Including diversification effects of USD 5bn. The diversification effects were allocated equally to Group Functions and Corporate Center (Credit Suisse).

Leverage ratio denominator

During the second quarter of 2023, the LRD increased by USD 663.4bn to USD 1,677.9bn, predominantly due to the acquisition of the Credit Suisse Group, which resulted in an LRD increase of USD 644.4bn. Excluding that acquisition, the LRD increased by USD 13.4bn due to asset size and other movements, as well as USD 5.6bn due to currency effects.

Movement in leverage ratio denominator by key driver

	UBS Group AG consolidated excluding Credit Suisse				
USD bn	**LRD as of 31.3.23**	Currency effects	Asset size and other	Acquisition of the Credit Suisse Group	LRD as of 30.6.23
On-balance sheet exposures (excluding derivatives and securities financing transactions)	804.0	6.0	8.9	464.2	1,283.1
Derivatives	91.6	(0.2)	1.3	48.8	141.4
Securities financing transactions	96.9	(0.4)	1.9	63.5	161.8
Off-balance sheet items	32.9	0.2	1.2	64.6	98.9
Deduction items	(10.9)	0.0	0.1	3.4 [1]	(7.4)
Total	**1,014.4**	**5.6**	**13.4**	**644.4**	**1,677.9**

1 Includes transitional CET1 purchase price allocation adjustments

The LRD movements described below exclude currency effects and the impact of the acquisition.

On-balance sheet exposures (excluding derivatives and securities financing transactions) increased by USD 8.9bn, primarily due to higher central bank balances and trading portfolio assets, partly offset by lower lending balances.

Derivative exposures increased by USD 1.3bn, mainly due to an increase in trading volumes driven by equity option contracts in Global Wealth Management and market-driven movements on foreign-currency and interest-rate contracts in the Investment Bank.

Securities financing transactions increased by USD 1.9bn, mainly due to collateral sourcing activities.

Off-balance sheet items increased by USD 1.2bn, largely due to an increase in credit risk guarantees in Global Wealth Management.

› **Refer to the “Balance sheet and off-balance sheet” section of this report for more information about balance sheet movements**

Leverage ratio denominator by business divisions, Group Functions and Corporate Center (Credit Suisse)

	30.6.23				
	UBS business divisions and Group Functions				
USD bn	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions
On-balance sheet exposures	347.3	227.1	3.9	183.0	57.7
Derivatives	6.1	1.3	0.0	82.9	2.4
Securities financing transactions	24.5	13.4	0.1	41.8	18.6
Off-balance sheet items	9.6	16.9		7.2	0.7
Items deducted from Swiss SRB tier 1 capital	(5.2)	(0.2)	(1.2)	(0.4)	(3.7)
Total	382.3	258.5	2.8	314.4	75.6

	Credit Suisse business divisions and Corporate Center						
USD bn	Wealth Management	Swiss Bank	Asset Management	Investment Bank	Capital Release Unit	Corporate Center	UBS Group Total
On-balance sheet exposures	100.5	209.8	1.7	82.8	67.3	2.1	1,283.1
Derivatives	2.3	1.4	0.0	30.1	12.6	2.3	141.4
Securities financing transactions	0.9			5.7	4.8	52.1	161.8
Off-balance sheet items	12.2	21.5	0.2	23.4	6.5	0.8	98.9
Items deducted from Swiss SRB tier 1 capital[1]	5.3	0.6	0.0	(0.4)	(0.3)	(1.8)	(7.4)
Total	121.2	233.4	1.9	141.6	90.9	55.5	1,677.9

1 Includes transitional CET1 purchase price allocation adjustments

The below tables cover the prior period of the UBS business divisions preceding the acquisition.

	31.3.23					
USD bn	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS Group Total
On-balance sheet exposures	**350.7**	**224.1**	**4.1**	**192.3**	**32.9**	**804.0**
Derivatives	5.3	1.1	0.0	82.5	2.6	91.6
Securities financing transactions	23.1	13.0	0.1	43.9	16.7	96.9
Off-balance sheet items	8.3	16.8		7.0	0.7	32.9
Items deducted from Swiss SRB tier 1 capital	(5.2)	(0.1)	(1.2)	(0.4)	(3.9)	(10.9)
Total	**382.2**	**254.9**	**3.0**	**325.4**	**49.0**	**1,014.4**

	30.6.23 vs 31.3.23					
USD bn	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS Group Total
On-balance sheet exposures	**(3.4)**	**3.0**	**(0.2)**	**(9.3)**	**24.8**	**479.1**
Derivatives	0.8	0.2	0.0	0.4	(0.2)	49.9
Securities financing transactions	1.4	0.4	0.0	(2.1)	1.8	65.0
Off-balance sheet items	1.3	0.1		0.1	0.0	66.0
Items deducted from Swiss SRB tier 1 capital	0.0	0.0	0.0	0.0	0.2	3.5
Total	**0.0**	**3.6**	**(0.2)**	**(10.9)**	**26.6**	**663.4**

1 Includes transitional CET1 purchase price allocation adjustments

Liquidity and funding management

Strategy, objectives and governance

This section provides liquidity and funding management information and should be read in conjunction with "Liquidity and funding management" in the "Capital, liquidity and funding, and balance sheet" section of the Annual Report 2022, which provides more information about the Group's strategy, objectives and governance in connection with liquidity and funding management.

Liquidity coverage ratio

The quarterly average liquidity coverage ratio (the LCR) of the UBS Group increased 13.3 percentage points to 175.2%, remaining above the prudential requirement communicated by the Swiss Financial Market Supervisory Authority (FINMA). This average was calculated based on a simple average of 64 data points in the second quarter of 2023, which includes Credit Suisse's business activity from the acquisition date to 30 June, i.e., 15 business days from 12 June 2023. The post-acquisition, 15-day average LCR of the UBS Group was 199.5%.

› **Refer to the "Acquisition of Credit Suisse Group" section of this report for more information**

The movement in the average LCR was primarily driven by an increase in high-quality liquid assets (HQLA) of USD 26.9bn to USD 257.1bn. This increase was substantially related to the Credit Suisse HQLA, which were mainly made up of cash and government bonds. The 15-day average HQLA of the UBS Group following the acquisition of the Credit Suisse Group was USD 372.1bn.

The increase in HQLA was partly offset by a USD 2.8bn increase in net cash outflows to USD 145.0bn, predominantly attributable to Credit Suisse's net cash outflows related to customer deposits, credit commitments and derivatives. These outflows were partly offset by inflows from loans in Credit Suisse, as well as lower outflows from deposits and prime brokerage transactions of the UBS Group excluding Credit Suisse. The 15-day average net cash outflows of the UBS Group following the acquisition of the Credit Suisse Group was USD 186.5bn.

› **Refer to the 30 June 2023 Pillar 3 report, available under "Pillar 3 disclosures" at *ubs.com/investors* for more information about the LCR**

Liquidity coverage ratio

USD bn, except where indicated	Average 2Q23[1]	Average 1Q23[1]
High-quality liquid assets	257.1	230.2
Net cash outflows[2]	145.0	142.2
Liquidity coverage ratio (%)[3]	175.2	161.9

1 Calculated based on an average of 64 data points in the second quarter of 2023 and 64 data points in the first quarter of 2023. 2 Represents the net cash outflows expected over a stress period of 30 calendar days. 3 Calculated after the application of haircuts and inflow and outflow rates, as well as, where applicable, caps on Level 2 assets and cash inflows.

Net stable funding ratio

As of 30 June 2023, the net stable funding ratio (the NSFR) of the UBS Group decreased by 0.1 percentage points to 117.6%, remaining above the prudential requirement communicated by FINMA. The NSFR for UBS Group excluding Credit Suisse improved compared with 31 March 2023 and this effect was offset by the acquisition of the Credit Suisse Group.

Available stable funding increased by USD 316.8bn to USD 873.1bn, predominantly driven by the acquisition of the Credit Suisse Group, mainly reflecting deposit balances, debt securities issued, regulatory capital and, to a lesser extent, securities financing transactions. The increase in the UBS Group excluding Credit Suisse was predominantly driven by higher customer deposits and debt securities issued.

Required stable funding increased by USD 269.4bn to USD 742.1bn, substantially reflecting the acquisition of the Credit Suisse Group. This balance predominantly includes lending assets and, to a lesser extent, derivative balances and trading portfolio assets. Required stable funding in the UBS Group excluding Credit Suisse decreased slightly, mainly driven by lower trading assets.

› **Refer to the 30 June 2023 Pillar 3 report, available under "Pillar 3 disclosures" at *ubs.com/investors* for more information about the NSFR**

Net stable funding ratio

USD bn, except where indicated	30.6.23	31.3.23
Available stable funding	873.1	556.3
Required stable funding	742.1	472.7
Net stable funding ratio (%)	117.6	117.7

Balance sheet and off-balance sheet

This section provides balance sheet and off-balance sheet information and should be read in conjunction with "Balance sheet and off-balance sheet" in the "Capital, liquidity and funding, and balance sheet" section of the Annual Report 2022, which provides more information about the balance sheet and off-balance sheet positions. For more information about the balance sheet effects of the acquisition of the Credit Suisse Group, refer to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section.

Balances disclosed in this report represent quarter-end positions, unless indicated otherwise. Intra-quarter balances fluctuate in the ordinary course of business and may differ from quarter-end positions.

Balance sheet assets (30 June 2023 vs 31 March 2023)

Total assets were USD 1,678.8bn as of 30 June 2023. The increase of USD 625.7bn was primarily related to the acquisition of the Credit Suisse Group.

Cash and balances at central banks increased by USD 117.4bn to USD 261.6bn. The acquisition of the Credit Suisse Group contributed USD 102.2bn, including balances mainly with the Swiss National Bank (the SNB) and the Federal Reserve. Excluding the effect of that acquisition, balances with central banks increased by USD 15.2bn during the quarter, driven by net issuances of short-term debt and increases in customer deposits, mainly in Global Wealth Management, as well as new issuances of Debt issued designated at fair value in the Investment Bank. These inflows were partly offset by higher margin requirements.

Lending assets increased by USD 271.2bn to USD 676.2bn, predominantly reflecting the acquisition of the Credit Suisse Group, contributing USD 272.7bn. The acquired balances consisted of USD 10.7bn of Amounts due from banks, as well as USD 262.0bn of Loans and advances to customers, with the most significant effects in Private clients with mortgages of USD 91.8bn, Lombard loans of USD 44.2bn and Real estate financing of USD 42.8bn.

Securities financing transactions at amortized cost increased by USD 26.5bn to USD 86.5bn, of which USD 24.6bn related to the acquisition of the Credit Suisse Group. Trading assets increased by USD 33.3bn, including USD 31.9bn related to the acquisition, primarily held to hedge client positions and facilitate client trading activity.

Derivatives and cash collateral receivables on derivative instruments increased by USD 93.3bn. The increase related to the acquisition of the Credit Suisse Group was USD 82.5bn, including USD 19.3bn of cash collateral receivables. Excluding the effects of that acquisition, balances increased by USD 10.8bn, mainly in the Derivatives & Solutions business, primarily reflecting market-driven movements on foreign-currency and interest-rate contracts amid volatility in exchange rates and increases in interest rates, respectively.

Other financial assets measured at amortized cost increased by USD 15.7bn to USD 64.9bn, mostly related to the acquisition of the Credit Suisse Group, reflecting finance lease receivables, as well as cash collateral provided mainly to exchanges and clearing houses to secure securities trading activity through those counterparties. Other financial assets measured at fair value increased by USD 51.7bn to USD 120.8bn, predominantly reflecting securities financing transactions measured at fair value obtained through the acquisition. Non-financial assets increased by USD 15.9bn to USD 55.8bn. The positions acquired from the Credit Suisse Group of USD 16.8bn mainly included leased and owned properties and equipment, investments in associates, and prepaid expenses, as well as physical holdings of precious metals.

Assets

	As of		% change from
USD bn	30.6.23	31.3.23	31.3.23
Cash and balances at central banks	261.6	144.2	81
Lending[1]	676.2	405.0	67
Securities financing transactions at amortized cost	86.5	60.0	44
Trading assets	151.1	117.8	28
Derivatives and cash collateral receivables on derivative instruments	240.3	147.0	63
Brokerage receivables	21.5	21.0	2
Other financial assets measured at amortized cost	64.9	49.2	32
Other financial assets measured at fair value[2]	120.8	69.1	75
Non-financial assets	55.8	39.9	40
Total assets	1,678.8	1,053.1	59
of which: Credit Suisse[3]	*598.3*		

1 Consists of loans and advances to customers and banks. 2 Consists of financial assets at fair value not held for trading and financial assets measured at fair value through other comprehensive income. 3 Refer to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information.

Balance sheet liabilities (30 June 2023 vs 31 March 2023)

Total liabilities were USD 1,591.1bn as of 30 June 2023. The increase of USD 595.1bn was primarily related to balances acquired as part of the transaction with the Credit Suisse Group.

Short-term borrowings increased by USD 98.7bn, of which USD 87.8bn reflected the acquisition of the Credit Suisse Group, including USD 70.6bn of funding from the SNB. Subsequent to 30 June 2023 and up to the date of this report, UBS repaid a further USD 28bn to the SNB. Excluding the effects of that acquisition, short-term borrowings increased by USD 10.9bn, mainly driven by net new issuances of commercial paper and certificates of deposit in UBS Group Treasury, as well as higher amounts due to banks, mainly related to funding obtained from the US Federal Home Loan Banks. Securities financing transactions at amortized cost increased by USD 12.4bn, of which USD 10.0bn related to the acquisition.

Customer deposits increased by USD 206.9bn to USD 712.5bn. The acquisition of the Credit Suisse Group contributed USD 198.0bn to the increase. Excluding the effects of that acquisition, the increase of USD 9.0bn was mainly in Global Wealth Management, driven by net inflows into fixed-term and savings deposit products, partly offset by continued shifts into money market funds and US-government securities. Excluding the effects from the acquisition, customer time deposits increased by USD 22.0bn, reflecting inflows and continued shifts from on-demand customer deposits as interest rates increased during the quarter.

Debt issued designated at fair value and long-term debt issued measured at amortized cost increased by USD 149.3bn to USD 315.4bn. The increase mainly relates to the acquisition of the Credit Suisse Group, which contributed USD 147.7bn, including USD 52.9bn of debt instruments that had been transferred from Credit Suisse Group AG to UBS Group AG.

Trading liabilities increased by USD 6.0bn, of which USD 5.1bn resulted from the acquisition of the Credit Suisse Group. Derivatives and cash collateral payables on derivative instruments increased by USD 86.2bn to USD 234.6bn, including USD 76.7bn related to that acquisition, of which USD 10.0bn was cash collateral payables. The remaining increase of USD 9.5bn, mainly in the Derivatives & Solutions business, primarily reflected market-driven movements, broadly in line with the asset side.

Other financial liabilities measured at amortized cost increased by USD 9.1bn to USD 19.4bn, with an increase of USD 7.4bn related to the acquisition, mainly including accrued expenses and lease liabilities. Other financial liabilities measured at fair value increased by USD 10.3bn to USD 36.1bn, including balances of USD 7.0bn acquired from the Credit Suisse Group, mainly related to fully funded derivatives, and securities financing transactions measured at fair value. Non-financial liabilities increased by USD 16.2bn to USD 26.9bn, including USD 15.5bn related to liabilities acquired from the Credit Suisse Group, mainly representing provisions and contingent liabilities, compensation-related liabilities and deferred tax liabilities.

The "Liabilities by product and currency" table in this section provides more information about our funding sources.

› **Refer to "Bondholder information" at *ubs.com/investors* for more information about capital and senior debt instruments**

› **Refer to the "Consolidated financial statements" section of this report for more information**

Liabilities and equity

	As of		% change from
USD bn	30.6.23	31.3.23	31.3.23
Short-term borrowings[1,2]	139.7	41.0	241
Securities financing transactions at amortized cost	22.3	9.9	126
Customer deposits	712.5	505.6	41
Debt issued designated at fair value and long-term debt issued measured at amortized cost[2]	315.4	166.1	90
Trading liabilities	40.4	34.4	17
Derivatives and cash collateral payables on derivative instruments	234.6	148.4	58
Brokerage payables	43.9	43.9	0
Other financial liabilities measured at amortized cost	19.4	10.3	89
Other financial liabilities designated at fair value	36.1	25.8	40
Non-financial liabilities	26.9	10.7	150
Total liabilities	1,591.1	996.0	60
of which: Credit Suisse[3]	*502.7*		
Share capital	0.3	0.3	14
Share premium	12.5	13.0	(3)
Treasury shares	(4.2)	(8.2)	(49)
Retained earnings	78.2	51.1	53
Other comprehensive income[4]	0.2	0.6	(72)
Total equity attributable to shareholders	87.0	56.8	53
Equity attributable to non-controlling interests	0.6	0.4	80
Total equity	87.6	57.1	53
Total liabilities and equity	1,678.8	1,053.1	59

1 Consists of short-term debt issued measured at amortized cost and amounts due to banks, which includes amounts due to central banks. 2 The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. 3 Excludes USD 52.9bn of debt instruments previously issued by Credit Suisse Group AG and transferred to UBS Group AG as part of the acquisition. Refer to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information. 4 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings.

Equity (30 June 2023 vs 31 March 2023)

Equity attributable to shareholders increased by USD 30,245m to USD 86,999m as of 30 June 2023.

The increase of USD 30,245m was mainly driven by total comprehensive income attributable to shareholders of USD 28,013m, reflecting net profit of USD 28,875m, which included the recognition of negative goodwill on the acquisition of the Credit Suisse Group of USD 28,925m, and negative other comprehensive income (OCI) of USD 862m. OCI mainly included negative cash flow hedge OCI of USD 775m, negative OCI related to own credit on financial liabilities designated at fair value of USD 413m, negative defined benefit plan OCI of USD 53m and OCI related to foreign currency translation of USD 368m. In addition, net treasury share activity increased equity by USD 3,542m. This was predominantly due to the consideration used to acquire the Credit Suisse Group.

These increases were partly offset by distributions to shareholders of USD 1,679m, reflecting a dividend payment of USD 0.55 per share.

In the second quarter of 2023, we canceled 62,548,000 shares purchased under our 2021 share repurchase program, as approved by shareholders at the 2023 Annual General Meeting (the 2023 AGM). The cancellation of shares resulted in reclassifications within equity but had no net effect on our total equity attributable to shareholders.

At the 2023 AGM, shareholders also approved the change of the share capital currency of UBS Group AG from the Swiss franc to the US dollar. As a result, the nominal value per share has changed from CHF 0.10 to USD 0.10, resulting in a reclassification between share capital and capital contribution reserve (presented as share premium in the consolidated financial statements). Total equity reported was not affected by this change.

› **Refer to the "Share information and earnings per share" section of this report for more information about our share repurchase programs**

› **Refer to the "Group performance" and "Consolidated financial statements" sections of this report for more information**

Liabilities by product and currency

			USD Equivalent					
	All currencies		*of which: USD*		*of which: CHF*		*of which: EUR*	
USD bn	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23
Short-term borrowings	139.7	41.0	49.7	24.1	69.6	4.6	9.3	3.8
of which: amounts due to banks	*99.2*	*13.6*	*20.3*	*6.1*	*69.5*	*4.5*	*3.8*	*0.7*
of which: short-term debt issued[1,2]	*40.5*	*27.4*	*29.4*	*18.0*	*0.1*	*0.2*	*5.5*	*3.2*
Securities financing transactions at amortized cost	22.3	9.9	15.4	9.1	2.2	0.0	2.8	0.2
Customer deposits	712.5	505.6	280.9	211.5	296.0	198.3	72.3	50.8
of which: demand deposits	*250.1*	*165.9*	*66.2*	*43.6*	*109.2*	*66.7*	*42.7*	*31.8*
of which: retail savings / deposits	*189.0*	*149.5*	*31.0*	*24.3*	*153.0*	*119.8*	*4.9*	*5.3*
of which: sweep deposits	*45.5*	*53.4*	*45.5*	*53.4*	*0.0*	*0.0*	*0.0*	*0.0*
of which: time deposits	*227.9*	*136.9*	*138.2*	*90.2*	*33.8*	*11.7*	*24.7*	*13.8*
Debt issued designated at fair value and long-term debt issued measured at amortized cost[2]	315.4	166.1	176.3	103.0	40.1	17.2	70.1	33.1
Trading liabilities	40.4	34.4	13.3	13.0	1.6	0.9	13.0	8.7
Derivatives and cash collateral payables on derivative instruments	234.6	148.4	182.1	123.7	5.5	3.0	27.8	12.8
Brokerage payables	43.9	43.9	32.7	32.2	0.7	0.5	2.6	2.9
Other financial liabilities measured at amortized cost	19.4	10.3	7.7	4.7	4.9	2.2	2.3	1.1
Other financial liabilities designated at fair value	36.1	25.8	9.5	5.5	0.1	0.1	4.8	4.3
Non-financial liabilities	26.9	10.7	16.5	5.0	3.0	1.7	3.3	1.8
Total liabilities	1,591.1	996.0	784.0	531.7	423.8	228.5	208.2	119.5
of which: Credit Suisse[3]	*502.7*		*197.8*		*189.8*		*67.3*	

1 Short-term debt issued consists of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. 2 The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. 3 Refer to "Note 2 Accounting for the acquisition of Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information.

Off-balance sheet (30 June 2023 vs 31 March 2023)

Guarantees increased by USD 15.5bn, of which USD 14.7bn reflected the acquisition of the Credit Suisse Group; excluding the effects of that acquisition, guarantees increased by USD 0.8bn, mainly in Global Wealth Management. Loan commitments increased by USD 80.5bn, of which USD 80.3bn resulted from the acquisition of the Credit Suisse Group. Committed unconditionally revocable credit lines increased by USD 127.5bn, of which USD 125.3bn resulted from the acquisition of the Credit Suisse Group; excluding the effects of that acquisition, there was an increase of USD 2.2bn, driven by currency effects. Forward starting reverse repurchase agreements were broadly unchanged as of 30 June 2023 compared with 31 March 2023.

Off-balance sheet

	As of		% change from
USD bn	30.6.23	31.3.23	31.3.23
Guarantees[1,2]	36.7	21.2	73
Loan commitments[1]	120.3	39.8	203
Committed unconditionally revocable credit lines	168.6	41.1	310
Forward starting reverse repurchase agreements	5.0	4.7	5

1 Guarantees and loan commitments are shown net of sub-participations. 2 Includes guarantees measured at fair value through profit or loss.

Share information and earnings per share

UBS Group AG shares are listed on the SIX Swiss Exchange (SIX). They are also listed on the New York Stock Exchange (the NYSE) as global registered shares. Each share has a nominal value of USD 0.10 following a change of the share capital currency of UBS Group AG from the Swiss franc to the US dollar in the second quarter of 2023. Shares issued decreased in the second quarter of 2023, as 62,548,000 shares acquired under our 2021 share repurchase program were canceled by means of a capital reduction, as approved by shareholders at the 2023 Annual General Meeting (the 2023 AGM). We also intend to cancel the shares purchased under the 2022 program, subject to shareholder approval.

We held 234m shares as of 30 June 2023, of which 121m shares had been acquired under our 2022 share repurchase program for cancellation purposes. A total of 178m shares repurchased under the 2022 program and originally intended for cancellation purposes were repurposed for the acquisition of the Credit Suisse Group and 176m shares were transferred to Credit Suisse Group shareholders in an exchange of shares as consideration for the acquisition of the Credit Suisse Group. The remaining 114m shares are primarily held to hedge our share delivery obligations related to employee share-based compensation and participation plans.

Treasury shares held decreased by 238m shares in the second quarter of 2023. This mainly reflected the 176m shares transferred to Credit Suisse Group shareholders and the aforementioned cancellation of 62.5m shares.

Shares acquired under our 2022 program totaled 121m as of 30 June 2023 for a total acquisition cost of USD 2,277m (CHF 2,138m). A new, two-year share repurchase program of up to USD 6bn was approved by shareholders at the 2023 AGM. However, we have temporarily suspended repurchases under the share repurchase programs due to the acquisition of the Credit Suisse Group.

› **Refer to the "Acquisition of Credit Suisse Group" section of this report for more information about that acquisition**

› **Refer to the "Equity, CET1 capital and returns" table in the "Group performance" section of this report for more information about equity attributable to shareholders and tangible equity attributable to shareholders**

	As of or for the quarter ended			As of or year-to-date	
	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Basic and diluted earnings (USD m)					
Net profit / (loss) attributable to shareholders for basic EPS	28,875	1,029	2,108	29,904	4,244
Less: (profit) / loss on own equity derivative contracts	(4)	0	(5)	(4)	(3)
Net profit / (loss) attributable to shareholders for diluted EPS	28,871	1,029	2,103	29,900	4,241
Weighted average shares outstanding					
Weighted average shares outstanding for basic EPS[1]	3,082,139,901	3,072,799,315	3,304,598,259	3,077,469,608	3,342,426,249
Effect of dilutive potential shares resulting from notional employee shares, in-the-money options and warrants outstanding[2]	130,190,947	140,868,722	128,725,327	136,069,754	138,710,134
Weighted average shares outstanding for diluted EPS	3,212,330,848	3,213,668,037	3,433,323,586	3,213,539,362	3,481,136,383
Earnings per share (USD)					
Basic	9.37	0.33	0.64	9.72	1.27
Diluted	8.99	0.32	0.61	9.30	1.22
Shares outstanding and potentially dilutive instruments					
Shares issued	3,462,087,722	3,524,635,722	3,524,635,722	3,462,087,722	3,524,635,722
Treasury shares[3]	234,314,998	472,352,835	267,270,042	234,314,998	267,270,042
of which: related to the 2021 share repurchase program		*62,548,000*	*62,548,000*		*62,548,000*
of which: related to the 2022 share repurchase program	*120,506,008*	*298,537,950*	*92,749,500*	*120,506,008*	*92,749,500*
Shares outstanding	3,227,772,724	3,052,282,887	3,257,365,680	3,227,772,724	3,257,365,680
Potentially dilutive instruments[4]	7,790,755	4,859,813	5,366,916	8,105,259	5,404,012
Other key figures					
Total book value per share (USD)	26.95	18.59	17.45	26.95	17.45
Tangible book value per share (USD)	24.61	16.54	15.51	24.61	15.51
Share price (USD)[5]	20.20	21.07	16.11	20.20	16.11
Market capitalization (USD m)[6]	69,932	74,276	56,781	69,932	56,781

1 The weighted average shares outstanding for basic earnings per share are calculated by taking the number of shares at the beginning of the period, adjusted by the number of shares acquired or issued during the period, multiplied by a time-weighted factor for the period outstanding. As a result, balances are affected by the timing of acquisitions and issuances during the period. 2 The weighted average number of shares for notional employee awards with performance conditions reflects all potentially dilutive shares that are expected to vest under the terms of the awards. 3 Based on a settlement date view. 4 Reflects potential shares that could dilute basic earnings per share in the future, but were not dilutive for any of the periods presented. It mainly includes equity-based awards subject to absolute and relative performance conditions and equity derivative contracts. 5 Represents the share price as listed on the SIX Swiss Exchange, translated to US dollars using the closing exchange rate as of the respective date. 6 The calculation of market capitalization has been amended to reflect total shares issued multiplied by the share price at the end of the period. The calculation was previously based on total shares outstanding multiplied by the share price at the end of the period. Market capitalization has been increased by USD 10.0bn as of 31 March 2023 and by USD 4.3bn as of 30 June 2022 as a result.

Ticker symbols UBS Group AG

Trading exchange	SIX / NYSE	Bloomberg	Reuters
SIX Swiss Exchange	UBSG	UBSG SW	UBSG.S
New York Stock Exchange	UBS	UBS UN	UBS.N

Security identification codes

ISIN	CH0244767585
Valoren	24 476 758
CUSIP	CINS H42097 10 7

Consolidated financial statements

Unaudited

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UBS Group AG interim consolidated financial statements (unaudited)

Income statement

		For the quarter ended			Year-to-date	
USD m	Note	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	4	7,101	4,777	2,380	11,878	4,525
Interest expense from financial instruments measured at amortized cost	4	(5,880)	(3,814)	(1,070)	(9,695)	(1,852)
Net interest income from financial instruments measured at fair value through profit or loss and other	4	493	425	355	918	763
Net interest income	4	1,713	1,388	1,665	3,101	3,436
Other net income from financial instruments measured at fair value through profit or loss		2,463	2,681	1,619	5,143	3,845
Fee and commission income	5	5,682	5,053	5,224	10,735	11,061
Fee and commission expense	5	(507)	(447)	(450)	(954)	(934)
Net fee and commission income	5	5,175	4,606	4,774	9,781	10,127
Other income		188	69	859	258	891
Total revenues		9,540	8,744	8,917	18,284	18,299
Negative goodwill	2	28,925			28,925	
Credit loss expense / (release)	8	740	38	7	778	25
Personnel expenses	6	5,651	4,620	4,422	10,271	9,343
General and administrative expenses	7	1,968	2,065	1,370	4,033	2,578
Depreciation, amortization and impairment of non-financial assets		866	525	503	1,391	1,009
Operating expenses		8,486	7,210	6,295	15,696	12,929
Operating profit / (loss) before tax		29,239	1,495	2,615	30,735	5,344
Tax expense / (benefit)		361	459	497	820	1,082
Net profit / (loss)		28,878	1,037	2,118	29,915	4,262
Net profit / (loss) attributable to non-controlling interests		3	8	10	11	18
Net profit / (loss) attributable to shareholders		28,875	1,029	2,108	29,904	4,244
Earnings per share (USD)						
Basic		9.37	0.33	0.64	9.72	1.27
Diluted		8.99	0.32	0.61	9.30	1.22

Statement of comprehensive income

	For the quarter ended			Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Comprehensive income attributable to shareholders[1]					
Net profit / (loss)	28,875	1,029	2,108	29,904	4,244
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	754	236	(1,030)	991	(1,512)
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	(379)	(127)	443	(506)	660
Foreign currency translation differences on foreign operations reclassified to the income statement	(3)	(1)	8	(3)	8
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	(1)	(1)	(4)	(2)	(4)
Income tax relating to foreign currency translations, including the effect of net investment hedges	(4)	(2)	5	(5)	8
Subtotal foreign currency translation, net of tax	368	106	(577)	474	(840)
Financial assets measured at fair value through other comprehensive income					
Net unrealized gains / (losses), before tax	0	2	(3)	2	(442)
Net realized (gains) / losses reclassified to the income statement from equity	0	0	0	0	0
Reclassification of financial assets to Other financial assets measured at amortized cost[2]			449		449
Income tax relating to net unrealized gains / (losses)	0	0	(116)	0	(3)
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	0	2	330	2	3
Cash flow hedges of interest rate risk					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	(1,314)	387	(1,298)	(928)	(3,763)
Net (gains) / losses reclassified to the income statement from equity	410	349	(149)	759	(386)
Income tax relating to cash flow hedges	130	(130)	276	0	794
Subtotal cash flow hedges, net of tax	(775)	606	(1,171)	(169)	(3,355)
Cost of hedging					
Cost of hedging, before tax	11	(5)	21	6	98
Income tax relating to cost of hedging	0	0	0	0	0
Subtotal cost of hedging, net of tax	11	(5)	21	6	98
Total other comprehensive income that may be reclassified to the income statement, net of tax	(397)	709	(1,396)	312	(4,093)
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	(17)	25	122	8	163
Income tax relating to defined benefit plans	(35)	6	(7)	(29)	(8)
Subtotal defined benefit plans, net of tax	(53)	31	115	(21)	155
Own credit on financial liabilities designated at fair value					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	(473)	69	296	(404)	719
Income tax relating to own credit on financial liabilities designated at fair value	60	(17)	(26)	43	(26)
Subtotal own credit on financial liabilities designated at fair value, net of tax	(413)	51	271	(362)	693
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(466)	83	385	(383)	848
Total other comprehensive income	(862)	791	(1,011)	(71)	(3,245)
Total comprehensive income attributable to shareholders	28,013	1,820	1,097	29,833	999
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	3	8	10	11	18
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(5)	5	(28)	0	(10)
Total comprehensive income attributable to non-controlling interests	(2)	13	(17)	11	9
Total comprehensive income					
Net profit / (loss)	28,878	1,037	2,118	29,915	4,262
Other comprehensive income	(867)	796	(1,039)	(71)	(3,255)
of which: other comprehensive income that may be reclassified to the income statement	*(397)*	*709*	*(1,396)*	*312*	*(4,093)*
of which: other comprehensive income that will not be reclassified to the income statement	*(470)*	*87*	*357*	*(383)*	*839*
Total comprehensive income	28,011	1,833	1,079	29,844	1,008

1 Refer to the "Group performance" section of this report for more information. 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. 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.

Balance sheet

USD m	Note	30.6.23	31.3.23	31.12.22
Assets				
Cash and balances at central banks		261,587	144,183	169,445
Amounts due from banks		24,392	14,901	14,792
Receivables from securities financing transactions measured at amortized cost		86,538	60,010	67,814
Cash collateral receivables on derivative instruments	10	54,314	32,726	35,032
Loans and advances to customers	8	651,770	390,130	387,220
Other financial assets measured at amortized cost	11	64,928	49,179	53,264
Total financial assets measured at amortized cost		1,143,528	691,130	727,568
Financial assets at fair value held for trading	9	151,098	117,757	107,866
of which: assets pledged as collateral that may be sold or repledged by counterparties		*54,165*	*37,569*	*36,742*
Derivative financial instruments	9, 10	185,949	114,251	150,108
Brokerage receivables	9	21,537	21,025	17,576
Financial assets at fair value not held for trading	9	118,605	66,826	59,796
Total financial assets measured at fair value through profit or loss		477,188	319,859	335,347
Financial assets measured at fair value through other comprehensive income	9	2,217	2,241	2,239
Investments in associates		2,691	1,114	1,101
Property, equipment and software		18,325	12,249	12,288
Goodwill and intangible assets		7,569	6,272	6,267
Deferred tax assets		10,342	9,310	9,389
Other non-financial assets	11	16,919	10,958	10,166
Total assets		1,678,780	1,053,134	1,104,364
of which: Credit Suisse	*2*	*598,304*		
Liabilities				
Amounts due to banks		99,167	13,595	11,596
Payables from securities financing transactions measured at amortized cost		22,297	9,870	4,202
Cash collateral payables on derivative instruments	10	41,416	32,238	36,436
Customer deposits		712,546	505,581	525,051
Debt issued measured at amortized cost	13	230,857	116,312	114,621
Other financial liabilities measured at amortized cost	11	19,403	10,292	9,575
Total financial liabilities measured at amortized cost		1,125,687	687,889	701,481
Financial liabilities at fair value held for trading	9	40,364	34,374	29,515
Derivative financial instruments	9, 10	193,147	116,113	154,906
Brokerage payables designated at fair value	9	43,852	43,911	45,085
Debt issued designated at fair value	9, 12	125,050	77,233	73,638
Other financial liabilities designated at fair value	9, 11	36,122	25,758	30,237
Total financial liabilities measured at fair value through profit or loss		438,534	297,390	333,381
Provisions and contingent liabilities	15	14,929	3,937	3,243
Other non-financial liabilities	11	11,994	6,811	9,040
Total liabilities		1,591,145	996,028	1,047,146
of which: Credit Suisse[1]	*2*	*502,743*		
Equity				
Share capital		346	304	304
Share premium		12,521	12,971	13,546
Treasury shares		(4,208)	(8,242)	(6,874)
Retained earnings		78,180	51,140	50,004
Other comprehensive income recognized directly in equity, net of tax		161	581	(103)
Equity attributable to shareholders		86,999	56,754	56,876
Equity attributable to non-controlling interests		636	352	342
Total equity		87,635	57,106	57,218
Total liabilities and equity		1,678,780	1,053,134	1,104,364

1 Excludes USD 52.9bn of debt instruments previously issued by Credit Suisse Group AG and transferred to UBS Group AG as part of the acquisition.

Statement of changes in equity

USD m	Share capital and share premium	Treasury shares	Retained earnings	OCI recognized directly in equity, net of tax[1]	*of which: foreign currency translation*	*of which: cash flow hedges*	Total equity attributable to shareholders
Balance as of 1 January 2023[2]	13,850	(6,874)	50,004	(103)	*4,128*	*(4,234)*	56,876
Purchase price consideration, before consideration of share-based compensation awards[3]	619	2,928					3,547
Impact of share-based compensation awards[3]	162						162
Impact of the settlement of pre-existing relationships[3]		(61)					(61)
Acquisition of treasury shares		(2,318)[4]					(2,318)
Delivery of treasury shares under share-based compensation plans	(798)	876					78
Other disposal of treasury shares	(1)	126[4]					125
Cancellation of treasury shares related to the 2021 share repurchase program[5]	(561)	1,115	(554)				0
Share-based compensation expensed in the income statement	445						445
Tax (expense) / benefit	5						5
Dividends	(839)[6]		(839)[6]				(1,679)
Equity classified as obligation to purchase own shares	(19)						(19)
Translation effects recognized directly in retained earnings			48	(48)		*(48)*	0
New consolidations / (deconsolidations) and other increases / (decreases)	2						2
Total comprehensive income for the period			29,521	312	*474*	*(169)*	29,833
of which: net profit / (loss)			*29,904*				*29,904*
of which: OCI, net of tax			*(383)*	*312*	*474*	*(169)*	*(71)*
Balance as of 30 June 2023[2]	12,867	(4,208)	78,180	161	*4,602*	*(4,451)*	86,999
Non-controlling interests as of 30 June 2023							636[7]
Total equity as of 30 June 2023							87,635
Balance as of 1 January 2022[2]	16,250	(4,675)	43,851	5,236	*4,653*	*628*	60,662
Acquisition of treasury shares		(3,684)[4]					(3,684)
Delivery of treasury shares under share-based compensation plans	(742)	815					74
Other disposal of treasury shares	(3)	111[4]					107
Cancellation of treasury shares related to the 2021 share repurchase program	(1,520)	3,022	(1,502)				0
Share-based compensation expensed in the income statement	384						384
Tax (expense) / benefit	7						7
Dividends	(834)[6]		(834)[6]				(1,668)
Equity classified as obligation to purchase own shares	(40)						(40)
Translation effects recognized directly in retained earnings			(13)	13		*13*	0
Share of changes in retained earnings of associates and joint ventures			0				0
New consolidations / (deconsolidations) and other increases / (decreases)	4		3	(3)			4
Total comprehensive income for the period			5,092	(4,093)	*(840)*	*(3,355)*	999
of which: net profit / (loss)			*4,244*				*4,244*
of which: OCI, net of tax			*848*	*(4,093)*	*(840)*	*(3,355)*	*(3,245)*
Balance as of 30 June 2022[2]	13,506	(4,412)	46,598	1,152	*3,813*	*(2,713)*	56,845
Non-controlling interests as of 30 June 2022							339
Total equity as of 30 June 2022							57,184

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 Refer to Note 2 for more information. 4 Includes treasury shares acquired and disposed of by the Investment Bank in its capacity as a market maker with regard to UBS shares and related derivatives, and to hedge certain issued structured debt instruments. These acquisitions and disposals are reported based on the sum of the net monthly movements. 5 Reflects the cancellation of 62,548,000 shares purchased under UBS's 2021 share repurchase program as approved by shareholders at the 2023 Annual General Meeting. Swiss tax law requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to reduce capital contribution reserves by at least 50% of the total capital reduction amount exceeding the nominal value upon cancellation of the shares. 6 Reflects the payment of an ordinary cash dividend of USD 0.55 per dividend-bearing share in April 2023 (2022: USD 0.50 per dividend-bearing share paid in April 2022). Swiss tax law requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to pay no more than 50% of dividends from capital contribution reserves, with the remainder required to be paid from retained earnings. 7 Includes an increase of USD 285m in the second quarter of 2023 due to the acquisition of the Credit Suisse Group.

Statement of cash flows

	Year-to-date	
USD m	30.6.23	30.6.22
Cash flow from / (used in) operating activities		
Net profit / (loss)	29,915	4,262
Non-cash items included in net profit and other adjustments:		
Depreciation, amortization and impairment of non-financial assets	1,391	1,009
Credit loss expense / (release)	778	25
Share of net (profit) / loss of associates and joint ventures and impairment related to associates	(36)	(12)
Deferred tax expense / (benefit)	(35)	350
Net loss / (gain) from investing activities	(84)	(732)
Net loss / (gain) from financing activities	4,843	(14,379)
Negative goodwill[1]	(28,925)	
Other net adjustments	(1,559)	9,399
Net change in operating assets and liabilities:[2]		
Amounts due from banks and amounts due to banks	6,017	3,000
Securities financing transactions measured at amortized cost	13,428	10,833
Cash collateral on derivative instruments	(3,409)	(4,699)
Loans and advances to customers and customer deposits	1,772	(13,203)
Financial assets and liabilities at fair value held for trading and derivative financial instruments	(7,278)	13,104
Brokerage receivables and payables	(5,141)	8,239
Financial assets at fair value not held for trading and other financial assets and liabilities	6,015	1,706
Provisions and other non-financial assets and liabilities	898	125
Income taxes paid, net of refunds	(925)	(878)
Net cash flow from / (used in) operating activities	17,665	18,150
Cash flow from / (used in) investing activities		
Cash and cash equivalents acquired on acquisition of Credit Suisse[1]	108,510	
Purchase of subsidiaries, associates and intangible assets	1	
Disposal of subsidiaries, associates and intangible assets	45	911
Purchase of property, equipment and software	(830)	(761)
Disposal of property, equipment and software	1	3
Purchase of financial assets measured at fair value through other comprehensive income	(2,444)	(2,821)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	2,468	2,291
Purchase of debt securities measured at amortized cost	(7,541)	(8,167)
Disposal and redemption of debt securities measured at amortized cost	4,659	3,914
Net cash flow from / (used in) investing activities	104,869	(4,630)
Cash flow from / (used in) financing activities		
Repayment of Swiss National Bank funding	(27,813)	
Net issuance (repayment) of short-term debt measured at amortized cost	5,203	(10,440)
Net movements in treasury shares and own equity derivative activity	(2,136)	(3,521)
Distributions paid on UBS shares	(1,679)	(1,668)
Issuance of debt designated at fair value and long-term debt measured at amortized cost	51,420	48,460
Repayment of debt designated at fair value and long-term debt measured at amortized cost	(49,777)	(36,309)
Net cash flows from other financing activities	(274)	(352)
Net cash flow from / (used in) financing activities	(25,056)	(3,830)
Total cash flow		
Cash and cash equivalents at the beginning of the period	195,321	207,875
Net cash flow from / (used in) operating, investing and financing activities	97,478	9,690
Effects of exchange rate differences on cash and cash equivalents	2,960	(9,656)
Cash and cash equivalents at the end of the period[3]	295,759	207,909
of which: cash and balances at central banks[4]	*261,504*	*190,244*
of which: amounts due from banks	*21,996*	*15,786*
of which: money market paper[5]	*12,259*	*1,880*
Additional information		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	17,243	6,088
Interest paid in cash	11,604	2,675
Dividends on equity investments, investment funds and associates received in cash[6]	1,314	1,059

1 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 2 Movements in this section exclude foreign currency translation and foreign exchange effects, which are presented within the Other net adjustments line. 3 USD 5,892m and USD 4,434m of cash and cash equivalents (mainly reflected in Amounts due from banks) were restricted as of 30 June 2023 and 30 June 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. Cash and cash equivalents at the end of the period includes 114,649m related to Credit Suisse. 4 Includes only balances with an original maturity of three months or less. 5 Money market paper is included in the balance sheet under Financial assets at fair value not held for trading (30 June 2023: USD 9,270m; 30 June 2022: USD 1,516m), Other financial assets measured at amortized cost (30 June 2023: USD 603m; 30 June 2022: USD 127m), Financial assets at fair value held for trading (30 June 2023: USD 2,386m; 30 June 2022: USD 58m), and Financial assets measured at fair value through other comprehensive income (30 June 2023: USD 0m; 30 June 2022: USD 180m). 6 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

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

Note 1 Basis of accounting

Basis of preparation

The consolidated financial statements (the financial statements) of UBS Group AG and its subsidiaries (together, UBS or the Group) are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars. 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 Group AG consolidated annual financial statements for the period ended 31 December 2022, except for the changes described in this Note. Note 2 sets out the accounting for the acquisition of the Credit Suisse Group. These interim financial statements are unaudited and should be read in conjunction with UBS Group AG's audited consolidated financial statements in the Annual Report 2022 and the "Management report" sections of this report, including the disclosures in the "Acquisition of Credit Suisse Group" section of this report. In the opinion of management, all necessary adjustments have been made for a fair presentation of the Group'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 this Note and Note 2, as well as "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 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 material effect on the Group's financial statements.

Amendments to IAS 12*, Income Taxes*

In May 2023, the IASB issued amendments to IAS 12 *Income Taxes*, whereby, under an exception, deferred tax assets (DTAs) and deferred tax liabilities (DTLs) will not be recognized in respect of top-up tax on income under Global Anti-Base Erosion Rules that is imposed under tax law that is enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. This exception applies immediately upon the issuance of the amendments and it is, therefore, potentially relevant to these financial statements and subsequent financial statements. Although countries are starting to implement the rules, the Group did not have any DTAs or DTLs on 30 June 2023 that had not been recognized as a result of the application of this exception. The exception is expected to be removed by the IASB in due course, although the timing of that has not been specified. The amendments also introduced new disclosure requirements in relation to top-up tax, which will first apply to the Group's financial statements for the year ended 31 December 2023.

Other amendments to IFRS

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

Incremental accounting policies related to the transactions and activities associated with the acquisition of the Credit Suisse Group

Business combinations

UBS has determined that the acquisition of the Credit Suisse Group constitutes a business combination under IFRS. As per "Note 1a Material accounting policies, item 1 Consolidation" in the "Consolidated financial statements" section of the Annual Report 2022, business combinations are accounted for using the acquisition method. Under this method, any excess of the acquisition-date amounts of the identifiable net assets acquired over the fair value of the consideration transferred results in a negative goodwill that is recognized in the income statement on the date of the acquisition, with transaction costs expensed as incurred.

Allowances and provisions for expected credit losses

The Group's material accounting policies in respect of allowances and provisions for expected credit losses are set out in "Note 1a Material accounting policies, item 2g Allowances and provisions for expected credit losses" in the "Consolidated financial statements" section of the Annual Report 2022. Financial instruments, acquired through a business combination that are not classified by the Group at fair value through profit or loss, are subject to the IFRS 9 expected credit loss (ECL) requirements. At the date of acquisition, financial instruments within the scope of the ECL requirements that are determined to be credit impaired are treated as purchased credit-impaired financial instruments, with all other financial instruments that are not credit impaired treated as stage 1 financial instruments on the basis that there has not been a significant increase in credit risk (an SICR) since their initial recognition. Consistent with the requirements of IFRS 3 and IFRS 9, immediately after the application of the acquisition method to the business combination, financial instruments that are not credit impaired are classified as stage 1 financial instruments and a maximum 12-month ECL is recognized, resulting in a carrying amount below their acquisition-date fair value.

Significant increase in credit risk

For the purposes of the 30-days-past-due backstop applied for the determination of an SICR for loans that were not 30 days past due on the date of acquisition, days past due are determined by counting the number of days for which the contractual payments have not been received since the acquisition date.

Default and credit impairment

For the purposes of the 90-days-past-due backstop applied for the determination of whether default has occurred, days past due are determined by counting the number of days since the earliest elapsed due date in respect of which material payments of interest, principal or fees have not been received, even if that date was prior to the acquisition date.

Goodwill and other separately identifiable intangible assets

The Group's material accounting policies in respect of the accounting of goodwill are set out in "Note 1a Material accounting policies, item 8 Goodwill" in the "Consolidated financial statements" section of the Annual Report 2022.

Separately from goodwill, UBS recognizes identifiable intangible assets acquired in a business combination that were not previously recognized in the financial statements of the acquiree. Amortization of these intangible assets is recognized on a straight-line basis over their estimated useful life. These assets are tested for impairment at the appropriate cash-generating unit level.

Negative goodwill, generally determined based on the difference between the provisional fair values for the identifiable assets acquired and liabilities assumed and consideration transferred, is recognized in the income statement on the acquisition date.

› **Refer to Note 2 for more information**

Contingent liabilities recognized in a business combination

Contingent liabilities recognized in a business combination are initially measured at fair value. Subsequently, they are measured at the higher of (i) the initially recognized fair value less (when appropriate) amortization in accordance with the principles of IFRS 15 and (ii) the amount that would be recognized in accordance with the requirements for provisions as set out in IAS 37.

Currency translation rates

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

	Closing exchange rate				Average rate[1]				
	As of				For the quarter ended			Year-to-date	
	30.6.23	31.3.23	31.12.22	30.6.22	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
1 CHF	1.12	1.09	1.08	1.05	1.11	1.08	1.04	1.11	1.06
1 EUR	1.09	1.08	1.07	1.05	1.09	1.08	1.06	1.09	1.09
1 GBP	1.27	1.23	1.21	1.22	1.27	1.22	1.25	1.24	1.29
100 JPY	0.69	0.75	0.76	0.74	0.71	0.75	0.76	0.73	0.80

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 the Group with the same functional currency for each month. Accordingly, the weighted average rates for the second quarter of 2023 and year-to-date June 2023 consider income and expenses from Credit Suisse's operations generated since its acquisition by UBS. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

Acquisition of the Credit Suisse Group

For information about the acquisition of the Credit Suisse Group refer to the "Management report" sections of this report, including the disclosures in the "Acquisition of Credit Suisse Group" section. As set out in Note 1, the acquisition of the Credit Suisse Group constitutes a business combination under IFRS 3 and is required to be accounted for by applying the acquisition method of accounting.

As part of the acquisition method of accounting, the assets and liabilities of the Credit Suisse Group have been converted from US GAAP to IFRS. The most material conversion impact arose from the different derivative netting rules, resulting in an increase in Total assets of USD 70bn, with no impact on Equity. Other conversion adjustments arose from the removal of the Swiss pension surplus and the different methods used to calculate expected credit losses.

› **Refer to Note 3 for more information**
› **Refer to Note 8 for more information about the expected credit losses recognized as an additional measurement adjustment following the acquisition date**

In addition, the financial assets and liabilities of the Credit Suisse Group have been remeasured to fair value as of the acquisition date, resulting in the provisional fair values disclosed on the following page, with fair value adjustments of USD 2.3bn recognized on financial instruments that are classified at fair value through profit or loss and fair value adjustments of USD 12.4bn recognized on financial instruments at amortized cost and off-balance sheet commitments and guarantees. In particular, material fair value adjustments have been made regarding the Credit Suisse Group lending portfolio, including mortgages and corporate lending, to bring the financial instruments from amortized cost to fair value. The fair value adjustments applied to amortized-cost financial instruments will generally accrete to par over their expected lives through *Total revenues* in the income statement if the instruments are continued to be held.

› **Refer to Note 9 for more information**

Adjustments have also been made to other asset and liability categories with new intangible assets of USD 0.9bn and USD 4.5bn of additional litigation provisions and contingent liabilities recognized as detailed below. Furthermore, Credit Suisse Group goodwill has been derecognized, the fair value of internally generated software has been marked down considering how other market participants would value acquired software, and real estate held and leased has been revalued.

Intangible assets

Included in *Intangible assets* is a fair value of USD 0.9bn for core deposits and customer relationship intangibles, which were recognized as part of the acquisition of the Credit Suisse Group. These assets were not previously recognized in the financial statements of the Credit Suisse Group. The core deposit intangible asset was valued using the after-tax cost savings method under the income approach. After-tax cost savings were estimated by comparing the cost of the existing deposits (including the cost of maintaining them) to the cost of obtaining alternative funds from a mix of diversified funding sources available to market participants. The intangible asset represents the present value of the after-tax cost savings expected to be realized over the remaining useful life of the deposits. The customer relationship intangible asset was valued using the multi-period excess earnings method (an income-based valuation methodology), by discounting estimated after-tax excess earnings attributable to existing customer relationships over their remaining useful lives. Both intangible asset valuations include assumptions consistent with how a market participant would estimate fair values, such as growth and attrition rates and projected fee and interest income, as well as related costs to service the relationships and deposits, and discount rates.

Also included in *Intangible assets* are mortgage servicing rights (MSRs) of USD 0.4bn, which represent the right to perform specified mortgage servicing activities on behalf of third parties, generating income through servicing fees. The MSRs were valued using a discounted cash flow model.

Additional provisions and contingent liabilities

Included in *Provisions and contingent liabilities* is USD 4.5bn for additional litigation provisions and contingent liabilities, which includes USD 1.5bn for litigation provisions, in addition to the existing USD 1.3bn provision previously recorded by the Credit Suisse Group, and USD 3bn contingent liabilities for certain potential obligations in respect of litigation, regulatory and similar matters identified in the purchase price allocation. The timing and actual amount of outflows associated with litigation matters are uncertain. UBS continues to assess the development of these obligations and the amount and timing of potential outflows. In addition, UBS has also recognized USD 4.5bn for fair value adjustments on acquired loan commitments and guarantees recognized under IFRS as a consequence of the acquisition, of which USD 4.3bn is included in *Provisions and contingent liabilities* and USD 0.2bn is included as fair value loan commitments within *Derivative financial instruments* liabilities.

› **Refer to Note 15 for more information**

The following table summarizes the determination of the purchase price consideration.

	Measure	
The Credit Suisse Group ordinary shares outstanding, 12 June 2023	Number of shares (m)	3,949
Exchange ratio (1 to 22.48)	Ratio	0.04
UBS ordinary shares	Number of shares (m)	176
UBS ordinary share price	CHF	18.35
Purchase price consideration, before consideration of share-based compensation awards	CHF m	3,223
Purchase price consideration, before consideration of share-based compensation awards using exchange rate of 1.10[1]	**USD m**	3,547
Impact of share-based compensation awards[2]	USD m	162
Purchase price consideration, after consideration of share-based compensation awards	**USD m**	3,710
Settlement of pre-existing relationships	USD m	135
Provisional purchase price consideration, after consideration of pre-existing relationships	**USD m**	3,845
Net cash and cash equivalents acquired with the Credit Suisse Group (included in cash flows from investing activities)	USD m	108,510
of which: cash and balances at central banks	*USD m*	*93,012*
of which: amounts due from banks	*USD m*	*12,601*
of which: money market paper	*USD m*	*2,897*

1 The purchase price consideration is reflected as a reduction to treasury shares of the Group at their weighted average cost, with the difference between the fair value of UBS shares on the closing date and the weighted average cost of treasury shares in the UBS Group balance sheet on closing date taken as an adjustment to share premium. As of 12 June 2023, this resulted in a total purchase price of approximately USD 3.7bn, based on the UBS Group AG share price on 12 June 2023. 2 Represents the value of share-based compensation awards outstanding to Credit Suisse employees attributable to the service period completed on the date of acquisition.

The acquisition of the Credit Suisse Group on 12 June 2023 resulted in provisional negative goodwill of USD 28.9bn. The negative goodwill represents the difference between the fair values for the identifiable assets acquired and liabilities assumed, except for amounts related to leases and employee benefits, which have been determined by applying the requirements in IFRS 16 and IAS 19, respectively, and consideration transferred. The negative goodwill has been recognized as of the acquisition date in the income statement on a separate line, *Negative goodwill*, following the requirements in IFRS 3, *Business Combinations*. The pre-tax gain arising from negative goodwill on the acquisition of the Credit Suisse Group did not result in any tax expense.

The provisional fair value measurement of identifiable assets acquired and liabilities assumed, as well as, among other things, the IFRS 9 classifications of the acquired assets and liabilities, may be adjusted following management's finalization of its acquisition date fair value estimates, as allowed by IFRS 3 for a maximum of one year from the acquisition date. The fair values are considered provisional, given the short period of time available since the acquisition closed on 12 June 2023 and may change if new information about facts and circumstances existing on the date of the acquisition is obtained within the measurement period and if material, will be reported retrospectively.

USD m	Acquisition date value
Purchase price consideration, after consideration of share-based compensation awards	3,710
The Credit Suisse Group net assets at fair value	
Assets	
Cash and balances at central banks	93,012
Amounts due from banks	13,590
Receivables from securities financing transactions	26,194
Cash collateral receivables on derivative instruments	20,878
Loans and advances to customers	261,839
Other financial assets measured at amortized cost	13,440
Total financial assets measured at amortized cost[1]	428,954
Financial assets at fair value held for trading	35,046
Derivative financial instruments	62,162
Brokerage receivables	366
Financial assets at fair value not held for trading	61,305
Total financial assets measured at fair value through profit or loss	158,879
Financial assets measured at fair value through other comprehensive income[1]	0
Investments in associates	1,657
Property, equipment and software	6,055
Intangible assets	1,287
Deferred tax assets	942
Other non-financial assets	6,892
Total assets	604,667
Liabilities	
Amounts due to banks	107,617
Payables from securities financing transactions	11,911
Cash collateral payables on derivative instruments	10,939
Customer deposits	183,119
Debt issued measured at amortized cost	110,491
Other financial liabilities measured at amortized cost	7,992
Total financial liabilities measured at amortized cost	432,070
Financial liabilities at fair value held for trading	5,711
Derivative financial instruments	66,091
Brokerage payables designated at fair value	316
Debt issued designated at fair value	44,909
Other financial liabilities designated at fair value	7,574
Total financial liabilities measured at fair value through profit or loss	124,601
Provisions and contingent liabilities	11,052
Other non-financial liabilities	3,888
Total liabilities	571,611
Non-controlling interests	(285)
Fair value of net assets acquired	32,771
Settlement of pre-existing relationships	135
Provisional negative goodwill resulting from the acquisition	28,925

1 Refer to Note 8 for information about credit quality of financial assets, including purchased credit-impaired (PCI) positions.

With the acquisition date of 12 June 2023, for convenience the Credit Suisse Group was consolidated with effect from 31 May 2023, as the effect of transactions and activities in the period from 31 May 2023 to 12 June 2023 on the consolidated financial statements was not material.

UBS incurred certain acquisition-related costs to effect the acquisition. These consist primarily of advisory, legal and consulting fees. These costs were expensed as incurred. A total of USD 0.2bn has been included in *General and administrative expenses* in the income statement in the first six months of 2023.

Note 2 Accounting for the acquisition of Credit Suisse Group (continued)

From the date of acquisition until 30 June 2023, the Credit Suisse Group contributed USD 1.2bn of net revenues and an overall net loss of USD 1.2bn to the net profit of the UBS Group. For illustration purposes, the pro forma net revenues and net loss for UBS Group if the business combination had taken place on 1 January 2023 are estimated as USD 24.0bn and USD 0.9bn, respectively, in the first half of 2023. This pro forma information is based on the actual six-month result of the consolidated UBS Group, as reported (including one month of Credit Suisse results), plus the Credit Suisse US GAAP result for the first five months of 2023, adjusted for the estimated effect of conversion to IFRS and reflection of effects from purchase price allocation adjustments under IFRS 3, *Business Combinations*. The pro forma net revenues and net loss additionally exclude the impact from negative goodwill recognized from the acquisition of the Credit Suisse Group of USD 28.9bn, and certain items recognized by the Credit Suisse Group in 2023 prior to the acquisition date, including a gain from the write-down of additional tier 1 capital notes of USD 16.4bn, a goodwill impairment charge, mostly related to Wealth Management (Credit Suisse), of USD 1.4bn and a gain from the reversal of contingent compensation award accrual of USD 0.4bn. These items are considered non-recurring and therefore not representative of the normal course of business. The pro forma net revenues and net loss do not purport to represent what UBS's actual results of operations would have been had the transaction occurred on the date indicated, nor are they necessarily indicative of future results of operations. The pro forma net revenues and net loss also do not consider any potential impacts of current market conditions on revenues, assets or liabilities. Nor do they reflect expense efficiencies, asset dispositions or business reorganizations that are or may be contemplated, or any cost or revenue synergies, including further potential restructuring actions, associated with combining UBS and Credit Suisse.

Segment reporting

An overview of how UBS's businesses are organized globally into business divisions and Group Functions is provided in "Note 2a Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2022. Credit Suisse's business is organized globally into five reporting segments (Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), Asset Management (Credit Suisse), the Investment Bank (Credit Suisse) and the Capital Release Unit (Credit Suisse)) and Corporate Center (Credit Suisse). The Group continues to assess to which segments certain products, portfolios and services associated with the acquisition of the Credit Suisse Group should be allocated. Consequently, classifications and segment allocations may change in the future, during the measurement period as defined in IFRS 3.

› **Refer to the "Credit Suisse business divisions and Corporate Center" section of this report for more information about the Credit Suisse business divisions and Corporate Center**

Pre-existing relationships

As of 12 June 2023, UBS had the following pre-existing relationships with the Credit Suisse Group.

USD m	
Cash collateral receivables on derivative instruments	7
Derivative financial instruments	1,476
Debt instruments issued by the Credit Suisse Group and held by UBS	98
Total assets	1,581
Cash collateral payables on derivative instruments	572
Derivative financial instruments	813
Total liabilities	1,385
Treasury shares	(61)
Total equity	(61)
Total net pre-existing relationships	135

Such balances are eliminated in the consolidated financial statements.

Retention awards of approximately USD 0.5bn were offered to selected employees of the Credit Suisse Group prior to the acquisition date to support the completion of the transaction and the early phase of integration. These awards were contingent on the completion of the acquisition and are delivered 50% in cash (in general vesting 60 days from the completion of the acquisition) and 50% in shares (in general vesting on the first anniversary of the completion of the acquisition). Vesting periods are longer for certain regulated employees. Expenses associated with these awards are recognized between the date of acquisition and the applicable vesting dates and were USD 84m in the second quarter of 2023.

Note 3 Segment reporting

As of 30 June 2023, the Credit Suisse business divisions represented separate reportable segments in the UBS Group, which are managed and reported on a pre-tax basis. Credit Suisse's business is organized globally into five reporting segments (Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), Asset Management (Credit Suisse), the Investment Bank (Credit Suisse) and the Capital Release Unit (Credit Suisse)) and Corporate Center (Credit Suisse). Beginning with the third quarter of 2023, we will report five business divisions, Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank and Non-core and Legacy, and we will separately report Group Items.

› **Refer to the "Consolidated financial statements" section of the Annual Report 2022 for more information about UBS's business divisions and Group Functions**

The information provided for the Credit Suisse business divisions and Corporate Center in the tables below is on the basis of US generally accepted accounting principles (US GAAP) as of or for the one-month period ended 30 June 2023. When acquisition accounting was performed under IFRS 3, *Business Combinations*, upon the acquisition of the Credit Suisse Group by UBS, certain effects resulted in a consequential impact for the US GAAP reporting of Credit Suisse. For the purpose of the segment reporting below, the US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment. A reconciliation from US GAAP to international financial reporting standards (IFRS) for the Credit Suisse business divisions and Corporate Center has been provided within this note.

Information for the UBS business divisions and Group Functions is provided on an IFRS basis.

Income statement

Reconciliation of aggregated segment results for UBS and Credit Suisse to UBS Group result – for the six month period ended 30 June 2023

USD m	UBS business divisions and Group Functions (IFRS)	Credit Suisse business divisions and Corporate Center (US GAAP, adjusted)[1]	Reconciliation from US GAAP to IFRS for Credit Suisse business divisions and Corporate Center	Negative goodwill from the acquisition of Credit Suisse (IFRS)	UBS Group (IFRS)
For the six months ended 30 June 2023					
Total revenues	17,128	743	413		18,284
Negative goodwill				28,925	28,925
Credit loss expense / (release)	54	101	623		778
Operating expenses	14,055	1,807	(166)		15,696
Operating profit / (loss) before tax	**3,019**	**(1,165)**	**(44)**	**28,925**	**30,735**
Tax expense / (benefit)					820
Net profit / (loss)					**29,915**

1 Represents the Credit Suisse business division result for June 2023 as presented to the Chief Operating Decision Maker (the UBS Group Executive Board). The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment.

UBS business divisions and Group Functions (IFRS) – For the six month period ended 30 June 2023

USD m	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	**Total**
For the six months ended 30 June 2023						
Total revenues	9,528	2,681	1,001	4,241	(323)	17,128
Credit loss expense / (release)	20	26	0	8	0	54
Operating expenses	7,182	1,376	818	3,618	1,062	14,055
Operating profit / (loss) before tax	**2,325**	**1,279**	**184**	**615**	**(1,385)**	**3,019**
Tax expense / (benefit)						807
Net profit / (loss)						**2,212**

Credit Suisse business divisions and Corporate Center (US GAAP, adjusted) – For the month ended 30 June 2023[1]

USD m	Wealth Management	Swiss Bank	Asset Management	Investment Bank	Capital Release Unit	Corporate Center	**Total**
For the month ended 30 June 2023							
Total revenues	323	339	91	102	28	(140)	743
Credit loss expense / (release)	7	67	2	(3)	28	0	101
Operating expenses	427	264	103	715	198	100	1,807
Operating profit / (loss) before tax	(111)	8	(14)	(610)	(198)	(240)	**(1,165)**

1 Represents the Credit Suisse business division result for June 2023 as presented to the Chief Operating Decision Maker (the UBS Group Executive Board). The US GAAP information for the Credit Suisse business divisions and Corporate Center has been adjusted to remove effects that overlap with amounts already accounted for as part of the acquisition, e.g., aligning fair value methodologies, changes in litigation provisions, software and goodwill impairment.

Breakdown of reconciling items from US GAAP to IFRS for Credit Suisse business divisions and Corporate Center – For the month ended 30 June 2023

USD m	Conversion from US GAAP to IFRS (excluding PPA accretion)	*of which: ECL adjustment*	*of which: Share-based compensation*	*of which: other*	Accretion of Purchase Price Allocation (PPA) adjustments	Total
For the month ended 30 June 2023						
Total revenues	44			*44*	369	413
Credit loss expense / (release)	623	*623*			0	623
Operating expenses	(166)		*(130)*	*(36)*	0	(166)
Operating profit / (loss) before tax	**(413)**	***(623)***	***130***	***80***	**369**	**(44)**

Reconciliation from segment results to UBS Group result – For the six month period ended 30 June 2022

USD m	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS
For the six months ended 30 June 2022[1]						
Total revenues	9,581	2,144	1,950	5,003	(379)	18,299
Credit loss expense / (release)	(10)	57	0	(24)	2	25
Operating expenses	7,124	1,246	817	3,688	54	12,929
Operating profit / (loss) before tax	**2,467**	**841**	**1,133**	**1,339**	**(436)**	**5,344**
Tax expense / (benefit)						1,082
Net profit / (loss)						**4,262**

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

Total assets

Reconciliation of segment assets to UBS Group total assets – As at 30 June 2023 and as at 31 December 2022

USD m	30.6.23	31.12.22
UBS business divisions and Group Functions (IFRS)	1,142,419	1,104,364
Global Wealth Management	*375,118*	*388,530*
Personal & Corporate Banking	*241,539*	*235,226*
Asset Management	*19,083*	*17,348*
Investment Bank	*363,004*	*391,320*
Group Functions	*143,676*	*71,940*
Credit Suisse business divisions and Corporate Center (US GAAP)[1]	544,367	
Wealth Management	*106,729*	
Swiss Bank	*211,218*	
Asset Management	*1,716*	
Investment Bank	*96,575*	
Capital Release Unit	*74,843*	
Corporate Center	*53,286*	
Reconciliation from US GAAP to IFRS for Credit Suisse business divisions and Corporate Center	56,125	
of which: conversion from US GAAP to IFRS for derivative netting	*69,705*	
of which: IFRS 3 PPA fair value adjustments on financial assets measured at amortized cost[2]	*(8,428)*	
of which: IFRS 3 PPA adjustments to other assets[2]	*1,972*	
UBS vs Credit Suisse eliminations	(64,132)	
UBS Group total assets (IFRS)	1,678,780	1,104,364

1 Represents the Credit Suisse business division as of 30 June 2023 as presented to the Chief Operating Decision Maker (the UBS Group Executive Board). 2 Refer to Note 2 for more information about the components of the IFRS 3 purchase price allocation adjustments.

Note 4 Net interest income

	For the quarter ended			Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Interest income from loans and deposits[1]	6,247	4,106	1,886	10,353	3,546
Interest income from securities financing transactions measured at amortized cost[2]	1,004	766	209	1,769	327
Interest income from other financial instruments measured at amortized cost	282	259	118	540	191
Interest income from debt instruments measured at fair value through other comprehensive income	26	23	6	48	47
Interest income from derivative instruments designated as cash flow hedges	(457)	(376)	160	(833)	413
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	7,101	4,777	2,380	11,878	4,525
Interest expense on loans and deposits[3]	3,024	1,994	262	5,018	401
Interest expense on securities financing transactions measured at amortized cost[4]	616	365	288	981	512
Interest expense on debt issued	2,205	1,429	498	3,635	893
Interest expense on lease liabilities	35	26	22	61	45
Total interest expense from financial instruments measured at amortized cost	5,880	3,814	1,070	9,695	1,852
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,221	962	1,310	2,183	2,673
Net interest income from financial instruments measured at fair value through profit or loss and other	493	425	355	918	763
Total net interest income	1,713	1,388	1,665	3,101	3,436

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, and customer deposits, 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 5 Net fee and commission income

	For the quarter ended			Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Underwriting fees	153	127	111	280	283
M&A and corporate finance fees	199	178	220	378	456
Brokerage fees	930	880	869	1,809	1,946
Investment fund fees	1,196	1,178	1,233	2,374	2,620
Portfolio management and related services	2,485	2,210	2,298	4,695	4,761
Other	719	479	492	1,199	993
Total fee and commission income[1]	5,682	5,053	5,224	10,735	11,061
of which: recurring	*3,808*	*3,413*	*3,593*	*7,221*	*7,453*
of which: transaction-based	*1,864*	*1,616*	*1,621*	*3,480*	*3,579*
of which: performance-based	*10*	*24*	*10*	*34*	*29*
Fee and commission expense	507	447	450	954	934
Net fee and commission income	5,175	4,606	4,774	9,781	10,127

1 Reflects third-party fee and commission income for the second quarter of 2023 of USD 3,134m for Global Wealth Management (first quarter of 2023: USD 3,145m; second quarter of 2022: USD 3,281m), USD 465m for Personal & Corporate Banking (first quarter of 2023: USD 449m; second quarter of 2022: USD 421m), USD 673m for Asset Management (first quarter of 2023: USD 687m; second quarter of 2022: USD 720m), USD 731m for the Investment Bank (first quarter of 2023: USD 770m; second quarter of 2022: USD 801m) and USD 4m for Group Functions (first quarter of 2023: USD 3m; second quarter of 2022: USD 1m). Also includes third-party fee and commission income for the second quarter of 2023 from Credit Suisse of USD 675m.

Note 6 Personnel expenses

	For the quarter ended			Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Salaries and variable compensation[1]	4,804	3,885	3,786	8,689	7,954
of which: variable compensation – financial advisors[2]	*1,110*	*1,111*	*1,122*	*2,222*	*2,342*
Contractors	77	70	80	147	163
Social security	294	279	218	572	503
Post-employment benefit plans	261	236	199	497	448
Other personnel expenses	215	151	139	366	274
Total personnel expenses	5,651	4,620	4,422	10,271	9,343

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 7 General and administrative expenses

	For the quarter ended			Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Outsourcing costs	311	248	227	559	454
Technology costs	414	322	286	735	576
Consulting, legal and audit fees	351	181	144	532	272
Real estate and logistics costs	207	142	152	349	298
Market data services	151	113	101	264	207
Marketing and communication	89	52	61	140	101
Travel and entertainment	73	54	46	126	67
Litigation, regulatory and similar matters[1]	69	721	221	790	278
Other	304	232	133	536	325
Total general and administrative expenses	1,968	2,065	1,370	4,033	2,578

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 8 Expected credit loss measurement

a) Credit loss expense / release

Total net credit loss expenses in the second quarter of 2023 were USD 740m, reflecting USD 644m net credit loss expenses related to stage 1 and 2 positions, USD 77m net credit loss expenses related to stage 3 positions and USD 19m related to purchased credit-impaired (PCI) positions.

Stage 1 and 2 net expenses included: scenario-related net releases of USD 42m for UBS AG's business divisions; net expenses of USD 27m from model changes for UBS AG's business divisions, mainly in Personal & Corporate Banking and the Investment Bank; and additional net expenses of USD 5m from book quality and size changes, mainly across the corporate and real estate lending portfolios of Personal & Corporate Banking and Global Wealth Management. In addition, USD 654m net expenses were recognized for the initial recognition of ECL allowances and provisions for purchased non-credit-impaired Credit Suisse AG portfolios. Recognition of expected credit losses is required by IFRS 9 as a subsequent measurement adjustment after recognizing on the acquisition date the respective assets and commitments at fair value, as part of the purchase price allocation under IFRS 3. The purchased non-credit-impaired Credit Suisse AG positions are classified as stage 1 at initial recognition. Stage 2 positions and UBS Group ECL will increase, ceteris paribus, as and when credit risk of transactions significantly deteriorates compared to the acquisition date of Credit Suisse on 12 June 2023, at which date respective exposures were fair valued as part of the purchase price allocation.

Stage 3 net credit loss expenses were USD 77m, driven by net expenses of USD 21m in Personal & Corporate Banking, which were primarily due to a single commodity trade finance client (USD 11m), as well as net expenses on various corporate lending positions. Credit Suisse AG contributed USD 51m net expenses, related to counterparties that defaulted after the acquisition date, mainly driven by one real-estate-related client in the Capital Release Unit of USD 44m, as well as USD 19m on PCI positions due to remeasurements of positions that were already defaulted at the acquisition date.

› **Refer to Note 2 for more information about accounting under IFRS 3, *Business Combinations***
› **Refer to Note 1 for more information**

Note 8 Expected credit loss measurement (continued)

Credit loss expense / (release)

USD m	Stages 1 and 2	Stage 3	Purchased credit-impaired (PCI)	Total
For the quarter ended 30.6.23				
Global Wealth Management	(4)	9		5
Personal & Corporate Banking	(11)	21		10
Asset Management	0	0		0
Investment Bank	5	(4)		1
Group Functions	0	0		0
Subtotal UBS	(10)	26		16
Wealth Management (Credit Suisse)	143	0	7	149
Swiss Bank (Credit Suisse)	217	7	0	224
Asset Management (Credit Suisse)	1	0	0	1
Investment Bank (Credit Suisse)	189	0	12	200
Capital Release Unit (Credit Suisse)	104	44	0	148
Corporate Center (Credit Suisse)	2	0	0	2
Subtotal Credit Suisse	654	51	19	724[1]
Total	644	77	19	740
For the quarter ended 31.3.23				
Global Wealth Management	15	0		15
Personal & Corporate Banking	15	0		16
Asset Management	0	0		0
Investment Bank	(5)	12		7
Group Functions	0	0		0
Total	**26**	**12**		**38**
For the quarter ended 30.6.22				
Global Wealth Management	(8)	6		(3)
Personal & Corporate Banking	26	8		35
Asset Management	0	0		0
Investment Bank	(2)	(26)		(28)
Group Functions	0	2		2
Total	**16**	**(9)**		**7**

1 Includes credit loss expense of USD 101m included into the segment reporting for Credit Suisse business divisions and Corporate Center (US GAAP, adjusted), and USD 623m credit loss expense to reconcile Credit Suisse business divisions and Corporate Center to IFRS. Please refer also to Note 3.

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 second quarter of 2023 through a series of governance meetings, with input and feedback from UBS Risk and Finance experts across the business divisions and regions. ECLs for Credit Suisse AG positions were calculated based on Credit Suisse AG's models, including the same scenario and scenario weight inputs as for UBS's existing business activity.

The baseline scenario was updated with the latest macroeconomic forecasts as of 30 June 2023. The assumptions on a calendar-year basis are included in the table below and imply a broadly unchanged economic outlook for 2023, in the Eurozone and Switzerland, and more optimistic projections for the US. Compared with the baseline used in the first quarter of 2023, the house price forecasts for the US and the Eurozone in 2023 are less pessimistic, although the baseline is slightly more pessimistic for Switzerland.

At the beginning of the second quarter of 2023, UBS replaced the global crisis scenario applied at year-end 2022 and at the end of the first quarter of 2023 with the mild debt crisis scenario. Recent economic, market and political developments suggest that the scenario suite should be rebalanced by reintroducing a mild downside scenario. The mild debt crisis scenario covers similar risks, but the assumptions are milder than the global crisis scenario. Therefore, the scenario is less severe. It assumes that political, solvency and liquidity concerns cause a sell-off of sovereign debt in emerging markets and the peripheral Eurozone. The global economy and financial markets are negatively affected, and central banks are assumed to ease their monetary policy.

The stagflationary geopolitical crisis scenario and the asset price inflation scenario were updated based on the latest market data, but the assumptions remain broadly unchanged. Refer to the table below for the scenarios and weights applied.

UBS kept scenario weights in line with those applied in the first quarter of 2023, with a 15% weight assigned to the mild debt crisis scenario instead of the global crisis scenario, which it replaced.

UBS applied the same scenarios and scenario weights for the acquired Credit Suisse Group portfolios.

Post-model adjustments

Total stage 1 and 2 allowances and provisions amounted to USD 1,199m as of 30 June 2023 and included post-model adjustments for UBS AG's business divisions of USD 131m (31 March 2023: USD 128m), as uncertainty levels remained high, including the geopolitical situation. Allowances and provisions related to the Credit Suisse AG portfolio include post-model adjustments of USD 102m, mostly related to the further calibration of model outputs in certain segments with UBS's model outputs.

Comparison of shock factors

	Baseline		
Key parameters	2022	2023	2024
Real GDP growth (annual percentage change)			
US	2.1	1.4	0.1
Eurozone	3.5	0.8	1.0
Switzerland	2.1	0.9	1.3
Unemployment rate (%, annual average)			
US	3.6	3.7	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	3.7	3.6
EUR	2.6	2.3	2.2
CHF	1.6	1.0	0.9
Real estate (annual percentage change, Q4)			
US	7.4	(1.9)	2.1
Eurozone	2.8	(1.2)	1.8
Switzerland	3.9	(0.5)	(1.0)

Economic scenarios and weights applied

	Assigned weights in %		
ECL scenario	30.6.23	31.3.23	30.6.22
Asset price inflation	0.0	0.0	0.0
Baseline	60.0	60.0	55.0
Severe Russia–Ukraine conflict scenario	–	–	25.0
Mild debt crisis	15.0	–	–
Stagflationary geopolitical crisis	25.0	25.0	–
Global crisis	–	15.0	20.0

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

The following tables provide information about financial instruments and certain non-financial instruments that are subject to ECL requirements. For amortized-cost instruments, the carrying amount represents the maximum exposure to credit risk, taking into account the allowance for credit losses. Financial assets measured at fair value through other comprehensive income (FVOCI) are also subject to ECL; however, unlike amortized-cost instruments, the allowance for credit losses for FVOCI instruments does not reduce the carrying amount of these financial assets. Instead, the carrying amount of financial assets measured at FVOCI represents the maximum exposure to credit risk.

In addition to recognized financial assets, certain off-balance sheet financial instruments and other credit lines are also subject to ECL. The maximum exposure to credit risk for off-balance sheet financial instruments is calculated based on the maximum contractual amounts.

USD m	30.6.23									
	Carrying amount[1]					ECL allowances				
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	PCI	Total	Stage 1	Stage 2	Stage 3	PCI
Cash and balances at central banks	261,587	261,475	32	0	79	(10)	0	(10)	0	0
Loans and advances to banks	24,392	24,208	157	0	27	(11)	(10)	(1)	0	0
Receivables from securities financing transactions measured at amortized cost	86,538	86,538	0	0	0	(1)	(1)	0	0	0
Cash collateral receivables on derivative instruments	54,314	54,314	0	0	0	0	0	0	0	0
Loans and advances to customers	651,770	630,086	17,204	1,850	2,630	(1,369)	(613)	(173)	(556)	(28)
of which: Private clients with mortgages	*255,322*	*244,894*	*9,358*	*783*	*287*	*(173)*	*(61)*	*(87)*	*(23)*	*(2)*
of which: Real estate financing	*92,890*	*88,669*	*4,088*	*10*	*122*	*(63)*	*(41)*	*(23)*	*0*	*0*
of which: Large corporate clients	*32,162*	*28,883*	*1,292*	*387*	*1,601*	*(417)*	*(207)*	*(29)*	*(157)*	*(24)*
of which: SME clients	*29,595*	*27,649*	*1,293*	*436*	*218*	*(314)*	*(91)*	*(21)*	*(203)*	*0*
of which: Lombard	*168,713*	*168,596*	*0*	*42*	*75*	*(32)*	*(15)*	*0*	*(17)*	*0*
of which: Credit cards	*1,939*	*1,502*	*403*	*34*	*0*	*(39)*	*(8)*	*(11)*	*(21)*	*0*
of which: Commodity trade finance	*4,950*	*4,917*	*0*	*15*	*19*	*(124)*	*(20)*	*0*	*(104)*	*0*
of which: Ship / aircraft financing	*9,478*	*9,234*	*166*	*22*	*56*	*(69)*	*(67)*	*(2)*	*0*	*0*
of which: Consumer financing	*3,140*	*3,056*	*0*	*0*	*84*	*(30)*	*(30)*	*0*	*0*	*0*
Other financial assets measured at amortized cost	64,928	64,364	377	153	35	(109)	(37)	(7)	(62)	(3)
of which: Loans to financial advisors	*2,588*	*2,287*	*174*	*126*	*0*	*(55)*	*(6)*	*(2)*	*(47)*	*0*
Total financial assets measured at amortized cost	1,143,528	1,120,985	17,770	2,003	2,770	(1,501)	(662)	(190)	(618)	(31)
Financial assets measured at fair value through other comprehensive income	2,217	2,217	0	0	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	1,145,746	1,123,203	17,770	2,003	2,770	(1,501)	(662)	(190)	(618)	(31)
of which: Credit Suisse[2]	*431,559*	*428,684*	*0*	*104*	*2,770*	*(540)*	*(457)*	*0*	*(52)*	*(31)*

	Total exposure					ECL provisions				
Off-balance sheet (in scope of ECL)	Total	Stage 1	Stage 2	Stage 3	PCI	Total	Stage 1	Stage 2	Stage 3	PCI
Guarantees	38,463	37,345	921	118	79	(66)	(40)	(7)	(17)	(1)
of which: Large corporate clients	*8,358*	*7,553*	*690*	*79*	*36*	*(19)*	*(16)*	*(2)*	*0*	*0*
of which: SME clients	*4,170*	*3,928*	*167*	*38*	*37*	*(20)*	*(10)*	*(1)*	*(9)*	*2*
of which: Financial intermediaries and hedge funds	*12,874*	*12,859*	*15*	*0*	*0*	*(11)*	*(8)*	*(3)*	*0*	*0*
of which: Lombard	*4,752*	*4,752*	*0*	*1*	*0*	*(1)*	*0*	*0*	*(1)*	*0*
of which: Commodity trade finance	*2,200*	*2,200*	*0*	*0*	*0*	*(1)*	*(1)*	*0*	*0*	*0*
Irrevocable loan commitments	124,281	121,789	2,076	78	338	(225)	(186)	(38)	(2)	0
of which: Large corporate clients	*77,160*	*75,044*	*1,731*	*52*	*333*	*(198)*	*(165)*	*(31)*	*(2)*	*0*
Forward starting reverse repurchase and securities borrowing agreements	4,972	4,972	0	0	0	0	0	0	0	0
Unconditionally revocable loan commitments	168,556	166,754	1,739	63	0	(74)	(65)	(9)	0	0
of which: Real estate financing	*17,107*	*16,850*	*258*	*0*	*0*	*(12)*	*(12)*	*0*	*0*	*0*
of which: Large corporate clients	*4,790*	*4,624*	*158*	*7*	*0*	*(6)*	*(3)*	*(3)*	*0*	*0*
of which: SME clients	*24,601*	*24,381*	*179*	*40*	*0*	*(42)*	*(39)*	*(3)*	*0*	*0*
of which: Lombard	*82,491*	*82,491*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	*0*
of which: Credit cards	*9,762*	*9,274*	*484*	*4*	*0*	*(7)*	*(6)*	*(2)*	*0*	*0*
Irrevocable committed prolongation of existing loans	4,362	4,353	7	2	0	(3)	(2)	0	0	0
Total off-balance sheet financial instruments and other credit lines	340,634	335,213	4,743	261	417	(367)	(293)	(54)	(19)	(1)
Total allowances and provisions						(1,868)	(955)	(244)	(637)	(32)
of which: Credit Suisse[2]	*225,021*	*224,604*	*0*	*0*	*417*	*(731)*	*(648)*	*0*	*(52)*	*(32)*

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances. 2 Refer to Note 2 for more information about the acquisition of Credit Suisse Group.

Note 8 Expected credit loss measurement (continued)

Loans and advances to customers of USD 651,770m include USD 262,025m from Credit Suisse AG.

Breakout: Loans and advances to customers of Credit Suisse AG

USD m	30.6.23									
	Carrying amount[1]					ECL allowances				
Loans and advances to customers	Total	Stage 1	Stage 2	Stage 3	PCI	Total	Stage 1	Stage 2	Stage 3	PCI
Loans and advances to customers	262,025	259,291	0	104	2,630	(511)	(431)	0	(52)	(28)
of which: Private clients with mortgages	*91,763*	*91,450*	*0*	*25*	*287*	*(18)*	*(17)*	*0*	*0*	*(2)*
of which: Real estate financing	*42,835*	*42,710*	*0*	*4*	*122*	*(20)*	*(20)*	*0*	*0*	*0*
of which: Large corporate clients	*18,718*	*17,090*	*0*	*27*	*1,601*	*(239)*	*(170)*	*0*	*(44)*	*(24)*
of which: SME clients	*17,114*	*16,873*	*0*	*23*	*218*	*(59)*	*(59)*	*0*	*0*	*0*
of which: Lombard	*44,202*	*44,127*	*0*	*0*	*75*	*(6)*	*(6)*	*0*	*0*	*0*
of which: Commodity trade finance	*2,757*	*2,738*	*0*	*0*	*19*	*(14)*	*(14)*	*0*	*0*	*0*
of which: Financial intermediaries and hedge funds	*18,910*	*18,904*	*0*	*5*	*2*	*(34)*	*(34)*	*0*	*0*	*0*
of which: Sovereigns and public non-profit organizations	*1,153*	*1,152*	*0*	*0*	*1*	*(4)*	*(4)*	*0*	*0*	*0*
of which: Ship / aircraft financing	*8,033*	*7,977*	*0*	*0*	*56*	*(64)*	*(64)*	*0*	*0*	*0*
of which: Consumer financing	*3,140*	*3,056*	*0*	*0*	*84*	*(30)*	*(30)*	*0*	*0*	*0*

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

Credit Suisse AG had allowances and provisions for defaulted positions of USD 1.1bn immediately prior to the acquisition date. UBS recognized these purchased credit-impaired (PCI) positions on its balance sheet with their fair value as at the acquisition date, and as required by IFRS, no additional expected credit loss allowances or provisions were recognized for them on that date.

› **Refer to Note 2 for more information about accounting under IFRS 3, *Business Combinations***

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	14,901	14,857	45	0	(6)	(5)	0	0
Receivables from securities financing transactions	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	390,130	371,966	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	49,179	48,661	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	**691,130**	**672,365**	**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	**693,370**	**674,606**	**17,028**	**1,737**	**(908)**	**(176)**	**(198)**	**(534)**
	Total exposure				ECL provisions			
Off-balance sheet (in scope of ECL)	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	22,670	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
Unconditionally revocable loan commitments	41,071	39,307	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 other credit lines	**112,425**	**107,112**	**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			
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	169,445	169,402	44	0	(12)	0	(12)	0
Loans and advances to banks	14,792	14,792	1	0	(6)	(5)	(1)	0
Receivables from securities financing transactions	67,814	67,814	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	35,032	35,032	0	0	0	0	0	0
Loans and advances to customers	387,220	370,095	15,587	1,538	(783)	(129)	(180)	(474)
of which: Private clients with mortgages	*156,930*	*147,651*	*8,579*	*699*	*(161)*	*(27)*	*(107)*	*(28)*
of which: Real estate financing	*46,470*	*43,112*	*3,349*	*9*	*(41)*	*(17)*	*(23)*	*0*
of which: Large corporate clients	*12,226*	*10,733*	*1,189*	*303*	*(130)*	*(24)*	*(14)*	*(92)*
of which: SME clients	*13,903*	*12,211*	*1,342*	*351*	*(251)*	*(26)*	*(22)*	*(203)*
of which: Lombard	*132,287*	*132,196*	*0*	*91*	*(26)*	*(9)*	*0*	*(17)*
of which: Credit cards	*1,834*	*1,420*	*382*	*31*	*(36)*	*(7)*	*(10)*	*(19)*
of which: Commodity trade finance	*3,272*	*3,261*	*0*	*11*	*(96)*	*(6)*	*0*	*(90)*
Other financial assets measured at amortized cost[2]	53,264	52,704	413	147	(86)	(17)	(6)	(63)
of which: Loans to financial advisors	*2,611*	*2,357*	*128*	*126*	*(59)*	*(7)*	*(2)*	*(51)*
Total financial assets measured at amortized cost	**727,568**	**709,839**	**16,044**	**1,685**	**(889)**	**(154)**	**(199)**	**(537)**
Financial assets measured at fair value through other comprehensive income[2]	**2,239**	**2,239**	**0**	**0**	**0**	**0**	**0**	**0**
Total on-balance sheet financial assets in scope of ECL requirements	**729,807**	**712,078**	**16,044**	**1,685**	**(889)**	**(154)**	**(199)**	**(537)**

	Total exposure				ECL provisions			
Off-balance sheet (in scope of ECL)	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Guarantees	22,167	19,805	2,254	108	(48)	(13)	(9)	(26)
of which: Large corporate clients	*3,663*	*2,883*	*721*	*58*	*(26)*	*(2)*	*(3)*	*(21)*
of which: SME clients	*1,337*	*1,124*	*164*	*49*	*(5)*	*(1)*	*(1)*	*(3)*
of which: Financial intermediaries and hedge funds	*11,833*	*10,513*	*1,320*	*0*	*(12)*	*(8)*	*(4)*	*0*
of which: Lombard	*2,376*	*2,376*	*0*	*1*	*(1)*	*0*	*0*	*(1)*
of which: Commodity trade finance	*2,121*	*2,121*	*0*	*0*	*(1)*	*(1)*	*0*	*0*
Irrevocable loan commitments	39,996	37,531	2,341	124	(111)	(59)	(52)	0
of which: Large corporate clients	*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
Unconditionally revocable loan commitments	41,390	39,521	1,833	36	(40)	(32)	(8)	0
of which: Real estate financing	*8,711*	*8,528*	*183*	*0*	*(6)*	*(6)*	*0*	*0*
of which: Large corporate clients	*4,578*	*4,304*	*268*	*5*	*(4)*	*(1)*	*(2)*	*0*
of which: SME clients	*4,723*	*4,442*	*256*	*26*	*(19)*	*(16)*	*(3)*	*0*
of which: Lombard	*7,855*	*7,854*	*0*	*1*	*0*	*0*	*0*	*0*
of which: Credit cards	*9,390*	*8,900*	*487*	*3*	*(7)*	*(5)*	*(2)*	*0*
of which: Commodity trade finance	*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 other credit lines	**112,050**	**105,258**	**6,522**	**270**	**(201)**	**(106)**	**(69)**	**(26)**
Total allowances and provisions					**(1,091)**	**(259)**	**(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's core loan portfolios (i.e., *Loans and advances to customers* and *Loans to financial advisors*) and relevant off-balance sheet exposures. *Cash and balances at central banks*, *Loans and advances to banks*, *Receivables from securities financing transactions*, *Cash collateral receivables on derivative instruments* and *Financial assets measured at fair value through other comprehensive income* are not included in the table below, due to their lower sensitivity to ECL.

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

Coverage ratios for core loan portfolio — 30.6.23

	Gross carrying amount (USD m)					ECL coverage (bps)					
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	PCI	Total	Stage 1	Stage 2	Stage 1&2	Stage 3	PCI
Private clients with mortgages	255,495	244,955	9,445	806	289	7	2	92	6	291	53
Real estate financing	92,953	88,710	4,111	11	122	7	5	55	7	71	0
Total real estate lending	348,448	333,665	13,556	817	410	7	3	80	6	288	36
Large corporate clients	32,579	29,090	1,320	544	1,625	128	71	217	78	2,894	148
SME clients	29,909	27,740	1,313	639	217	105	33	157	38	3,180	0
Total corporate lending	62,488	56,830	2,634	1,183	1,841	117	52	187	58	3,049	126
Lombard	168,745	168,611	0	59	75	2	1	0	1	2,872	24
Credit cards	1,978	1,510	413	55	0	199	53	255	97	3,821	0
Commodity trade finance	5,074	4,937	0	118	19	244	41	351	41	8,769	5
Ship / aircraft financing	9,542	9,298	166	22	56	72	72	111	73	0	1
Consumer financing	3,170	3,086	0	0	84	96	98	0	98	222	32
Other loans and advances to customers	55,139	54,019	773	174	173	21	14	47	15	1,740	156
Loans to financial advisors	2,643	2,293	177	173	0	208	24	140	33	2,707	0
Total other lending	246,291	243,754	1,529	602	406	19	9	121	10	3,636	78
Total[1]	657,227	634,249	17,719	2,602	2,658	22	10	99	12	2,318	105
	Gross exposure (USD m)					ECL coverage (bps)					
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	PCI	Total	Stage 1	Stage 2	Stage 1&2	Stage 3	PCI
Private clients with mortgages	9,284	8,950	324	11	0	4	3	22	4	60	0
Real estate financing	18,031	17,751	280	0	0	7	7	0	7	0	0
Total real estate lending	27,315	26,701	603	11	0	6	6	0	6	60	0
Large corporate clients	90,393	87,307	2,580	138	369	25	21	141	25	132	5
SME clients	32,494	31,955	400	95	43	23	18	257	21	994	0
Total corporate lending	122,887	119,262	2,980	233	412	24	20	156	24	482	0
Lombard	91,235	91,234	0	1	0	0	0	0	0	6,718	0
Credit cards	9,763	9,274	484	4	0	7	6	37	8	0	0
Commodity trade finance	5,833	5,833	0	0	0	6	6	0	6	0	0
Ship / aircraft financing	1,731	1,731	0	0	0	4	3	0	4	0	0
Consumer financing	301	301	0	0	0	34	34	0	34	0	0
Financial intermediaries and hedge funds	46,786	46,406	380	0	0	3	3	90	3	0	0
Other off-balance sheet commitments	29,854	29,541	296	11	6	8	4	95	5	6,408	4,244
Total other lending	185,502	184,320	1,160	17	6	3	2	71	2	4,774	4,215
Total[2]	335,704	330,283	4,743	261	417	11	9	114	10	737	22
Total on- and off-balance sheet[3]	992,931	964,532	22,462	2,862	3,075	18	9	103	12	2,173	94

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 31.3.23

	Gross carrying amount (USD m)				ECL coverage (bps)				
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	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	21,702	20,785	825	92	23	9	24	10	3,117
Loans to financial advisors	2,626	2,329	123	174	206	26	145	32	2,659
Total other lending	158,330	156,479	1,360	492	17	3	101	4	4,109
Total[1]	**393,560**	**374,447**	**16,876**	**2,237**	**22**	**4**	**108**	**9**	**2,319**

	Gross exposure (USD m)				ECL coverage (bps)				
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	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	17,260	16,781	479	0	8	5	80	8	0
Other off-balance sheet commitments	11,483	11,086	380	17	18	7	66	9	0
Total other lending	52,953	51,587	1,345	22	8	5	60	6	0
Total[2]	**107,677**	**102,364**	**5,044**	**269**	**20**	**11**	**143**	**17**	**1,232**
Total on- and off-balance sheet[3]	**501,237**	**476,811**	**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).

Coverage ratios for core loan portfolio 31.12.22

	Gross carrying amount (USD m)				ECL coverage (bps)				
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	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	20,342	19,525	748	68	21	7	38	8	3,769
Loans to financial advisors	2,670	2,364	130	176	221	28	124	33	2,870
Total other lending	160,561	158,787	1,270	503	16	3	114	4	4,016
Total[1]	**390,672**	**372,588**	**15,896**	**2,188**	**22**	**4**	**114**	**8**	**2,398**

	Gross exposure (USD m)				ECL coverage (bps)				
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	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	15,841	14,177	1,664	0	9	7	25	9	0
Other off-balance sheet commitments	11,803	11,454	346	3	11	8	68	9	0
Total other lending	52,412	49,907	2,498	7	7	5	33	6	0
Total[2]	**108,249**	**101,457**	**6,522**	**270**	**19**	**10**	**106**	**16**	**980**
Total on- and off-balance sheet[3]	**498,921**	**474,045**	**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 six months of 2023, and for Credit Suisse for the period between the acquisition date and 30 June 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 techniques[1]

	30.6.23				31.3.23				31.12.22			
USD m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis												
Financial assets at fair value held for trading	117,863	30,122	3,113	151,098	104,793	11,865	1,099	117,757	96,241	10,138	1,488	107,866
of which: Equity instruments	*96,546*	*1,330*	*454*	*98,329*	*87,723*	*295*	*177*	*88,194*	*83,074*	*789*	*126*	*83,988*
of which: Government bills / bonds	*13,586*	*11,865*	*67*	*25,518*	*8,902*	*1,534*	*23*	*10,460*	*5,496*	*950*	*18*	*6,464*
of which: Investment fund units	*6,123*	*773*	*146*	*7,043*	*7,187*	*536*	*10*	*7,733*	*6,673*	*596*	*61*	*7,330*
of which: Corporate and municipal bonds	*1,592*	*11,310*	*995*	*13,897*	*977*	*7,449*	*442*	*8,867*	*976*	*6,363*	*541*	*7,880*
of which: Loans	*0*	*2,854*	*1,045*	*3,899*	*0*	*1,812*	*329*	*2,141*	*0*	*1,179*	*628*	*1,807*
of which: Asset-backed securities	*15*	*1,970*	*406*	*2,391*	*4*	*239*	*118*	*360*	*22*	*261*	*114*	*397*
Derivative financial instruments	1,072	181,900	2,978	185,949	879	112,064	1,309	114,251	769	147,875	1,464	150,108
of which: Foreign exchange	*576*	*73,686*	*425*	*74,686*	*515*	*51,731*	*3*	*52,249*	*575*	*84,881*	*2*	*85,458*
of which: Interest rate	*0*	*62,950*	*761*	*63,711*	*0*	*36,339*	*398*	*36,737*	*0*	*39,345*	*460*	*39,805*
of which: Equity / index	*1*	*38,544*	*1,108*	*39,652*	*1*	*21,180*	*578*	*21,759*	*1*	*21,542*	*653*	*22,195*
of which: Credit	*0*	*4,802*	*580*	*5,382*	*0*	*944*	*309*	*1,253*	*0*	*719*	*318*	*1,038*
of which: Commodities	*7*	*1,686*	*28*	*1,720*	*0*	*1,780*	*20*	*1,800*	*0*	*1,334*	*30*	*1,365*
Brokerage receivables	0	21,537	0	21,537	0	21,025	0	21,025	0	17,576	0	17,576
Financial assets at fair value not held for trading	31,358	71,889	15,358	118,605	32,279	30,713	3,834	66,826	26,572	29,498	3,725	59,796
of which: Financial assets for unit-linked investment contracts	*14,802*	*171*	*0*	*14,973*	*14,004*	*97*	*0*	*14,101*	*13,071*	*1*	*0*	*13,072*
of which: Corporate and municipal bonds	*61*	*12,673*	*359*	*13,093*	*86*	*13,601*	*241*	*13,928*	*35*	*14,101*	*230*	*14,366*
of which: Government bills / bonds	*16,144*	*3,976*	*0*	*20,120*	*17,824*	*3,140*	*0*	*20,965*	*13,103*	*3,638*	*0*	*16,741*
of which: Loans	*0*	*10,395*	*7,861*	*18,256*	*0*	*3,706*	*810*	*4,516*	*0*	*3,602*	*736*	*4,337*
of which: Securities financing transactions	*0*	*43,798*	*109*	*43,907*	*0*	*9,670*	*108*	*9,779*	*0*	*7,590*	*114*	*7,704*
of which: Auction rate securities	*0*	*0*	*1,321*	*1,321*	*0*	*0*	*1,321*	*1,321*	*0*	*0*	*1,326*	*1,326*
of which: Investment fund units	*321*	*516*	*683*	*1,519*	*295*	*498*	*288*	*1,081*	*307*	*566*	*190*	*1,063*
of which: Equity instruments	*29*	*227*	*3,092*	*3,348*	*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	65	2,152	0	2,217	60	2,181	0	2,241	57	2,182	0	2,239
of which: Commercial paper and certificates of deposit	*0*	*1,926*	*0*	*1,926*	*0*	*1,921*	*0*	*1,921*	*0*	*1,878*	*0*	*1,878*
of which: Corporate and municipal bonds	*65*	*217*	*0*	*282*	*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	5,794	0	0	5,794	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	1	89	90	0	0	109	109	0	0	110	110
Total assets measured at fair value	156,152	307,601	21,538	485,291	142,516	177,847	6,351	326,714	128,110	207,269	6,788	342,166
of which: Credit Suisse[3]	*15,168*	*121,363*	*14,769*	*151,301*								

Note 9 Fair value measurement (continued)

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

	30.6.23				31.3.23				31.12.22			
USD m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value on a recurring basis												
Financial liabilities at fair value held for trading	33,231	6,983	150	40,364	28,332	5,941	101	34,374	23,578	5,823	114	29,515
of which: Equity instruments	*22,984*	*311*	*83*	*23,378*	*19,411*	*370*	*58*	*19,839*	*16,521*	*352*	*78*	*16,951*
of which: Corporate and municipal bonds	*32*	*5,639*	*61*	*5,731*	*33*	*4,610*	*38*	*4,681*	*36*	*4,643*	*27*	*4,707*
of which: Government bills / bonds	*9,159*	*957*	*0*	*10,115*	*7,919*	*728*	*0*	*8,647*	*5,880*	*706*	*1*	*6,587*
of which: Investment fund units	*1,057*	*46*	*3*	*1,106*	*969*	*204*	*3*	*1,176*	*1,141*	*84*	*3*	*1,229*
Derivative financial instruments	1,007	186,797	5,343	193,147	967	113,051	2,095	116,113	640	152,582	1,684	154,906
of which: Foreign exchange	*591*	*75,856*	*132*	*76,580*	*529*	*52,706*	*33*	*53,267*	*587*	*87,897*	*24*	*88,508*
of which: Interest rate	*0*	*61,690*	*355*	*62,045*	*0*	*34,317*	*360*	*34,677*	*0*	*37,429*	*116*	*37,545*
of which: Equity / index	*0*	*41,569*	*3,714*	*45,284*	*1*	*23,207*	*1,365*	*24,573*	*0*	*24,963*	*1,184*	*26,148*
of which: Credit	*2*	*5,629*	*605*	*6,235*	*0*	*1,057*	*286*	*1,343*	*0*	*920*	*279*	*1,199*
of which: Commodities	*6*	*1,685*	*37*	*1,728*	*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	43,852	0	43,852	0	43,911	0	43,911	0	45,085	0	45,085
Debt issued designated at fair value	0	105,951	19,099	125,050	0	66,748	10,485	77,233	0	63,111	10,527	73,638
Other financial liabilities designated at fair value	0	33,097	3,025	36,122	0	25,180	579	25,758	0	29,547	691	30,237
of which: Financial liabilities related to unit-linked investment contracts	*0*	*15,124*	*0*	*15,124*	*0*	*14,243*	*0*	*14,243*	*0*	*13,221*	*0*	*13,221*
of which: Securities financing transactions	*0*	*13,295*	*0*	*13,295*	*0*	*9,707*	*0*	*9,707*	*0*	*15,333*	*0*	*15,333*
of which: Over-the-counter debt instruments and others	*0*	*4,678*	*3,025*	*7,703*	*0*	*1,230*	*579*	*1,809*	*0*	*993*	*691*	*1,684*
Total liabilities measured at fair value	34,238	376,680	27,616	438,534	29,299	254,831	13,260	297,390	24,219	296,148	13,015	333,381
of which: Credit Suisse[3]	*4,442*	*103,921*	*13,284*	*121,646*								

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. 2 Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell. 3 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

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. In accordance with IFRS, no day-1 profit or loss reserves were recognized on positions acquired with the Credit Suisse Group and no significant new positions were originated between the acquisition date and 30 June 2023.

Deferred day-1 profit or loss reserves

	For the quarter ended			Year-to-date	
USD m	30.6.23	31.3.23	30.6.22	30.6.23	30.6.22
Reserve balance at the beginning of the period	399	422	425	422	418
Profit / (loss) deferred on new transactions	78	91	86	169	161
(Profit) / loss recognized in the income statement	(75)	(113)	(58)	(188)	(127)
Foreign currency translation	(1)	0	(1)	(1)	(1)
Reserve balance at the end of the period	402	399	451	402	451

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

Other valuation adjustment reserves on the balance sheet

	As of		
USD m	30.6.23	31.3.23	31.12.22
Own credit adjustments on financial liabilities designated at fair value [1]	142	624	556
of which: debt issued designated at fair value	*46*	*495*	*453*
of which: other financial liabilities designated at fair value	*96*	*129*	*103*
Credit valuation adjustments [2]	(151)	(33)	(33)
Funding / Debit valuation adjustments [3]	(172)	(101)	(46)
Other valuation adjustments	(2,911)	(801)	(839)
of which: liquidity	*(1,905)*	*(299)*	*(311)*
of which: model uncertainty	*(1,005)*	*(502)*	*(529)*

1 Own credit adjustments on financial liabilities designated at fair value includes amounts for TLAC notes 2 Amount does not include reserves against defaulted counterparties. 3 Amount includes debit valuation adjustments.

Own credit adjustments on financial liabilities designated at fair value includes a life-to-date loss of USD 221m attributable to Credit Suisse. Credit valuation adjustments includes USD 117m from Credit Suisse Group and Funding / Debit valuation adjustments includes USD 73m from Credit Suisse Group. Liquidity and model uncertainty adjustments in Credit Suisse amount to USD 1,630m and USD 555m respectively.

c) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, as well as the inputs used in a given valuation technique that are considered significant as of 30 June 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						Range of inputs						
	Assets		Liabilities				30.6.23			31.12.22			
USD bn	30.6.23	31.12.22	30.6.23	31.12.22	Valuation technique(s)	Significant unobservable input(s)[1]	low	high	weighted average[2]	low	high	weighted average[2]	unit[1]
Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading													
Corporate and municipal bonds	*1.4*	*0.8*	*0.1*	*0.0*	Relative value to market comparable	Bond price equivalent	4	101	94	14	112	85	points
					Discounted expected cash flows	Discount margin	200	391	376	412	412		basis points
Traded loans, loans measured at fair value, loan commitments and guarantees	*9.2*	*1.7*	*0.0*	*0.0*	Relative value to market comparable	Loan price equivalent	0	140	87	30	100	97	points
					Discounted expected cash flows	Credit spread	60	3,263	347	200	200	200	basis points
					Market comparable and securitization model	Credit spread	165	1,544	349	145	1,350	322	basis points
					Option model	Gap risk[5]	0	2	0				%
Auction rate securities	*1.3*	*1.3*			Discounted expected cash flows	Credit spread	115	209	156	115	196	144	basis points
Investment fund units[3]	*0.8*	*0.3*	*0.0*	*0.0*	Relative value to market comparable	Net asset value							
Equity instruments[3]	*3.5*	*0.9*	*0.1*	*0.1*	Relative value to market comparable	Price							
Debt issued designated at fair value[4]			19.1	10.5									
Other financial liabilities designated at fair value			3.0	0.7	Discounted expected cash flows	Funding spread	25	175		23	175		basis points
Derivative financial instruments													
Interest rate	*0.8*	*0.5*	*0.3*	*0.1*	Option model	Volatility of interest rates	55	161		75	143		basis points
						Volatility of inflation	0	6					%
						IR-to-IR correlation	(1)	100					%
Credit	*0.6*	*0.3*	*0.7*	*0.3*	Discounted expected cash flows	Credit spreads	5	538		9	565		basis points
						Bond price equivalent	3	281		3	277		points
						Recovery rates[6]	1	100					%
					Option model	Credit spreads	17	707					basis points
Equity / index	*1.1*	*0.7*	*3.8*	*1.2*	Option model	Equity dividend yields	0	10		0	20		%
						Volatility of equity stocks, equity and other indices	4	138		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 for debt issued or embedded derivatives for over-the-counter debt instruments are presented in the respective derivative financial instruments lines in this table. 5 Gap risk is risk of unexpected large declines in the underlying values occurring between collateral settlement dates. 6 Recovery rate reflects the estimated recovery that will be realized given expected defaults, they may vary significantly depending upon the specific assets and terms of each transaction.

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 assumptions[1]

	30.6.23		31.3.23		31.12.22	
USD m	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans measured at fair value, loan commitments and guarantees	325	(234)	12	(13)	19	(12)
Securities financing transactions	37	(37)	27	(29)	33	(37)
Auction rate securities	44	(44)	45	(45)	46	(46)
Asset-backed securities	48	(47)	29	(27)	27	(27)
Equity instruments	483	(397)	188	(164)	183	(161)
Investment fund units	127	(129)	29	(30)	19	(21)
Interest rate derivatives, net	221	(111)	20	(13)	18	(12)
Credit derivatives, net	75	(67)	3	(5)	3	(4)
Foreign exchange derivatives, net	6	(6)	4	(5)	10	(5)
Equity / index derivatives, net	646	(614)	371	(338)	361	(330)
Other	296	(292)	63	(74)	20	(41)
Total	2,308	(1,978)	791	(744)	738	(696)
of which: Credit Suisse[2]	*1,578*	*(1,312)*				

1 Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or Other. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

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	Credit Suisse Level 3 assets and liabilities acquired	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 six months ended 30 June 2023[2]												
Financial assets at fair value held for trading	1.5	2.2	(0.5)	*(0.5)*	0.5	(1.1)	0.7	0.0	0.1	(0.3)	0.0	3.1
of which: Investment fund units	*0.1*	*0.1*	*(0.0)*	*(0.0)*	*0.0*	*(0.0)*	*0.0*	*0.0*	*0.0*	*(0.0)*	*(0.0)*	*0.1*
of which: Corporate and municipal bonds	*0.5*	*1.1*	*(0.4)*	*(0.4)*	*0.3*	*(0.6)*	*0.0*	*0.0*	*0.0*	*(0.0)*	*0.0*	*1.0*
of which: Loans	*0.6*	*0.2*	*0.0*	*0.0*	*0.0*	*(0.3)*	*0.7*	*0.0*	*0.0*	*(0.2)*	*0.0*	*1.0*
Derivative financial instruments – assets	1.5	1.4	(0.1)	*(0.1)*	0.0	(0.0)	0.5	(0.3)	0.1	(0.2)	0.0	3.0
of which: Interest rate	*0.5*	*0.2*	*0.1*	*0.1*	*0.0*	*0.0*	*0.1*	*(0.0)*	*0.0*	*(0.0)*	*(0.0)*	*0.8*
of which: Equity / index	*0.7*	*0.5*	*(0.1)*	*(0.1)*	*0.0*	*(0.0)*	*0.3*	*(0.2)*	*0.0*	*(0.2)*	*(0.0)*	*1.1*
of which: Credit	*0.3*	*0.2*	*(0.0)*	*(0.0)*	*0.0*	*(0.0)*	*0.1*	*(0.0)*	*0.0*	*(0.0)*	*0.0*	*0.6*
Financial assets at fair value not held for trading	3.7	11.6	(0.1)	*(0.2)*	0.7	(0.5)	0.0	(0.0)	0.1	(0.1)	0.0	15.4
of which: Loans	*0.7*	*7.1*	*(0.1)*	*(0.1)*	*0.4*	*(0.1)*	*0.0*	*(0.0)*	*0.0*	*(0.1)*	*(0.0)*	*7.9*
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*	*0.0*	*1.3*
of which: Equity instruments	*0.8*	*2.1*	*(0.0)*	*(0.0)*	*0.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*3.1*
Derivative financial instruments – liabilities	1.7	2.8	0.6	*0.5*	0.0	(0.0)	0.8	(0.4)	0.1	(0.3)	0.0	5.3
of which: Interest rate	*0.1*	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.4*
of which: Equity / index	*1.2*	*1.7*	*0.5*	*0.5*	*0.0*	*(0.0)*	*0.6*	*(0.3)*	*0.0*	*(0.1)*	*0.0*	*3.7*
of which: Credit	*0.3*	*0.3*	*0.0*	*0.0*	*0.0*	*(0.0)*	*0.1*	*(0.0)*	*0.1*	*(0.2)*	*(0.0)*	*0.6*
Debt issued designated at fair value	10.5	8.5	0.4	*0.4*	0.0	0.0	2.4	(2.5)	0.6	(0.8)	(0.0)	19.1
Other financial liabilities designated at fair value	0.7	2.1	0.0	*0.0*	0.0	0.0	0.2	(0.1)	0.0	(0.0)	(0.0)	3.0
For the six months ended 30 June 2022												
Financial assets at fair value held for trading	2.3		(0.1)	*(0.2)*	0.3	(1.3)	1.0	0.0	0.1	(0.3)	(0.0)	1.9
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)*	*0.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*(0.0)*	*(0.0)*	*0.7*
of which: Loans	*1.4*		*(0.1)*	*(0.1)*	*0.0*	*(1.2)*	*1.0*	*0.0*	*0.0*	*(0.2)*	*(0.0)*	*1.0*
Derivative financial instruments – assets	1.1		0.5	*0.6*	0.0	0.0	0.5	(0.4)	0.2	(0.2)	(0.0)	1.8
of which: Interest rate	*0.5*		*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.1*	*(0.1)*	*(0.0)*	*0.4*
of which: Equity / index	*0.4*		*0.3*	*0.3*	*0.0*	*0.0*	*0.2*	*(0.2)*	*0.0*	*(0.0)*	*(0.0)*	*0.7*
of which: Credit	*0.2*		*0.1*	*0.1*	*0.0*	*0.0*	*0.2*	*(0.0)*	*0.1*	*0.0*	*0.0*	*0.6*
Financial assets at fair value not held for trading	4.2		0.1	*0.1*	0.6	(0.6)	0.0	(0.0)	0.0	(0.1)	(0.1)	4.2
of which: Loans	*0.9*		*(0.0)*	*(0.0)*	*0.5*	*(0.2)*	*0.0*	*0.0*	*0.0*	*(0.1)*	*(0.0)*	*1.0*
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*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.0*	*(0.0)*	*0.7*
Derivative financial instruments – liabilities	2.2		(0.6)	*(0.6)*	0.0	0.0	0.9	(0.8)	0.1	(0.1)	(0.1)	1.7
of which: Interest rate	*0.3*		*(0.2)*	*(0.2)*	*0.0*	*0.0*	*0.1*	*(0.0)*	*0.0*	*0.0*	*(0.0)*	*0.1*
of which: Equity / index	*1.5*		*(0.3)*	*(0.3)*	*0.0*	*0.0*	*0.6*	*(0.7)*	*0.0*	*(0.1)*	*(0.0)*	*1.1*
of which: Credit	*0.3*		*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.1*	*0.0*	*0.1*	*(0.0)*	*(0.0)*	*0.4*
Debt issued designated at fair value	14.2		(2.5)	*(2.3)*	0.0	0.0	4.2	(2.7)	0.7	(1.5)	(0.4)	12.0
Other financial liabilities designated at fair value	0.8		(0.0)	*(0.0)*	0.0	0.0	0.2	(0.1)	0.0	(0.0)	(0.0)	0.9

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 30 June 2023 were USD 21.5bn (31 December 2022: USD 6.8bn). Total Level 3 liabilities as of 30 June 2023 were USD 27.6bn (31 December 2022: USD 13.0bn).

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

	30.6.23		31.3.23		31.12.22	
USD bn	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash and balances at central banks	261.6	261.6	144.2	144.2	169.4	169.4
Amounts due from banks	24.4	24.3	14.9	15.0	14.8	14.8
Receivables from securities financing transactions measured at amortized cost	86.5	86.6	60.0	60.0	67.8	67.8
Cash collateral receivables on derivative instruments	54.3	54.3	32.7	32.6	35.0	35.0
Loans and advances to customers	651.8	639.3	390.1	378.5	387.2	374.9
Other financial assets measured at amortized cost	64.9	62.5	49.2	47.2	53.3	50.8
Liabilities						
Amounts due to banks	99.2	99.2	13.6	13.6	11.6	11.6
Payables from securities financing transactions measured at amortized cost	22.3	22.3	9.9	9.9	4.2	4.2
Cash collateral payables on derivative instruments	41.4	41.4	32.2	32.2	36.4	36.4
Customer deposits	712.5	712.3	505.6	504.9	525.1	524.8
Debt issued measured at amortized cost	230.9	229.9	116.3	113.7	114.6	113.5
Other financial liabilities measured at amortized cost[1]	13.6	13.7	7.0	7.0	6.2	6.2

1 Excludes lease liabilities.

Note 10 Derivative instruments

a) Derivative instruments

As of 30.6.23, USD bn	Derivative financial assets	Derivative financial liabilities	Notional values related to derivative financial assets and liabilities[1]	Other notional values[2]
Derivative financial instruments				
Interest rate	63.7	62.0	3,788[3]	25,438
Credit derivatives	5.4	6.2	379	
Foreign exchange	74.7	76.6	7,350	82
Equity / index	39.7	45.3	1,192	497
Commodities	1.7	1.7	159	23
Other[4]	0.8	1.3	140	
Total derivative financial instruments, based on IFRS netting[5]	185.9	193.1	13,010	26,040
of which: Credit Suisse[6]	*63.2*	*66.7*	*2,804*	*10,689*
Further netting potential not recognized on the balance sheet[7]	(170.0)	(174.9)		
of which: netting of recognized financial liabilities / assets	*(140.0)*	*(140.0)*		
of which: netting with collateral received / pledged	*(30.0)*	*(34.9)*		
Total derivative financial instruments, after consideration of further netting potential	15.9	18.2		

As of 31.3.23, USD bn	Derivative financial assets	Derivative financial liabilities	Notional values related to derivative financial assets and liabilities[1]	Other notional values[2]
Derivative financial instruments				
Interest rate	36.7	34.7	2,345	13,842
Credit derivatives	1.3	1.3	86	
Foreign exchange	52.2	53.3	6,610	56
Equity / index	21.8	24.6	932	76
Commodities	1.8	1.6	146	19
Other[4]	0.4	0.6	106	
Total derivative financial instruments, based on IFRS netting[5]	114.3	116.1	10,224	13,993
Further netting potential not recognized on the balance sheet[7]	(105.4)	(104.3)		
of which: netting of recognized financial liabilities / assets	*(84.9)*	*(84.9)*		
of which: netting with collateral received / pledged	*(20.5)*	*(19.4)*		
Total derivative financial instruments, after consideration of further netting potential	8.8	11.8		

As of 31.12.22, USD bn	Derivative financial assets	Derivative financial liabilities	Notional values related to derivative financial assets and liabilities[1]	Other notional values[2]
Derivative financial instruments				
Interest rate	39.8	37.5	2,080	11,255
Credit derivatives	1.0	1.2	74	
Foreign exchange	85.5	88.5	6,080	40
Equity / index	22.2	26.1	886	63
Commodities	1.4	1.4	132	18
Other[4]	0.2	0.1	50	
Total derivative financial instruments, based on IFRS netting[5]	150.1	154.9	9,302	11,376
Further netting potential not recognized on the balance sheet[7]	(139.4)	(137.1)		
of which: netting of recognized financial liabilities / assets	*(110.9)*	*(110.9)*		
of which: netting with collateral received / pledged	*(28.5)*	*(26.2)*		
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 and settled on a daily basis (except for OTC derivatives settled through collateralized-to-market arrangements, which are presented under Derivative financial assets and Derivative financial liabilities). The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. 3 Includes USD 225bn related to OTC derivatives settled through collateralized-to-market arrangements. 4 Includes mainly Loan commitments measured at FVTPL, as well as unsettled purchases and sales of non-derivative financial instruments for which the changes in the fair value between trade date and settlement date are recognized as derivative financial instruments. 5 Financial assets and liabilities are presented net on the balance sheet if UBS 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 or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. 6 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 7 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

USD bn	Receivables 30.6.23	Payables 30.6.23	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]	54.3	41.4	32.7	32.2	35.0	36.4
of which: Credit Suisse[2]	*19.3*	*10.0*				
Further netting potential not recognized on the balance sheet[3]	(34.1)	(26.7)	(18.6)	(17.3)	(22.9)	(21.9)
of which: netting of recognized financial liabilities / assets	*(30.4)*	*(22.9)*	*(15.6)*	*(14.3)*	*(20.9)*	*(20.0)*
of which: netting with collateral received / pledged	*(3.8)*	*(3.8)*	*(3.0)*	*(3.0)*	*(1.9)*	*(1.9)*
Cash collateral on derivative instruments, after consideration of further netting potential	20.2	14.7	14.1	14.9	12.1	14.5

1 Financial assets and liabilities are presented net on the balance sheet if UBS 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 or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 3 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

USD m	30.6.23	31.3.23	31.12.22
Debt securities	43,664	40,646	44,594
Loans to financial advisors	2,588	2,571	2,611
Fee- and commission-related receivables	2,774	1,927	1,812
Finance lease receivables	5,868	1,345	1,315
Settlement and clearing accounts	811	542	1,175
Accrued interest income	2,746	1,300	1,259
Other	6,477	847	499
Total other financial assets measured at amortized cost	64,928	49,179	53,264
of which: Credit Suisse[1]	*12,841*		

1 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

b) Other non-financial assets

USD m	30.6.23	31.3.23	31.12.22
Precious metals and other physical commodities	5,794	4,506	4,471
Deposits and collateral provided in connection with litigation, regulatory and similar matters[1]	3,006	2,235	2,205
Prepaid expenses	3,138	1,265	1,076
Current tax assets	1,331	167	182
VAT, withholding tax and other tax receivables	1,279	1,733	1,286
Properties and other non-current assets held for sale	485	370	369
Other	1,885	681	578
Total other non-financial assets	16,919	10,958	10,166
of which: Credit Suisse[2]	*6,971*		

1 Refer to Note 15 for more information. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

c) Other financial liabilities measured at amortized cost

USD m	30.6.23	31.3.23	31.12.22
Other accrued expenses	3,653	1,895	1,760
Accrued interest expenses	4,639	1,920	1,949
Settlement and clearing accounts	1,931	1,548	1,075
Lease liabilities	5,810	3,294	3,334
Other	3,370	1,634	1,457
Total other financial liabilities measured at amortized cost	19,403	10,292	9,575
of which: Credit Suisse[1]	*7,415*		

1 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

d) Other financial liabilities designated at fair value

USD m	30.6.23	31.3.23	31.12.22
Financial liabilities related to unit-linked investment contracts	15,124	14,243	13,221
Securities financing transactions	13,295	9,707	15,333
Over-the-counter debt instruments and other	7,703	1,809	1,684
Total other financial liabilities designated at fair value	36,122	25,758	30,237
of which: Credit Suisse[1]	*6,996*		

1 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 11 Other assets and liabilities (continued)

e) Other non-financial liabilities

USD m	30.6.23	31.3.23	31.12.22
Compensation-related liabilities	7,310	4,550	6,822
of which: net defined benefit liability	*777*	*485*	*469*
Current tax liabilities	1,630	968	1,071
Deferred tax liabilities	434	266	236
VAT, withholding tax and other tax payables	822	676	592
Deferred income	828	290	235
Other	970	62	84
Total other non-financial liabilities	11,994	6,811	9,040
of which: Credit Suisse[1]	*4,383*		

1 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 12 Debt issued designated at fair value

USD m	30.6.23	31.3.23	31.12.22
Issued debt instruments			
Equity-linked[1]	64,446	44,721	41,901
Rates-linked and fixed-rate	42,676	22,470	22,814
Credit-linked	7,655	2,815	2,170
Commodity-linked	4,234	4,311	4,294
Other	6,039	2,916	2,459
of which: debt that contributes to total loss-absorbing capacity	*4,287*	*2,477*	*1,959*
Total debt issued designated at fair value[2]	125,050	77,233	73,638
of which: issued by UBS AG standalone with original maturity greater than one year[3]	*64,047*	*60,268*	*57,750*
of which: issued by Credit Suisse AG standalone with original maturity greater than one year[3]	*34,814*		
of which: issued by Credit Suisse International standalone with original maturity greater than one year[3]	*1,561*		

1 Includes investment fund unit-linked instruments issued. 2 Of which Credit Suisse: USD 42.4bn as of 30 June 2023. 3 Based on original contractual maturity without considering any early redemption features. As of 30 June 2023, 100% of the balance was unsecured (31 March 2023: 100%; 31 December 2022: 100%).

Note 13 Debt issued measured at amortized cost

USD m	30.6.23	31.3.23	31.12.22
Short-term debt[1]	40,522	27,412	29,676
of which: Credit Suisse	*4,932*		
Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC)	97,927	47,172	42,073
Senior unsecured debt other than TLAC	43,508	18,680	17,892
of which: issued by UBS AG standalone with original maturity greater than one year	*14,918*	*15,472*	*17,892*
of which: issued by Credit Suisse AG standalone with original maturity greater than one year	*26,346*		
Covered bonds	3,934		
Subordinated debt	16,832	14,175	16,017
of which: eligible as high-trigger loss-absorbing additional tier 1 capital instruments	*9,928*	*10,002*	*9,882*
of which: eligible as low-trigger loss-absorbing additional tier 1 capital instruments	*1,190*	*1,198*	*1,189*
of which: eligible as low-trigger loss-absorbing tier 2 capital instruments	*0*	*2,438*	*2,422*
of which: eligible as non-Basel III-compliant tier 2 capital instruments	*539*	*538*	*536*
Debt issued through the Swiss central mortgage institutions	24,862	8,873	8,962
Other long-term debt	3,273		
Long-term debt[2]	190,336	88,900	84,945
of which: Credit Suisse[3]	*52,406*		
Total debt issued measured at amortized cost[4]	230,857	116,312	114,621

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 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 4 Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

Note 14 Interest rate benchmark reform

During 2023, the Group has largely completed the transition of the remaining USD London Interbank Offered Rate (LIBOR) contracts. The transition of the largest remaining non-derivative exposure, the US mortgage portfolio of approximately USD 9bn as of 31 December 2022 (excluding an insignificant amount related to Credit Suisse US mortgages), had been substantially completed as of 30 June 2023, with these contracts automatically converting to term Secured Overnight Financing Rate (SOFR) from their next interest rate reset date following the cessation of the respective USD LIBOR rates, i.e., 30 June 2023. Corporate loans granted by the Investment Bank and the Investment Bank (Credit Suisse), as well as Wealth Management (Credit Suisse), have now either been transitioned to alternative rates or are temporarily utilizing the last available USD LIBOR fixing to complete transition, with approximately USD 2bn (predominantly attributable to positions acquired through the acquisition of the Credit Suisse Group) relying on synthetic LIBOR rates. The Group will continue to focus on the transition of the remaining synthetic LIBOR rate exposures to alternative rates throughout the remainder of 2023.

In August 2022, to facilitate the transition of derivatives linked to the USD LIBOR Swap Rate, the Group adhered to the June 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol on the USD LIBOR Swap Rate. The majority of these contracts had transitioned as of 30 June 2023, with a small number of contracts transitioned in July 2023.The transition of USD LIBOR-cleared derivatives has been effected through industry-wide central clearing counterparty conversion events that occurred primarily in April and May 2023. As of 30 June 2023, the transition of these USD LIBOR-linked derivatives has been materially accomplished.

The Group has approximately USD 6bn equivalent of yen-, pounds sterling- and US dollar-denominated publicly issued benchmark bonds (including approximately USD 3bn of benchmark notes assumed by UBS Group AG as a result of the acquisition of the Credit Suisse Group) that, per current contractual terms, if not called on their respective call dates, would reset based directly on JPY LIBOR, GBP LIBOR, and USD LIBOR, respectively. In addition, certain benchmark bonds publicly issued by the Group reference rates indirectly derived from IBORs, if they are not called on their respective call dates. These bonds have robust fallback language and the confirmation of interest rate calculation mechanics will be communicated in advance of any rate resets.

Note 15 Provisions and contingent liabilities

a) Provisions and contingent liabilities

The table below presents an overview of total provisions and contingent liabilities.

USD m	30.6.23	31.3.23	31.12.22
Provisions related to expected credit losses (IFRS 9, *Financial instruments*)[1]	367	214	201
Provisions related to Credit Suisse loan commitments (IFRS 3, *Business Combinations*)[2]	4,400		
Provisions related to litigation, regulatory and similar matters (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)	6,126	3,306	2,586
Acquisition-related contingent liabilities (IFRS 3, *Business Combinations*)[2]	2,992		
Other provisions	1,044	416	456
Total provisions and contingent liabilities	14,929	3,937	3,243
of which: Credit Suisse[2]	*11,071*		

1 Refer to Note 8c for more information. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

The following table presents additional information for Provisions related to litigation, regulatory and similar matters and other provisions.

USD m	Litigation, regulatory and similar matters[1]	Other[2]	Total
Balance as of 31 December 2022	2,586	456	3,042
Balance as of 31 March 2023	3,306	416	3,723
Provisions recognized upon acquisition of Credit Suisse	2,838	707	3,545
Increase in provisions recognized in the income statement	70	41	111
Release of provisions recognized in the income statement	(1)	(8)	(9)
Provisions used in conformity with designated purpose	(90)	(126)	(216)
Foreign currency translation and other movements[3]	2	14	16
Balance as of 30 June 2023	6,126	1,044	7,170
of which: Credit Suisse[4]	*2,837*	*649*	*3,487*

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Mainly includes provisions related to onerous contracts, real estate and employee benefits. 3 Other movements include capitalized reinstatement costs and unwinding of discount. 4 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

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

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

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

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance to the Group 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; 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 beyond what has been identified as a consequence of the acquisition of Credit Suisse as set out below. 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 this report.

Matters related to Credit Suisse entities are separately described herein and in the breakdown of provisions and contingent liabilities for litigation regulatory and similar matters below. The amounts shown in the table below reflect the provisions recorded by the relevant Credit Suisse entities under IFRS accounting principles. In connection with the acquisition of Credit Suisse, UBS Group AG additionally has reflected in its purchase accounting under IFRS 3 a further valuation adjustment of USD 3bn reflecting an estimate of outflows relating to contingent liabilities for all present obligations included in the scope of the acquisition at fair value upon closing, even if it is not probable that they will result in an outflow of resources, significantly increasing the recognition threshold for litigation liabilities beyond those that generally apply under IFRS and US GAAP.

Provisions for litigation, regulatory and similar matters by business division, in Group Functions and in Credit Suisse[1]

USD m	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Credit Suisse	Total
Balance as of 31 December 2022	1,182	159	8	308	928		2,586
Balance as of 31 March 2023	1,193	161	8	351	1,594		3,306
Provisions recognized upon acquisition of Credit Suisse						2,838	2,838
Increase in provisions recognized in the income statement	35	0	1	20	0	14	70
Release of provisions recognized in the income statement	(1)	0	0	0	0	0	(1)
Provisions used in conformity with designated purpose	(37)	0	(1)	(45)	0	(7)	(90)
Foreign currency translation / unwind of discount	7	1	0	1	1	(8)	2
Balance as of 30 June 2023	1,196	162	8	327	1,595	2,837	6,126

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.

Litigation, regulatory and similar matters involving UBS AG and subsidiaries

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. A hearing in the Supreme Court is currently scheduled for 27 September 2023. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99m of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 30 June 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.

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. In August 2023, UBS reached a settlement with the DOJ, under which UBS paid USD 1.435bn to resolve all civil claims by the DOJ.

Our balance sheet at 30 June 2023 reflected a provision with respect to matters described in this item 2 in an amount that UBS believed to be appropriate under the applicable accounting standard.

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 resolved 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 2022, the court denied plaintiffs' motion for class certification. In March 2023, the court granted defendants' summary judgment motion, dismissing the case. Plaintiffs have appealed.

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 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, Commodity Exchange Act 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. 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. The Second Circuit denied the petition to 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. 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.

Other benchmark class actions in the US:
Yen LIBOR / Euroyen TIBOR – In 2017, the court dismissed one 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. In 2022, the court granted UBS's motion for reconsideration and dismissed the case against UBS. The dismissal of the case against UBS could be appealed following the disposition of the case against the remaining defendant in the district court.

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 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 30 June 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 30 June 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.

Litigation regulatory and similar matters involving Credit Suisse entities

1. Mortgage-related matters

Government and regulatory related matters

DOJ RMBS settlement: On January 18, 2017, Credit Suisse Securities (USA) LLC (CSS LLC) and its current and former US subsidiaries and US affiliates reached a settlement with the US Department of Justice (DOJ) related to its legacy Residential Mortgage-Backed Securities (RMBS) business, a business conducted through 2007. The settlement resolved potential civil claims by the DOJ related to certain of those Credit Suisse entities' packaging, marketing, structuring, arrangement, underwriting, issuance and sale of RMBS. Pursuant to the terms of the settlement a civil monetary penalty was paid to the DOJ in January 2017. The settlement also required the Credit Suisse entities to provide certain levels of consumer relief measures, including affordable housing payments and loan forgiveness, and the DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement. Credit Suisse continues to evaluate its approach toward satisfying its remaining consumer relief obligations, and Credit Suisse currently anticipates that it will take much longer than the five-year period provided in the settlement to satisfy in full its obligations in respect of these consumer relief measures, subject to risk appetite and market conditions. Credit Suisse expects to incur costs in relation to satisfying those obligations. The amount of consumer relief Credit Suisse must provide also increases after 2021 pursuant to the original settlement by 5% per annum of the outstanding amount due until these obligations are settled. The monitor publishes reports periodically on these consumer relief matters.

Civil litigation: CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases currently include repurchase actions by RMBS trusts and/or trustees, in which plaintiffs generally allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in New York state court in: (i) one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages of not less than USD 374m in an amended complaint filed on August 19, 2019; on January 13, 2020, DLJ filed a motion to dismiss; (ii) one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436m; (iii) one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 420m; on December 27, 2018, the court denied DLJ's motion for partial summary judgment in this action, which was affirmed on appeal; on March 17, 2022, the New York State Court of Appeals reversed the decision and ordered that DLJ's motion for partial summary judgment be granted; a non-jury trial in the action was held between January 23 and February 3, 2023, and a decision is pending; (iv) one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495m; and (v) one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. These actions are at various procedural stages.

DLJ is also a defendant in one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleges damages of not less than USD 206m. On March 5, 2022, DLJ and the plaintiffs executed an agreement to settle this action. The settlement remains subject to approval through a trust instruction proceeding brought in Minnesota state court by the trustee of the plaintiff trust.

DLJ and its affiliate, Select Portfolio Servicing, Inc. (SPS), were defendants in two consolidated actions in New York state court: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3 and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730m; and one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 500m. On April 19, 2021, DLJ, SPS and the plaintiffs executed an agreement to settle both actions for the aggregate amount of USD 500m, for which Credit Suisse was fully reserved. On May 2, 2023, the Minnesota state court approved the settlement through a trust instruction proceeding brought by the trustee of the plaintiff trusts. The New York state court dismissed the underlying actions with prejudice on July 10, 2023.

2. Tax and securities law matters

On May 19, 2014, Credit Suisse AG entered into settlement agreements with several US regulators regarding its US cross-border matters. As part of the agreements, Credit Suisse AG, among other things, engaged an independent corporate monitor that reports to the New York State Department of Financial Services. As of July 31, 2018, the monitor concluded both his review and his assignment. Credit Suisse AG continues to report to and cooperate with US authorities in accordance with Credit Suisse AG's obligations under the agreements, including by conducting a review of cross-border services provided by Credit Suisse's Switzerland-based Israel Desk. Most recently, Credit Suisse AG has provided information to US authorities regarding potentially undeclared US assets held by clients at Credit Suisse AG since the May 2014 plea. Credit Suisse AG continues to cooperate with the authorities. In March 2023, the US Senate Finance Committee issued a report criticizing Credit Suisse AG's history regarding US tax compliance. The report called on the DOJ to investigate Credit Suisse AG's compliance with the 2014 plea.

In February 2021, a qui tam complaint was filed in the Eastern District of Virginia, alleging that Credit Suisse AG had violated the False Claims Act by failing to disclose all US accounts at the time of the 2014 plea, which allegedly allowed Credit Suisse AG to pay a criminal fine in 2014 that was purportedly lower than it should have been. The DOJ moved to dismiss the case, and the Court summarily dismissed the suit. The case is now on appeal with the US Federal Court of Appeals for the Fourth Circuit.

3. Rates-related matters

Regulatory matters: Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including Credit Suisse Group AG, which was a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR). Credit Suisse is cooperating fully with these investigations.

Regulatory authorities in a number of jurisdictions, including WEKO, the European Commission (Commission), the South African Competition Commission and the Brazilian Competition Authority have been conducting investigations into the trading activities, information sharing and the setting of benchmark rates in the foreign exchange (including electronic trading) markets.

On March 31, 2014, WEKO announced its formal investigation of numerous Swiss and international financial institutions, including Credit Suisse Group AG, in relation to the setting of exchange rates in foreign exchange trading. Credit Suisse continues to cooperate with this ongoing investigation.

Credit Suisse Group AG, Credit Suisse AG and Credit Suisse Securities (Europe) Limited (CSSEL) received a Statement of Objections and a Supplemental Statement of Objections from the Commission on July 26, 2018 and March 19, 2021, respectively, alleging that Credit Suisse entities engaged in anticompetitive practices in connection with their foreign exchange trading business. On December 6, 2021, the Commission issued a formal decision imposing a fine of EUR 83.3m. On February 15, 2022, Credit Suisse appealed this decision to the EU General Court.

The reference rates investigations have also included information requests from regulators concerning supranational, sub-sovereign and agency (SSA) bonds and commodities markets. Credit Suisse Group AG and CSSEL received a Statement of Objections from the Commission on December 20, 2018, alleging that Credit Suisse entities engaged in anticompetitive practices in connection with their SSA bonds trading business. On April 28, 2021, the Commission issued a formal decision imposing a fine of EUR 11.9m. On July 8, 2021, Credit Suisse appealed this decision to the EU General Court.

Civil litigation:
USD LIBOR litigation – Beginning in 2011, certain Credit Suisse entities were named in various putative class and individual lawsuits filed in the US, alleging banks on the US dollar LIBOR panel manipulated US dollar LIBOR to benefit their reputation and increase profits. All remaining matters have been consolidated for pre-trial purposes into a multi-district litigation in the US District Court for the Southern District of New York (SDNY).

In a series of rulings between 2013 and 2019 on motions to dismiss, the SDNY (i) narrowed the claims against the Credit Suisse entities and the other defendants (dismissing antitrust, Racketeer Influenced and Corrupt Organizations Act (RICO), Commodity Exchange Act, and state law claims), (ii) narrowed the set of plaintiffs who may bring claims, and (iii) narrowed the set of defendants in the LIBOR actions (including the dismissal of several Credit Suisse entities from various cases on personal jurisdiction and statute of limitation grounds). After a number of putative class and individual plaintiffs appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit (Second Circuit), on December 30, 2021, the Second Circuit affirmed in part and reversed in part the district court's decision and remanded the case to the SDNY.

On September 21, 2021, in the putative class action brought in the multi-district litigation in the SDNY by holders of bonds tied to LIBOR, Credit Suisse entered into an agreement to settle all claims. On November 7, 2022 and March 28, 2023, respectively, the court entered orders granting preliminary and final approval to the agreement to settle all claims.

Separately, on May 4, 2017, the plaintiffs in three putative class actions moved for class certification. On February 28, 2018, the SDNY denied certification in two of the actions and granted certification over a single antitrust claim in an action brought by over-the-counter purchasers of LIBOR-linked derivatives.

USD ICE LIBOR litigation – On August 18, 2020, members of the ICE LIBOR panel, including Credit Suisse Group AG and certain of its affiliates, were named in a civil action in the US District Court for the Northern District of California, alleging that panel banks manipulated ICE LIBOR to profit from variable interest loans and credit cards. On December 23, 2021, the court denied plaintiffs' motion for preliminary and permanent injunctions to enjoin panel banks from continuing to set LIBOR or automatically setting the benchmark to zero each day, and on September 13, 2022, the court granted defendants' motions to dismiss. On October 4, 2022, plaintiffs filed an amended complaint. On November 4, 2022, defendants filed a motion to dismiss the amended complaint.

CHF LIBOR litigation – In February 2015, various banks that served on the Swiss franc LIBOR panel, including Credit Suisse Group AG, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of Swiss franc LIBOR to benefit defendants' trading positions. After defendants' motion to dismiss for lack of subject matter jurisdiction was granted and plaintiffs successfully appealed, on July 13, 2022, Credit Suisse entered into an agreement to settle all claims. On February 15, 2023, the court entered an order granting preliminary approval to the agreement to settle all claims. The settlement remains subject to final court approval.

Foreign exchange litigation – Credit Suisse Group AG and affiliates as well as other financial institutions have been named in civil lawsuits relating to the alleged manipulation of foreign exchange rates.

The first matter is a consolidated class action, in which a jury trial was held in October 2022 on the issues of whether a conspiracy existed to manipulate bid-ask spreads in the FX market and whether Credit Suisse knowingly participated in any such conspiracy. On October 20, 2022, a verdict was issued in favor of Credit Suisse, finding that Credit Suisse did not knowingly participate in any such conspiracy, and on March 28, 2023, the court entered final judgment against plaintiffs and in favor of Credit Suisse on all remaining claims. Plaintiffs did not file an appeal by the April 27, 2023 deadline.

Credit Suisse AG, together with other financial institutions, was also named in a consolidated putative class action in Israel, which made allegations similar to the consolidated class action. On April 4, 2022, Credit Suisse entered into an agreement to settle all claims. The settlement remains subject to court approval.

Treasury markets litigation – CSS LLC, along with over 20 other primary dealers of US treasury securities, was named in a number of putative civil class action complaints in the US relating to the US treasury markets. These complaints generally alleged that the defendants colluded to manipulate US treasury auctions, as well as the pricing of US treasury securities in the when-issued market, with impacts upon related futures and options, and that certain of the defendants participated in a group boycott to prevent the emergence of anonymous all-to-all trading in the secondary market for treasury securities. On March 31, 2022, the SDNY granted defendants' motion to dismiss and dismissed with prejudice all claims against the defendants. On April 28, 2022, plaintiffs filed a notice of appeal.

SSA bonds litigation – Credit Suisse Group AG and certain of its affiliates, together with other financial institutions, were named in two Canadian putative class actions, which allege that defendants conspired to fix the prices of SSA bonds sold to and purchased from investors in the secondary market. One putative class action was dismissed against Credit Suisse on February 19, 2020. On October 18, 2022, in the second action, Credit Suisse entered into an agreement to settle all claims. The settlement remains subject to court approval.

Credit default swap auction litigation – On June 30, 2021, Credit Suisse Group AG and affiliates, along with other banks and entities, were named in a putative class action complaint filed in the US District Court for the District of New Mexico alleging manipulation of credit default swap (CDS) final auction prices. On April 5, 2022, defendants filed a motion to dismiss. On June 5, 2023, the court granted in part and denied in part defendants' motion to dismiss.

4. OTC trading cases

Interest rate swaps litigation: Credit Suisse Group AG and affiliates, along with other financial institutions, have been named in a consolidated putative civil class action complaint and complaints filed by individual plaintiffs relating to interest rate swaps, alleging that dealer defendants conspired with trading platforms to prevent the development of interest rate swap exchanges. The individual lawsuits were brought by TeraExchange LLC, a swap execution facility, and affiliates; Javelin Capital Markets LLC, a swap execution facility, and an affiliate; and trueEX LLC, a swap execution facility, which claim to have suffered lost profits as a result of defendants' alleged conspiracy. All interest rate swap actions have been consolidated in a multi-district litigation in the SDNY.

Defendants moved to dismiss the putative class and individual actions, and the SDNY granted in part and denied in part these motions.

On February 20, 2019, class plaintiffs in the consolidated multi-district litigation filed a motion for class certification. On March 20, 2019, class plaintiffs filed a fourth amended consolidated class action complaint. On January 21, 2022, Credit Suisse entered into an agreement to settle all class action claims. The settlement remains subject to court approval. The individual lawsuits are stayed pending a decision on plaintiffs' motion for class certification.

Credit default swaps litigation: On June 8, 2017, Credit Suisse Group AG and affiliates, along with other financial institutions, were named in a civil action filed in the SDNY by Tera Group, Inc. and related entities (Tera), alleging violations of antitrust law in connection with the allegation that CDS dealers conspired to block Tera's electronic CDS trading platform from successfully entering the market. On July 30, 2019, the SDNY granted in part and denied in part defendants' motion to dismiss. On January 30, 2020, plaintiffs filed an amended complaint. On April 3, 2020, defendants filed a motion to dismiss.

Stock loan litigation: Credit Suisse Group AG and certain of its affiliates, as well as other financial institutions, were originally named in a number of civil lawsuits in the SDNY, certain of which are brought by class action plaintiffs alleging that the defendants conspired to keep stock-loan trading in an over-the-counter market and collectively boycotted certain trading platforms that sought to enter the market, and certain of which are brought by trading platforms that sought to enter the market alleging that the defendants collectively boycotted the platforms. On January 20, 2022, Credit Suisse entered into an agreement to settle all class action claims. On February 25, 2022, the court entered an order granting preliminary approval to the agreement to settle all class action claims. The settlement remains subject to final court approval.

On October 1, 2021, in a consolidated civil litigation brought in the SDNY by entities that developed a trading platform for stock loans that sought to enter the market, alleging that the defendants collectively boycotted the platform, the court granted defendants' motion to dismiss. On October 25, 2021, plaintiffs filed a notice of appeal. On March 24, 2023, the Second Circuit affirmed the decision granting defendants' motion to dismiss.

Odd-lot corporate bond litigation: On April 21, 2020, CSS LLC and other financial institutions were named in a putative class action complaint filed in the SDNY, alleging a conspiracy among the financial institutions to boycott electronic trading platforms and fix prices in the secondary market for odd-lot corporate bonds. On October 25, 2021, the SDNY granted defendants' motion to dismiss. On November 23, 2021, plaintiffs filed a notice of appeal to the Second Circuit.

5. ATA litigation

Since November 2014, a series of lawsuits have been filed against a number of banks, including Credit Suisse AG and, in two instances, Credit Suisse AG, New York Branch, in the US District Court for the Eastern District of New York (EDNY) and the SDNY alleging claims under the United States Anti-Terrorism Act (ATA) and the Justice Against Sponsors of Terrorism Act. The plaintiffs in each of these lawsuits are, or are relatives of, victims of various terrorist attacks in Iraq and allege a conspiracy and/or aiding and abetting based on allegations that various international financial institutions, including the defendants, agreed to alter, falsify or omit information from payment messages that involved Iranian parties for the express purpose of concealing the Iranian parties' financial activities and transactions from detection by US authorities. The lawsuits allege that this conduct has made it possible for Iran to transfer funds to Hezbollah and other terrorist organizations actively engaged in harming US military personnel and civilians. On January 5, 2023, the United States Court of Appeals for the Second Circuit affirmed a September 16, 2019 ruling by the EDNY granting defendants' motion to dismiss the first filed lawsuit. On May 8, 2023, plaintiffs filed a petition for a writ of certiorari in the United States Supreme Court. Of the other seven cases, four are stayed pending the outcome of the petition for a writ of certiorari, including one that was dismissed as to Credit Suisse and most of the bank defendants prior to entry of the stay, and in three the court has set a schedule for plaintiffs to file amended complaints, including two that were dismissed prior to the court setting a schedule for plaintiffs to replead.

6. Customer account matters

Several clients have claimed that a former relationship manager in Switzerland had exceeded his investment authority in the management of their portfolios, resulting in excessive concentrations of certain exposures and investment losses. Credit Suisse AG is investigating the claims, as well as transactions among the clients. Credit Suisse AG filed a criminal complaint against the former relationship manager with the Geneva Prosecutor's Office upon which the prosecutor initiated a criminal investigation. Several clients of the former relationship manager also filed criminal complaints with the Geneva Prosecutor's Office. On February 9, 2018, the former relationship manager was sentenced to five years in prison by the Geneva criminal court for fraud, forgery and criminal mismanagement and ordered to pay damages of approximately USD 130m. Several parties appealed the judgment. On June 26, 2019, the Criminal Court of Appeals of Geneva ruled in the appeal of the judgment against the former relationship manager, upholding the main findings of the Geneva criminal court. Several parties appealed the decision to the Swiss Federal Supreme Court. On February 19, 2020, the Swiss Federal Supreme Court rendered its judgment on the appeals, substantially confirming the findings of the Criminal Court of Appeals of Geneva.

Civil lawsuits have been initiated against Credit Suisse AG and/or certain affiliates in various jurisdictions, based on the findings established in the criminal proceedings against the former relationship manager.

In Singapore, in the civil lawsuit brought against Credit Suisse Trust Limited, a Credit Suisse AG affiliate, on May 26, 2023, the Singapore International Commercial Court issued a first instance judgment finding for the plaintiffs and directing the parties' experts to agree on the amount of the damages award according to the calculation method and parameters adopted by the court. Further, the court determined that (i) damages shall be reduced by compensation already paid to the plaintiffs and (ii) there shall be no double recovery between this award and the award in the Bermuda proceedings against Credit Suisse Life (Bermuda) Ltd. Based on the calculations by the parties' experts, Credit Suisse expects the damages amount to be no more than USD 750m, excluding post-judgment interest. This figure does not exclude potential overlap with the Bermuda proceedings, which are currently being appealed. As the parties' experts have been unable to agree on the amount of the damages, following court directions, the parties have filed their proposed draft orders with supporting documents on August 25, 2023. It is expected that the court will issue a final order determining all matters of the suit in September 2023. Credit Suisse Trust Limited intends to appeal the judgment and has applied for a stay of execution pending that appeal.

In Bermuda, in the civil lawsuit brought against Credit Suisse Life (Bermuda) Ltd., a Credit Suisse AG affiliate, trial took place in the Supreme Court of Bermuda in November and December 2021. The Supreme Court of Bermuda issued a first instance judgment on March 29, 2022, finding for the plaintiff. On May 6, 2022, the Supreme Court of Bermuda issued an order awarding damages of USD 607.35m to the plaintiff. On May 9, 2022, Credit Suisse Life (Bermuda) Ltd. appealed the decision to the Bermuda Court of Appeal. On July 25, 2022, the Supreme Court of Bermuda granted a stay of execution of its judgment pending appeal on the condition that damages awarded were paid into an escrow account within 42 days, which condition was satisfied. On June 23, 2023, the Bermuda Court of Appeal issued its judgment confirming the award issued by the Supreme Court of Bermuda and upholding the Supreme Court of Bermuda's finding that Credit Suisse Life (Bermuda) Ltd. had breached its contractual and fiduciary duties, but overturning the Supreme Court of Bermuda's finding that Credit Suisse Life (Bermuda) Ltd. had made fraudulent misrepresentations. On July 7, 2023, Credit Suisse Life (Bermuda) Ltd. filed its notice of motion for leave to appeal to the Judicial Committee of the Privy Council. On July 14, 2023 Credit Suisse Life (Bermuda) Ltd. applied for a stay of execution of the Bermuda Court of Appeal's judgment pending the outcome of the appeal to the Judicial Committee of the Privy Council on the condition that the damages awarded remain within the escrow account and that interest be added to the escrow account calculated at the Bermuda statutory rate of 3.5%.

In Switzerland, civil lawsuits have commenced against Credit Suisse AG in the Court of First Instance of Geneva, with statements of claim served on March 6 and 31, 2023.

7. FIFA-related matters

In connection with investigations by US government authorities into the involvement of financial institutions in the alleged bribery and corruption surrounding the Fédération Internationale de Football Association (FIFA), Credit Suisse received inquiries regarding its banking relationships with certain individuals and entities associated with FIFA, including but not limited to certain persons and entities named and/or described in the May 20, 2015 indictment and the November 25, 2015 superseding indictment filed by the EDNY US Attorney's Office. The investigations encompassed whether multiple financial institutions, including Credit Suisse, permitted the processing of suspicious or otherwise improper transactions, or failed to observe anti-money laundering laws and regulations, with respect to the accounts of certain persons and entities associated with FIFA. Credit Suisse continues to cooperate with US authorities on this matter. The Swiss Financial Market Supervisory Authority FINMA (FINMA) announced the conclusion of its related investigation in 2018.

8. Mozambique matter

Credit Suisse has been subject to investigations by regulatory and enforcement authorities, as well as civil litigation, regarding certain Credit Suisse entities' arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiacana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and certain Credit Suisse entities' subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. In 2019, three former Credit Suisse employees pleaded guilty in the EDNY to accepting improper personal benefits in connection with financing transactions carried out with two Mozambique state enterprises.

On October 19, 2021, Credit Suisse reached settlements with the DOJ, the US Securities Exchange Commission (SEC), the UK Financial Conduct Authority (FCA) and FINMA to resolve inquiries by these agencies. Credit Suisse Group AG entered into a three-year Deferred Prosecution Agreement (DPA) with the DOJ in connection with the criminal information charging Credit Suisse Group AG with conspiracy to commit wire fraud and consented to the entry of a Cease and Desist Order by the SEC. Under the terms of the DPA, Credit Suisse Group AG will continue its compliance enhancement and remediation efforts, report to the DOJ on those efforts for three years and undertake additional measures as outlined in the DPA. Credit Suisse also agreed to pay a net penalty to the DOJ of approximately USD 175.5m. If Credit Suisse Group AG adheres to the DPA's conditions, the charges will be dismissed at the end of the DPA's three-year term. In addition, CSSEL entered into a Plea Agreement and pleaded guilty to one count of conspiracy to violate the US federal wire fraud statute. CSSEL will be bound by the same compliance, remediation and reporting obligations as Credit Suisse Group AG under the DPA. Under the terms of the SEC Cease and Desist Order, Credit Suisse paid a civil penalty of USD 65m and approximately USD 34m in disgorgement and pre-judgment interest in connection with violations of antifraud provisions of the US Securities Exchange Act of 1934 (Exchange Act) and the US Securities Act of 1933 (Securities Act) (Exchange Act Section 10(b) and Rule 10b-5 thereunder and Securities Act Sections 17(a)(1), (2) and (3)) as well as internal accounting controls and books and records provisions of the Exchange Act (Sections 13(b)(2)(A) and 13(b)(2)(B)). The total monetary sanctions paid to the DOJ and SEC, taking into account various credits and offsets, was approximately USD 275m. Under the terms of the resolution with the DOJ, Credit Suisse was required to pay restitution to any eligible investors in the 2016 Eurobonds issued by the Republic of Mozambique. At a July 22, 2022 hearing, the EDNY approved the joint restitution proposal of the DOJ and Credit Suisse, under which Credit Suisse paid USD 22.6m in restitution to eligible investors. At the hearing Credit Suisse was also ordered to pay, and subsequently paid, the USD 175.6m net penalty set out in the DPA and Plea Agreement described above.

In the resolution with the FCA, CSSEL, Credit Suisse International (CSI) and Credit Suisse AG, London Branch agreed that, in respect of these transactions with Mozambique, its UK operations had failed to conduct business with due skill, care and diligence and to take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems. Credit Suisse paid a penalty of approximately USD 200m and has also agreed with the FCA to forgive USD 200m of debt owed to Credit Suisse by Mozambique.

FINMA also entered a decree announcing the conclusion of its enforcement proceeding, finding that Credit Suisse AG and Credit Suisse (Schweiz) AG violated the duty to file a suspicious activity report in Switzerland, and Credit Suisse Group AG did not adequately manage and address the risks arising from specific sovereign lending and related securities transactions, and ordering the bank to remediate certain deficiencies. FINMA also arranged for certain existing transactions to be reviewed by the same independent third party on the basis of specific risk criteria, and required enhanced disclosure of certain sovereign transactions until all remedial measures have been satisfactorily implemented. Credit Suisse has completed implementation of the measures required under the FINMA decree. An independent third party appointed by FINMA is reviewing the implementation and effectiveness of these measures.

On February 27, 2019, certain Credit Suisse entities, the same three former employees, and several other unrelated entities were sued in the English High Court by the Republic of Mozambique. On January 21, 2020, the Credit Suisse entities filed their defense. On June 26, 2020, the Credit Suisse entities filed third-party claims against the project contractor and several Mozambique officials. The Republic of Mozambique filed an updated Particulars of Claim on October 27, 2020, and the Credit Suisse entities filed their amended defense and counterclaim on January 15, 2021. Following the announcement of the global regulatory resolution on October 19, 2021, Credit Suisse filed a re-amended defense on December 24, 2021. The Republic of Mozambique seeks a declaration that the sovereign guarantee issued in connection with the ProIndicus loan syndication arranged and funded, in part, by a Credit Suisse subsidiary is void and also seeks damages alleged to have arisen in connection with the transactions involving ProIndicus and EMATUM, and a transaction in which Credit Suisse had no involvement with Mozambique Asset Management S.A. Also on January 15, 2021, the project contractor filed a cross claim against the Credit Suisse entities (as well as the three former Credit Suisse employees and various Mozambican officials) seeking an indemnity and/or contribution in the event that the contractor is found liable to the Republic of Mozambique. On August 4, 2022, the Republic of Mozambique filed an updated Particulars of Claim addressing Credit Suisse's October 2021 resolutions with various regulatory and enforcement authorities, and framing its claim for consequential damages. On September 23, 2022, Credit Suisse filed its Re-Amended Defense in response. The English High Court has scheduled trial to begin in October 2023.

On April 27, 2020, Banco Internacional de Moçambique (BIM), a member of the ProIndicus syndicate, brought a claim against certain Credit Suisse entities seeking, contingent on the Republic of Mozambique's claim, a declaration that Credit Suisse is liable to compensate it for alleged losses suffered as a result of any invalidity of the sovereign guarantee. The Credit Suisse entities filed their defense to this claim on August 28, 2020, to which BIM replied on October 16, 2020. Credit Suisse filed an amended defense on December 15, 2021, and BIM filed its amended reply on January 5, 2022.

On December 17, 2020, two members of the ProIndicus syndicate, Beauregarde Holdings LLP and Orobica Holdings LLC (B&O), filed a claim against certain Credit Suisse entities in respect of their interests in the ProIndicus loan, seeking unspecified damages stemming from the alleged loss suffered due to their reliance on representations made by Credit Suisse to the syndicate lenders. Credit Suisse filed their defense to this claim on February 24, 2021. On February 4, 2022, B&O filed an amended claim, and Credit Suisse filed an amended defense on February 18, 2022.

On June 3, 2021, United Bank for Africa PLC (UBA), a member of the ProIndicus syndicate, brought a claim against certain Credit Suisse entities seeking, contingent on the Republic of Mozambique's claim, a declaration that Credit Suisse is liable to compensate it for alleged losses suffered as a result of any invalidity of the sovereign guarantee. The Credit Suisse entities filed their defense to this claim on July 1, 2021 and filed an amended defense on December 15, 2021, and UBA filed its amended reply on January 5, 2022.

On March 16, 2023, Moza Banco S.A., a syndicate member of the ProIndicus loan, filed a claim against CSI, Credit Suisse AG and CSSEL in the English High Court, making allegations similar to those in litigations filed by other ProIndicus syndicate members. This claim has been stayed until the determination of the October 2023 trial in the English High Court in the litigation brought by the Republic of Mozambique.

On February 23, 2022, Privinvest Holding SAL (Privinvest), the parent company of certain entities involved in the Mozambique transactions, and its owner Iskandar Safa brought a defamation claim in a Lebanese court against CSSEL and Credit Suisse Group AG. The lawsuit alleges damage to the claimants' professional reputation in Lebanon due to statements that were allegedly made by Credit Suisse in documents relating to the October 2021 settlements with global regulators. On August 18, 2022, the parties agreed to a stay of the proceedings until the date of the final judicial determination of the English High Court litigation, including any appeals, and on August 23, 2022, the parties filed an application for a stay with the Lebanese Court.

On November 2, 2022, Jean Boustani, a Privinvest employee who was the lead negotiator on behalf of Privinvest in relation to the Mozambique transactions, brought a defamation claim in a Lebanese court against Credit Suisse Group AG and CSSEL. The lawsuit makes substantially the same allegations as the claim described immediately above.

9. Cross-border private banking matters

Credit Suisse offices in various locations, including the UK, the Netherlands, France and Belgium, have been contacted by regulatory and law enforcement authorities that are seeking records and information concerning investigations into Credit Suisse's historical private banking services on a cross-border basis and in part through its local branches and banks. Credit Suisse has conducted a review of these issues, the UK and French aspects of which have been closed, and is continuing to cooperate with the authorities.

10. ETN-related litigation

XIV litigation: Since March 14, 2018, three class action complaints were filed in the SDNY on behalf of a putative class of purchasers of VelocityShares Daily Inverse VIX Short Term Exchange Traded Notes linked to the S&P 500 VIX Short-Term Futures Index due December 4, 2030 (XIV ETNs). On August 20, 2018, plaintiffs filed a consolidated amended class action complaint, naming Credit Suisse Group AG and certain affiliates and executives, which asserts claims for violations of Sections 9(a)(4), 9(f), 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder and Sections 11 and 15 of the US Securities Act of 1933 and alleges that the defendants are responsible for losses to investors following a decline in the value of XIV ETNs on February 5, 2018. Defendants moved to dismiss the amended complaint on November 2, 2018. On September 25, 2019, the SDNY granted defendants' motion to dismiss and dismissed with prejudice all claims against the defendants. On October 18, 2019, plaintiffs filed a notice of appeal. On April 27, 2021, the Second Circuit issued an order affirming in part and vacating in part the SDNY's September 25, 2019 decision granting defendants' motion to dismiss with prejudice. On July 1, 2022, plaintiffs filed a motion for class certification. On March 16, 2023, the court denied plaintiffs' motion to certify two of their three alleged classes and granted plaintiffs' motion to certify their third alleged class. On March 30, 2023, defendants moved for reconsideration and filed a petition for permission to appeal the court's March 16, 2023 class certification decision to the Second Circuit. On April 28, 2023, plaintiffs filed a motion seeking leave to amend their complaint. On May 15, 2023, plaintiffs filed a renewed motion for class certification.

DGAZ litigation: On January 6, 2022, Credit Suisse AG was named in a class action complaint filed in the SDNY brought on behalf of a putative class of short sellers of VelocityShares 3x Inverse Natural Gas Exchange Traded Notes linked to the S&P GSCI Natural Gas Index ER due February 9, 2032 (DGAZ ETNs). The complaint asserts claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and alleges that Credit Suisse is responsible for losses suffered by short sellers following a June 2020 announcement that Credit Suisse would delist and suspend further issuances of the DGAZ ETNs. On July 11, 2022, Credit Suisse AG filed a motion to dismiss. On March 31, 2023, the court granted Credit Suisse AG's motion to dismiss. On May 2, 2023, the court entered an order dismissing the case with prejudice. On June 1, 2023, plaintiff filed a notice of appeal.

11. Bulgarian former clients matter

Credit Suisse AG has been responding to an investigation by the Swiss Office of the Attorney General (SOAG) concerning the diligence and controls applied to a historical relationship with Bulgarian former clients who are alleged to have laundered funds through Credit Suisse AG accounts. On December 17, 2020, the SOAG brought charges against Credit Suisse AG and other parties. Credit Suisse AG believes its diligence and controls complied with applicable legal requirements and intends to defend itself vigorously. The trial in the Swiss Federal Criminal Court took place in the first quarter of 2022. On June 27, 2022, Credit Suisse AG was convicted in the Swiss Federal Criminal Court of certain historical organizational inadequacies in its anti-money laundering framework and ordered to pay a fine of CHF 2m.

In addition, the court seized certain client assets in the amount of approximately CHF 12m and ordered Credit Suisse AG to pay a compensatory claim in the amount of approximately CHF 19m. On July 5, 2022, Credit Suisse AG appealed the decision to the Swiss Federal Court of Appeals.

12. SCFF

Credit Suisse has received requests for documents and information in connection with inquiries, investigations, enforcement and other actions relating to the supply chain finance funds (SCFF) matter by FINMA, the FCA and other regulatory and governmental agencies. The Luxembourg Commission de Surveillance du Secteur Financier is reviewing the matter through a third party. Credit Suisse is cooperating with these authorities.

On February 28, 2023, FINMA announced the conclusion of its enforcement proceedings against Credit Suisse in connection with the SCFF matter. In its order, FINMA reported that Credit Suisse had seriously breached applicable Swiss supervisory laws in this context with regard to risk management and appropriate operational structures. While FINMA recognized that Credit Suisse has already taken extensive organizational measures based on its own investigation into the SCFF matter, particularly to strengthen its governance and control processes, and FINMA is supportive of these measures, the regulator has ordered certain additional remedial measures. These include a requirement that the most important (approximately 500) business relationships must be reviewed periodically and holistically at the Executive Board level, in particular for counterparty risks, and that Credit Suisse must set up a document defining the responsibilities of approximately 600 of its highest-ranking managers. FINMA will appoint an audit officer to assess compliance with these supervisory measures. Separate from the enforcement proceeding regarding Credit Suisse, FINMA has opened four enforcement proceedings against former managers of Credit Suisse.

Certain civil actions have been filed by fund investors and other parties against Credit Suisse and/or certain officers and directors in various jurisdictions, which make allegations including mis-selling and breaches of duties of care, diligence and other fiduciary duties. Certain investors and other private parties have also filed criminal complaints against Credit Suisse and other parties in connection with this matter.

13. Archegos

Credit Suisse has received requests for documents and information in connection with inquiries, investigations and/or actions relating to Credit Suisse's relationship with Archegos Capital Management (Archegos), including from FINMA (assisted by a third party appointed by FINMA), the DOJ, the SEC, the US Federal Reserve, the US Commodity Futures Trading Commission (CFTC), the US Senate Banking Committee, the Prudential Regulation Authority (PRA), the FCA, COMCO, the Hong Kong Competition Commission and other regulatory and governmental agencies. Credit Suisse is cooperating with the authorities in these matters.

On July 24, 2023, the US Federal Reserve and the PRA announced resolutions of their investigations of Credit Suisse's relationship with Archegos.

UBS Group AG, Credit Suisse AG, Credit Suisse Holdings (USA) Inc., and Credit Suisse AG, New York Branch entered into an Order to Cease and Desist with the Board of Governors of the Federal Reserve System. Under the terms of the order, Credit Suisse agreed to pay a civil money penalty of USD 269m and to undertake certain remedial measures relating to counterparty credit risk management, liquidity risk management and non-financial risk management, as well as enhancements to board oversight and governance.

CSI and CSSEL entered into a settlement agreement with the PRA providing for the resolution of the PRA's investigation, following which the PRA published a Final Notice imposing a financial penalty of GBP 87m on CSI and CSSEL for breaches of various of the PRA's Fundamental Rules.

FINMA also entered a decree dated July 14, 2023 announcing the conclusion of its enforcement proceeding, finding that Credit Suisse had seriously violated financial market law in connection with its business relationship with Archegos and ordering remedial measures directed at Credit Suisse AG and UBS Group AG, as the legal successor to Credit Suisse Group AG. These include a requirement that UBS Group AG apply its restrictions on its own positions relating to individual clients throughout the financial group, as well as adjustments to the compensation system of the entire financial group to provide for bonus allocation criteria that take into account risk appetite. FINMA also announced it has opened enforcement proceedings against a former Credit Suisse manager in connection with this matter.

On April 16, 2021, Credit Suisse Group AG and certain current and former executives were named in a putative class action complaint filed in the SDNY by a holder of Credit Suisse American Depositary Receipts, asserting claims for violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder, alleging that defendants violated US securities laws by making material misrepresentations and omissions regarding Credit Suisse's risk management practices, including with respect to the Archegos matter. On September 16, 2022, the parties reached an agreement to settle all claims. On December 23, 2022 and May 11, 2023, respectively, the court entered an order granting preliminary and final approval to the parties' agreement to settle all claims.

Additional civil actions relating to Credit Suisse's relationship with Archegos have been filed against Credit Suisse and/or certain officers and directors, including claims for breaches of fiduciary duties.

14. Credit Suisse financial disclosures

Three putative securities class action complaints have been filed in the US District Court for the District of New Jersey (DNJ) against Credit Suisse Group AG and current and former directors, officers, and executives, alleging that defendants made misleading statements regarding customer outflows in late 2022. Two of the complaints also include allegations relating to financial reporting controls and Credit Suisse Group AG's merger with UBS Group AG. On July 7, 2023, the DNJ transferred the cases to the SDNY.

Credit Suisse has received requests for documents and information from regulatory and governmental agencies in connection with inquiries, investigations and/or actions relating to these matters, as well as for other statements regarding Credit Suisse's financial condition, including from the SEC, the DOJ and FINMA. Credit Suisse is cooperating with the authorities in these matters.

15. Merger-related litigation

On May 28, 2023 and June 7, 2023, certain Credit Suisse AG affiliates, as well as current and former directors, officers, and executives were named in two putative class action complaints in the SDNY alleging that a series of scandals and misconduct led to a loss of shareholder value and, eventually, Credit Suisse Group AG's merger with UBS Group AG. KPMG and KPMG employees are also named as defendants. The complaints allege breaches of fiduciary duty under Swiss law, and civil RICO claims under United States federal law.

On June 20, 2023, a putative class action complaint was filed in the EDNY against various former Credit Suisse directors, officers, and executives on behalf of a purported class of those who held Credit Suisse additional tier 1 capital notes between January 12, 2023 and March 19, 2023. The complaint asserts direct claims under Swiss law.

Significant regulated subsidiary and sub-group information

Unaudited

Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

	UBS AG (consolidated)		UBS AG (standalone)		UBS Switzerland AG (standalone)		UBS Europe SE (consolidated)		UBS Americas Holding LLC (consolidated)	
All values in million, except where indicated	*USD*		*USD*		*CHF*		*EUR*		*USD*	
Financial and regulatory requirements	IFRS Swiss SRB rules		Swiss GAAP Swiss SRB rules (phase-in)		Swiss GAAP Swiss SRB rules		IFRS EU regulatory rules		US GAAP US Basel III rules	
As of or for the quarter ended	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23[1]	30.6.23	31.3.23
Financial information[2]										
Income statement										
Total operating income[3]	8,453	8,806	7,118	2,690	2,524	2,436	264	301	3,136	3,279
Total operating expenses	6,997	7,350	5,664	1,961	1,434	1,338	189	224	3,287	3,117
Operating profit / (loss) before tax	1,456	1,456	1,454	729	1,090	1,098	75	77	(151)	162
Net profit / (loss)	1,124	1,012	1,270	726	891	893	58	58	(174)	77
Balance sheet										
Total assets	1,096,318	1,056,758	530,893	513,593	313,565	313,512	49,389	49,348	195,827	197,394
Total liabilities	1,043,044	998,021	477,536	455,505	298,987	297,125	45,892	45,672	171,539	172,729
Total equity	53,274	58,738	53,357	58,088	14,578	16,387	3,497	3,675	24,288	24,665
Capital[4]										
Common equity tier 1 capital	43,300	42,801	53,904	53,476	12,354	12,356	2,438	2,435	10,275	10,579
Additional tier 1 capital	11,718	12,315	11,718	12,315	5,381	5,389	600	600	5,085	5,094
Total going concern capital / Tier 1 capital	55,017	55,116	65,622	65,791	17,735	17,745	3,038	3,035	15,361	15,673
Tier 2 capital	539	2,975	533	2,968					220	217
Total capital							3,038	3,035	15,581	15,889
Total gone concern loss-absorbing capacity	51,572	52,624	51,566	52,617	11,235	11,257	2,525[5]	2,127[5]	7,400[7]	7,400[7]
Total loss-absorbing capacity	106,589	107,741	117,187	118,408	28,971	29,001	5,563	5,162	22,761[7]	23,073[7]
Risk-weighted assets and leverage ratio denominator[4]										
Risk-weighted assets	323,406	321,224	343,374	348,235	107,203	108,077	11,118	10,561	70,135	71,901
Leverage ratio denominator	1,048,313	1,018,023	606,158	589,317	330,318	330,362	49,351	47,909	186,340	188,330
Supplementary leverage ratio denominator									207,357	209,465
Capital and leverage ratios (%)[4]										
Common equity tier 1 capital ratio	13.4	13.3	15.7	15.4	11.5	11.4	21.9	23.1	14.7	14.7
Going concern capital ratio / Tier 1 capital ratio	17.0	17.2	19.1	18.9	16.5	16.4	27.3	28.7	21.9	21.8
Total capital ratio							27.3	28.7	22.2	22.1
Total loss-absorbing capacity ratio	33.0	33.5			27.0	26.8	50.0	48.9	32.5	32.1
Tier 1 leverage ratio							6.2	6.3	8.2	8.3
Supplementary tier 1 leverage ratio									7.4	7.5
Going concern leverage ratio	5.2	5.4	10.8	11.2	5.4	5.4				
Total loss-absorbing capacity leverage ratio	10.2	10.6			8.8	8.8	11.3	10.8	12.2	12.3
Gone concern capital coverage ratio			111.7	120.6						
Liquidity coverage ratio[4,8]										
High-quality liquid assets (bn)	224.8		97.7	98.8	77.6	85.3	20.0	20.3	29.2	30.5[6]
Net cash outflows (bn)	131.5		47.1	52.4	54.5	60.2	13.2	13.2	19.5	21.0[6]
Liquidity coverage ratio (%)	170.9		208.0[9]	189.1	142.4[10]	141.9	152.4	155.0	150.0	144.9[6]
Net stable funding ratio[4,8,11]										
Total available stable funding (bn)	564.5		253.9	255.0	219.7	220.8	13.1	13.2	100.7	100.9
Total required stable funding (bn)	477.6		283.9	289.0	163.0	165.2	9.1	8.6	79.6	80.0
Net stable funding ratio (%)	118.2		89.4[12]	88.2	134.8[12]	133.7	144.9	153.8	126.5	126.1
Other										
Joint and several liability between UBS AG and UBS Switzerland AG (bn)[13]					3	3				

1 Comparative figures have been restated to align with the regulatory reports as submitted to the European Central Bank (the ECB). 2 The financial information disclosed does not represent financial statements under the respective GAAP / IFRS. 3 The total operating income includes credit loss expense or release. 4 Refer to the 30 June 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information. 5 Consists of positions that meet the conditions laid down in Art. 72a–b of the Capital Requirements Regulation (CRR) II with regard to contractual, structural or legal subordination. 6 Comparative information for 31 March 2023 has been restated for revisions to HQLA and net cash outflows. 7 Consists of eligible long-term debt that meets the conditions specified in 12 CFR 252.162 of the final TLAC rules. Total loss-absorbing capacity is the sum of tier 1 capital and eligible long-term debt. 8 Following the acquisition of Credit Suisse and the corresponding additional disclosure requirements according to FINMA Circular 2016/1 "Disclosure – banks", we disclose the UBS AG consolidated liquidity coverage ratio and net stable funding ratio for the first time in this section. 9 In the second quarter of 2023, the liquidity coverage ratio (the LCR) of UBS AG was 208.0%, remaining above the prudential requirement communicated by FINMA. 10 In the second quarter of 2023, the LCR of UBS Switzerland AG, which is a Swiss SRB, was 142.4%, remaining above the prudential requirement communicated by FINMA in connection with the Swiss Emergency Plan. 11 For UBS Americas Holding LLC consolidated, the NSFR requirement became effective as of 1 July 2021 and related disclosures came into effect in the second quarter of 2023. 12 In accordance with Art. 17h para. 3 and 4 of the Liquidity Ordinance, UBS AG standalone is required to maintain a minimum NSFR of at least 80% without taking into account excess funding of UBS Switzerland AG and 100% after taking into account such excess funding. 13 Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the joint and several liability. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

	Credit Suisse AG (consolidated)		Credit Suisse AG (standalone)		Credit Suisse (Schweiz) AG (consolidated)		Credit Suisse (Schweiz) AG (standalone)		Credit Suisse International (standalone)		Credit Suisse Holdings (USA), Inc. (consolidated)	
All values in million, except where indicated	*CHF*		*CHF*		*CHF*		*CHF*		*USD*		*USD*	
Financial and regulatory requirements	US GAAP Swiss SRB rules		Swiss GAAP Swiss SRB rules (phase-in)[1]		US GAAP Swiss SRB rules		Swiss GAAP Swiss SRB rules[1]		IFRS UK regulatory rules		US GAAP US Basel III regulatory rules	
As of or for the quarter ended	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23	30.6.23	31.3.23
Capital[2]												
Common equity tier 1 capital	45,542	54,244	28,394	34,206	12,958	12,602	11,884	11,841	14,589	14,951	10,759	12,491
Additional tier 1 capital	463	0	463	0	3,100	3,100	3,100	3,100	1,200	1,200	523	522
Total going concern capital / Tier 1 capital	46,004	54,244	28,856	34,206	16,058	15,702	14,984	14,941	15,789	16,151	11,282	13,013
Tier 2 capital									3	3	66	67
Total capital	46,004	54,244	28,856	34,206	16,058	15,702	14,984	14,941	15,792	16,154	11,348	13,080
Total gone concern loss-absorbing capacity	39,375	42,227	39,325	42,362	9,300	9,300	9,300	9,300	4,586	4,586	3,000	3,500
Total loss-absorbing capacity	85,379	96,471	68,182	76,568	25,358	25,002	24,284	24,241	20,378	20,740	14,282	16,513
Risk-weighted assets and leverage ratio denominator[2]												
Risk-weighted assets	217,102	242,919	199,504	230,782	88,130	90,129	87,414	90,414	48,633	49,042	21,313	31,762
Leverage ratio denominator	585,681	655,439	362,074	442,168	256,015	251,086	253,987	249,268	98,366	112,642	42,798	55,789
Supplementary leverage ratio denominator											51,448	66,825
Capital and leverage ratios (%)[2]												
Common equity tier 1 capital ratio	21.0	22.3	14.2	14.8	14.7	14.0	13.6	13.1	30.0	30.5	50.5	39.3
Going concern capital ratio / Tier 1 capital ratio	21.2	22.3	14.5	14.8	18.2	17.4	17.1	16.5	32.5	32.9	52.9	41.0
Total capital ratio	21.2	22.3	14.5	14.8	18.2	17.4	17.1	16.5	32.5	32.9	53.2	41.2
Total loss-absorbing capacity ratio	39.3	39.7			28.8	27.7	27.8	26.8	41.9	42.3	67.0	52.0
Tier 1 leverage ratio	7.8	8.3	7.8	7.7	5.1	5.0	4.7	4.8	16.1	14.3	26.4	23.3
Supplementary tier 1 leverage ratio									16.1	14.3	21.9	19.5
Going concern leverage ratio	7.9	8.3	8.0	7.7	6.3	6.3	5.9	6.0	16.1	14.3		
Total loss-absorbing capacity leverage ratio	14.6	14.7			9.9	10.0	9.6	9.7	20.7	18.4	33.4	29.6
Gone concern capital coverage ratio	178.1	170.7	134.5	130.7	125.3	122.5	126.4	122.2	523.8	528.6		
Liquidity coverage ratio[2]												
High-quality liquid assets (bn)	131.7	118.1	63.2	51.4	42.9	36.8	42.9	36.8	20.1	23.9	17.0	16.7
Net cash outflows (bn)	51.3	64.6	16.2	30.5	30.6	25.6	31.0	26.0	11.5	14.9	6.3	12.2
Liquidity coverage ratio (%)	256.7[3]	182.9	390.9[4]	168.6	140.2[5]	143.5	138.2[6]	141.4	197.0	162.8	293.0	139.4
Net stable funding ratio[2, 8]												
Total available stable funding (bn)	295.7	295.4	168.3	170.7	135.1	133.9	133.5	132.0	39.8	44.3	25.0	27.5
Total required stable funding (bn)	246.2	271.4	168.1	190.9	123.9	127.6	121.7	124.6	31.1	34.7	11.4	14.5
Net stable funding ratio (%)	120.1	108.9	100.1[7]	89.4[7]	109.0	104.9	109.7[7]	106.0[7]	128.1	127.5	219.6	189.8
Other												
Joint and several liability between Credit Suisse AG standalone and Credit Suisse (Schweiz) AG standalone (bn)							0.6	0.6				

1 Swiss GAAP statutory accounting rules for banks allow the use of certain US GAAP accounting rules, such as current expected credit loss (the CECL) requirements. 2 Refer to the 30 June 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information. 3 In the second quarter of 2023, the liquidity coverage ratio (the LCR) of Credit Suisse AG consolidated was 256.7%, remaining above the prudential requirements communicated by FINMA. 4 In the second quarter of 2023, the LCR of Credit Suisse AG standalone was 390.9%, remaining above the prudential requirements communicated by FINMA. 5 In the second quarter of 2023, the LCR of Credit Suisse (Schweiz) AG consolidated was 140.2%, remaining above the prudential requirements communicated by FINMA. 6 In the second quarter of 2023, the LCR of Credit Suisse (Schweiz) AG standalone was 138.2%, remaining above the prudential requirements communicated by FINMA. 7 Based on the Liquidity Ordinance, Credit Suisse AG standalone is allowed to fulfill the minimum NSFR of 100% by taking into consideration any excess funding of Credit Suisse (Schweiz) AG standalone, and Credit Suisse AG standalone has an NSFR requirement of at least 80% without taking into consideration any such excess funding. Credit Suisse (Schweiz) AG must always fulfill the NSFR of at least 100% on a standalone basis. 8 For Credit Suisse Holdings (USA), Inc., the NSFR requirement became effective as of 1 July 2021 and related disclosures came into effect in the second quarter of 2023.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG, Credit Suisse AG and subsidiaries thereof. UBS Group AG, UBS AG and Credit Suisse AG have contributed a significant portion of their respective capital to, and provide substantial liquidity to, such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. The tables in this section summarize the regulatory capital components and capital ratios of our significant regulated subsidiaries and sub-groups determined under the regulatory framework of each subsidiary's or sub-group's home jurisdiction.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis and may limit the ability of an entity to engage in new activities or take capital actions based on the results of those tests.

In June 2023, the Federal Reserve Board released the results of its 2023 Dodd–Frank Act Stress Test (DFAST). UBS's US intermediate holding company, UBS Americas Holding LLC, and Credit Suisse's intermediate holding, Credit Suisse Holdings (USA), Inc., exceeded the minimum capital requirements under the severely adverse scenario. Following the completion of the annual DFAST and the Comprehensive Capital Analysis and Review (CCAR), UBS Americas Holding LLC was assigned a stress capital buffer (an SCB) of 9.1% (previously 4.8%) under the SCB rule as of 1 October 2023, resulting in a total common equity tier 1 (CET1) capital requirement of 13.6%. Credit Suisse Holdings (USA), Inc. was assigned an SCB of 7.2% (previously 9.0%), resulting in a total CET1 capital requirement of 11.7%.

Additional information on the above entities is provided in the 30 June 2023 Pillar 3 report, which is available under "Pillar 3 disclosures" at *ubs.com/investors*.

Appendix

Alternative performance measures

Alternative performance measures

An alternative performance measure (an APM) is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognized accounting standards or in other applicable regulations. A number of APMs are reported in the discussion of the financial and operating performance of the external reports (annual, quarterly and other reports). APMs are used to provide a more complete picture of operating performance and to reflect management's view of the fundamental drivers of the business results. A definition of each APM, the method used to calculate it and the information content are presented in alphabetical order in the table below. These APMs may qualify as non-GAAP measures as defined by US Securities and Exchange Commission (SEC) regulations.

Credit Suisse's assets and liabilities as of 30 June 2023 are reflected in the Group balance sheet measures. Credit Suisse's second quarter results for the one-month period ended 30 June 2023, as included in the Group's second quarter results, have been annualized for the purpose of the calculation of return measures, by multiplying such by four and two for quarterly and semi-annual measures, respectively.

APM label	Calculation	Information content
Active Digital Banking clients in Corporate & Institutional Clients (%) – Personal & Corporate Banking	Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients, excluding clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers or per legal entity in a digital banking contract).	This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) which are serviced by Corporate & Institutional Clients.
Active Digital Banking clients in Personal Banking (%) – Personal & Corporate Banking	Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract).	This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking.
Active Mobile Banking clients in Personal Banking (%) – Personal & Corporate Banking	Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on via the mobile app at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract).	This measure provides information about the proportion of active Mobile Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking.

APM label	Calculation	Information content
Assets under management (USD) – Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), Asset Management (Credit Suisse)	Calculated as the sum of assets for which investment advisory or discretionary asset management services are provided, investment fund assets and assets invested in other investment fund-like pooled investment vehicles. In order to be classified as assets under management, a service is expected to be provided currently or in the foreseeable future where the involvement of banking or investment expertise (e.g., as asset manager or investment advisor) is not purely executional or custodial in nature.	This measure provides information about the volume of assets for which investment advisory or discretionary asset management services are provided.
Cost / income ratio (%)	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.
Cost / income ratio (excluding integration-related expenses and acquisition costs) (%)	Calculated as operating expenses, excluding integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, divided by total revenues.	This measure provides information about the efficiency of the business by comparing operating expenses, excluding integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, with gross income.
Cost / income ratio (%) – Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), Asset Management (Credit Suisse), the Investment Bank (Credit Suisse)	Calculated as total operating expenses divided by net revenues.	This measure provides information about the efficiency of the business by comparing total operating expenses with net revenues.
Fee and trading income for Corporate & Institutional Clients (USD and CHF) – Personal & Corporate Banking	Calculated as the total of recurring net fee and transaction-based income for Corporate & Institutional Clients.	This measure provides information about the amount of fee and trading income for Corporate & Institutional Clients.
Fee-generating assets (USD) – Global Wealth Management	Calculated as the sum of discretionary and nondiscretionary wealth management portfolios (mandate volume) and assets where generated revenues are predominantly of a recurring nature, i.e., mainly investment, mutual, hedge and private-market funds where the firm has a distribution agreement, including client commitments into closed-ended private-market funds from the date that recurring fees are charged. Assets related to the Global Financial Intermediaries business are excluded, as are assets of sanctioned clients.	This measure provides information about the volume of invested assets that create a revenue stream, whether as a result of the nature of the contractual relationship with clients or through the fee structure of the asset. An increase in the level of fee-generating assets results in an increase in the associated revenue stream. Assets of sanctioned clients are excluded from fee-generating assets.
Fee-generating asset margin (bps) – Global Wealth Management	Calculated as revenues from fee-generating assets (a portion of which is included in recurring fee income and a portion of which is included in transaction-based income, annualized as applicable) divided by average fee-generating assets for the relevant mandate fee billing period. For the US, fees have been billed on daily balances since the fourth quarter of 2020 and average fee-generating assets are calculated as the average of the monthly average balances. Prior to the fourth quarter of 2020, billing was based on prior quarter-end balances, and the average fee-generating assets were thus the prior quarter-end balance. For balances outside of the US, billing is based on prior month-end balances and average fee-generating assets are thus the average of the prior month-end balances.	This measure provides information about the revenues from fee-generating assets in relation to their average volume during the relevant mandate fee billing period.
Fee-pool-comparable revenues (USD) – the Investment Bank	Calculated as the total of revenues from: merger-and-acquisition-related transactions; Equity Capital Markets, excluding derivatives; Leveraged Capital Markets, excluding the impact of mark-to-market movements on loan portfolios; and Debt Capital Markets, excluding revenues related to debt underwriting of UBS instruments.	This measure provides information about the amount of revenues in the Investment Bank that are comparable with the relevant global fee pools.
Gross margin on invested assets (bps) – Asset Management	Calculated as total revenues (annualized as applicable) divided by average invested assets.	This measure provides information about the total revenues of the business in relation to invested assets.
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) – Global Wealth Management, Personal & Corporate Banking	Calculated as impaired loan portfolio divided by total gross loan portfolio.	This measure provides information about the proportion of impaired loan portfolio in the total gross loan portfolio.
Invested assets (USD and CHF) – Global Wealth Management, Personal & Corporate Banking, Asset Management	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.

APM label	Calculation	Information content
Investment products for Personal Banking (USD and CHF) – Personal & Corporate Banking	Calculated as the sum of investment funds (including UBS Vitainvest third-pillar pension funds, as well as money market funds), mandates and third-party life insurance operated in Personal Banking.	This measure provides information about the volume of investment funds (including UBS Vitainvest third-pillar pension funds, as well as money market funds), mandates and third-party life insurance operated in Personal Banking.
Net interest margin (bps) – Personal & Corporate Banking	Calculated as net interest income (annualized as applicable) divided by average loans.	This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value.
Net new assets (USD) – Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), Asset Management (Credit Suisse)	Calculated as the net amount of new asset inflows and asset outflows. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Excluded from the calculation are interest and dividend income credited to clients and commissions, interest, and fees charged for banking services, as well as changes in assets under management due to currency and market volatility. Similarly, other effects mainly relate to asset inflows and outflows due to acquisition or divestiture, exit from businesses or markets or exits due to new regulatory requirements are excluded from the calculation.	This measure provides information about the degree of success in acquiring assets under management or changes in assets under management through warranted reclassifications during a specific period.
Net new fee-generating assets (USD) – Global Wealth Management	Calculated as the net amount of fee-generating asset inflows and outflows, including dividend and interest inflows into mandates and outflows from mandate fees paid by clients during a specific period. Excluded from the calculation are the effects on fee-generating assets of strategic decisions by UBS to exit markets or services.	This measure provides information about the development of fee-generating assets during a specific period as a result of net flows, excluding movements due to market performance and foreign exchange translation, as well as the effects on fee-generating assets of strategic decisions by UBS to exit markets or services.
Net new fee-generating asset growth rate (%) – Global Wealth Management	Calculated as the net amount of fee-generating asset inflows and outflows recorded during a specific period (annualized as applicable) divided by total fee-generating assets at the beginning of the period.	This measure provides information about the growth of fee-generating assets during a specific period as a result of net new fee-generating asset flows.
Net new investment products for Personal Banking (USD and CHF) – Personal & Corporate Banking	Calculated as the net amount of inflows and outflows of investment products during a specific period.	This measure provides information about the development of investment products during a specific period as a result of net new investment product flows.
Net new money (USD) – Global Wealth Management, Asset Management	Calculated as the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period. Excluded from the calculation are movements due to market performance, foreign exchange translation, dividends, interest and fees, as well as the effects on invested assets of strategic decisions by UBS to exit markets or services. Net new money is not measured for Personal & Corporate Banking.	This measure provides information about the development of invested assets during a specific period as a result of net new money flows.
Net profit growth (%)	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.
Net profit growth (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	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. Net profit attributable to shareholders excludes negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.	This measure provides information about profit growth since the comparison period, while excluding negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.
Operating profit / (loss) before tax (excluding negative goodwill, integration-related expenses, and acquisition costs) (USD)	Calculated as total revenues less negative goodwill, less operating expenses, which exclude integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, less the impact of credit loss expense or release.	This measure provides information about financial performance, excluding negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group.
Pre-tax profit growth (%) – Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank	Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period.	This measure provides information about pre-tax profit growth since the comparison period.

APM label	Calculation	Information content
Recurring commissions and fees (USD) – Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse)	Calculated as the total of recurring commissions and fees for services, such as investment product management, discretionary mandate and other asset management-related fees, fees from lending activities, fees for general banking products and services and revenues from wealth structuring solutions.	This measure provides information about the amount of recurring commissions and fees.
Recurring net fee income (USD and CHF) – Global Wealth Management, Personal & Corporate Banking	Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts.	This measure provides information about the amount of recurring net fee income.
Return on common equity tier 1 capital (%)	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.
Return on common equity tier 1 capital (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital. Net profit attributable to shareholders and common equity tier 1 capital exclude negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.	This measure provides information about the profitability of the business in relation to common equity tier 1 capital, while excluding negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.
Return on equity (%)	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.
Return on equity (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders. Net profit attributable to shareholders and equity attributable to shareholders exclude negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.	This measure provides information about the profitability of the business in relation to equity, while excluding negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.
Return on leverage ratio denominator, gross (%)	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.
Return on tangible equity (%)	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.
Return on tangible equity (excluding negative goodwill, integration-related expenses, and acquisition costs) (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. Net profit attributable to shareholders and equity attributable to shareholders exclude negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.	This measure provides information about the profitability of the business in relation to tangible equity, while excluding negative goodwill, integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group, and related tax impacts.
Tangible book value per share (USD)	Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding.	This measure provides information about tangible net assets on a per-share basis.
Total book value per share (USD)	Calculated as equity attributable to shareholders divided by the number of shares outstanding.	This measure provides information about net assets on a per-share basis.
Total operating expenses (excluding integration-related expenses and acquisition costs) (USD)	Calculated as total operating expenses less integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group.	This measure provides information about the amount of total operating expenses excluding integration-related expenses and acquisition costs associated with the acquisition of the Credit Suisse Group.

APM label	Calculation	Information content
Transaction- and performance-based revenues (USD) – Wealth Management (Credit Suisse)	Calculated as the total of transaction- and performance-based revenues, primarily arising from brokerage and product-issuing fees, fees from foreign-exchange client transactions, trading and sales income, equity participations income, and other transaction- and performance-based income.	This measure provides information about the amount of transaction- and performance-based revenues.
Transaction-based income (USD and CHF) – Global Wealth Management, Personal & Corporate Banking	Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, and credit card fees, as well as fees for payment and foreign-exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss.	This measure provides information about the amount of the non-recurring portion of net fee and commission income, together with other net income from financial instruments measured at fair value through profit or loss.
Transaction-based revenues (USD) – Swiss Bank (Credit Suisse)	Calculated as the total of transaction-based revenues, arising primarily from brokerage fees, fees from foreign exchange client transactions, corporate advisory fees, revenues from our Swiss investment banking business, equity participations income and other transaction-based income.	This measure provides information about the amount of transaction-based revenues.

Abbreviations frequently used in our financial reports

A

ABS	asset-backed securities
AG	Aktiengesellschaft
AGM	Annual General Meeting of shareholders
A-IRB	advanced internal ratings-based
AIV	alternative investment vehicle
ALCO	Asset and Liability Committee
AMA	advanced measurement approach
AML	anti-money laundering
AoA	Articles of Association
APM	alternative performance measure
ARR	alternative reference rate
ARS	auction rate securities
ASF	available stable funding
AT1	additional tier 1
AuM	assets under management

B

BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BoD	Board of Directors

C

CAO	Capital Adequacy Ordinance
CCAR	Comprehensive Capital Analysis and Review
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CCRC	Corporate Culture and Responsibility Committee
CDS	credit default swap
CEA	Commodity Exchange Act
CEO	Chief Executive Officer
CET1	common equity tier 1
CFO	Chief Financial Officer
CGU	cash-generating unit
CHF	Swiss franc
CIO	Chief Investment Office
C&ORC	Compliance & Operational Risk Control
CRM	credit risk mitigation (credit risk) or comprehensive risk measure (market risk)
CST	combined stress test
CUSIP	Committee on Uniform Security Identification Procedures
CVA	credit valuation adjustment

D

DBO	defined benefit obligation
DCCP	Deferred Contingent Capital Plan
DE&I	diversity, equity and inclusion
DFAST	Dodd–Frank Act Stress Test
DM	discount margin
DOJ	US Department of Justice
DTA	deferred tax asset
DVA	debit valuation adjustment

E

EAD	exposure at default
EB	Executive Board
EC	European Commission
ECB	European Central Bank
ECL	expected credit loss
EGM	Extraordinary General Meeting of shareholders
EIR	effective interest rate
EL	expected loss
EMEA	Europe, Middle East and Africa
EOP	Equity Ownership Plan
EPS	earnings per share
ESG	environmental, social and governance
ESR	environmental and social risk
ETD	exchange-traded derivatives
ETF	exchange-traded fund
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate
EVE	economic value of equity
EY	Ernst & Young Ltd

F

FA	financial advisor
FCA	UK Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
FINMA	Swiss Financial Market Supervisory Authority
FMIA	Swiss Financial Market Infrastructure Act
FSB	Financial Stability Board
FTA	Swiss Federal Tax Administration
FVA	funding valuation adjustment
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
FX	foreign exchange

G

GAAP	generally accepted accounting principles
GBP	pound sterling
GCRG	Group Compliance, Regulatory & Governance
GDP	gross domestic product
GEB	Group Executive Board
GHG	greenhouse gas
GIA	Group Internal Audit
GRI	Global Reporting Initiative
G-SIB	global systemically important bank

H

HQLA	high-quality liquid assets

I

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	interbank offered rate
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRB	internal ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISIN	International Securities Identification Number

Abbreviations frequently used in our financial reports (continued)

K

KRT	Key Risk Taker

L

LAS	liquidity-adjusted stress
LCR	liquidity coverage ratio
LGD	loss given default
LIBOR	London Interbank Offered Rate
LLC	limited liability company
LoD	lines of defense
LRD	leverage ratio denominator
LTIP	Long-Term Incentive Plan
LTV	loan-to-value

M

M&A	mergers and acquisitions
MRT	Material Risk Taker

N

NII	net interest income
NSFR	net stable funding ratio
NYSE	New York Stock Exchange

O

OCA	own credit adjustment
OCI	other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OTC	over-the-counter

P

PCI	purchased credit-impaired
PD	probability of default
PIT	point in time
P&L	profit or loss

Q

QCCP	Qualifying central counterparty

R

RBC	risk-based capital
RbM	risk-based monitoring
REIT	real estate investment trust
RMBS	residential mortgage-backed securities
RniV	risks not in VaR
RoCET1	return on CET1 capital
RoU	right-of-use
rTSR	relative total shareholder return
RWA	risk-weighted assets

S

SA	standardized approach or société anonyme
SA-CCR	standardized approach for counterparty credit risk
SAR	Special Administrative Region of the People's Republic of China
SDG	Sustainable Development Goal
SEC	US Securities and Exchange Commission
SFC	Swiss Federal Council
SFT	securities financing transaction
SI	sustainable investing or sustainable investment
SIBOR	Singapore Interbank Offered Rate
SICR	significant increase in credit risk
SIX	SIX Swiss Exchange
SME	small and medium-sized entities
SMF	Senior Management Function
SNB	Swiss National Bank
SOR	Singapore Swap Offer Rate
SPPI	solely payments of principal and interest
SRB	systemically relevant bank
SRM	specific risk measure
SVaR	stressed value-at-risk

T

TBTF	too big to fail
TCFD	Task Force on Climate-related Financial Disclosures
TIBOR	Tokyo Interbank Offered Rate
TLAC	total loss-absorbing capacity
TTC	through the cycle

U

USD	US dollar

V

VaR	value-at-risk
VAT	value added tax

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

Information sources

Reporting publications

Annual publications

Annual Report: Published in English, this single-volume report provides descriptions of: the Group strategy and performance; the strategy and performance of the business divisions and Group Functions; risk, treasury and capital management; corporate governance, corporate responsibility and the compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.

"Auszug aus dem Geschäftsbericht": This publication provides a German translation of selected sections of the Annual Report.

Compensation Report: This report discusses the compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German (*"Vergütungsbericht"*) and represents a component of the Annual Report.

Sustainability Report: Published in English, the Sustainability Report provides disclosures on environmental, social and governance topics related to the UBS Group.

Diversity, Equity and Inclusion Report: This report details UBS's diversity, equity and inclusion priority areas of focus, strategic goals and approach to achieving them.

Quarterly publications

Quarterly financial report: This report provides an update on performance and strategy (where applicable) for the respective quarter. It is available in English.

The annual and quarterly publications are available in .pdf and online formats at *ubs.com/investors*, under "Financial information." Starting with the Annual Report 2022, printed copies, in any language, of the aforementioned annual publications are no longer provided.

Other information

Website

The "Investor Relations" website at *ubs.com/investors* provides the following information about UBS: results-related news releases; financial information, including results-related filings with the US Securities and Exchange Commission (the SEC); information for shareholders, including UBS share price charts, as well as data and dividend information, and for bondholders; the corporate calendar; and presentations by management for investors and financial analysts. Information is available online in English, with some information also available in German.

Results presentations

Quarterly results presentations are webcast live. Recordings of most presentations can be downloaded from *ubs.com/presentations*.

Messaging service

Email alerts to news about UBS can be subscribed for under "UBS News Alert" at *ubs.com/global/en/investor-relations/contact/investor-services.html*. Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

Form 20-F and other submissions to the US Securities and Exchange Commission

UBS files periodic reports with and submits other information to the SEC. Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wraparound document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG Annual Report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that filed with the SEC is available on the SEC's website: *sec.gov*. Refer to *ubs.com/investors* for more information.

Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS's judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. The Russia–Ukraine war continues to affect global markets, exacerbate global inflation, and slow global growth. In addition, the war has caused significant population displacement, and shortages of vital commodities, including energy shortages and food insecurity, and has increased the risk of recession in OECD economies. The coordinated sanctions on Russia and Belarus, and Russian and Belarusian entities and nationals, and the uncertainty as to whether the war will widen and intensify, may continue to have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. UBS's acquisition of Credit Suisse has materially changed our outlook and strategic direction and introduced new operational challenges. The integration of the Credit Suisse entities into the UBS structure is expected to take between three to five years and presents significant risks, including the risks that UBS Group AG may be unable to achieve the cost reductions and other benefits contemplated by the transaction. This creates significantly greater uncertainty about forward-looking statements. Other factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility and the size of the combined bank; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions, including as a result of the acquisition of Credit Suisse; (iii) increased inflation and interest rate volatility in major markets; (iv) developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates, deterioration or slow recovery in residential and commercial real estate markets, the effects of economic conditions, including increasing inflationary pressures, market developments, increasing geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties, as well as on client sentiment and levels of activity, including the COVID-19 pandemic and the measures taken to manage it, which have had and may also continue to have a significant adverse effect on global and regional economic activity, including disruptions to global supply chains and labor market displacements; (v) changes in the availability of capital and funding, including any adverse changes in UBS's credit spreads and credit ratings of UBS, Credit Suisse, sovereign issuers, structured credit products or credit-related exposures, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC), in particular in light of the acquisition of Credit Suisse; (vi) changes in central bank policies or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (vii) UBS's ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS in response to legal and regulatory requirements and any additional requirements due to its acquisition of Credit Suisse, or other developments; (viii) UBS's ability to maintain and improve its systems and controls for complying with sanctions in a timely manner and for the detection and prevention of money laundering to meet evolving regulatory requirements and expectations, in particular in current geopolitical turmoil; (ix) the uncertainty arising from domestic stresses in certain major economies; (x) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers adversely affect UBS's ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA, including as a result of its acquisition of Credit Suisse, as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's business, in particular cross-border banking, of sanctions, tax or regulatory developments and of possible changes in UBS's policies and practices; (xiv) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS's ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, data leakage and systems failures, the risk of which is increased with cyberattack threats from both nation states and non-nation-state actors targeting financial institutions; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others for UBS to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and the possibility of conflict between different governmental standards and regulatory regimes; (xxii) the ability of UBS to access capital markets; (xxiii) the ability of UBS to successfully recover from a disaster or other business continuity problem due to a hurricane, flood, earthquake, terrorist attack, war, conflict (e.g., the Russia–Ukraine war), pandemic, security breach, cyberattack, power loss, telecommunications failure or other natural or man-made event, including the ability to function remotely during long-term disruptions such as the COVID-19 (coronavirus) pandemic; (xxiv) the level of success in the absorption of Credit Suisse, in the integration of the two groups and their businesses, and in the execution of the planned strategy regarding cost reduction and divestment of any non-core assets, the existing assets and liabilities currently existing in the Credit Suisse Group, the level of resulting impairments and write-downs, the effect of the consummation of the integration on the operational results, share price and credit rating of UBS – delays, difficulties, or failure in closing the transaction may cause market disruption and challenges for UBS to maintain business, contractual and operational relationships; and (xxv) the effect that these or other factors or unanticipated events, including media reports and speculations, may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the US Securities and Exchange Commission (the SEC). More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including the Annual Report on Form 20-F for the year ended 31 December 2022. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes disclosed in text and tables are calculated on the basis of unrounded figures. Absolute changes between reporting periods disclosed in the text, which can be derived from numbers presented in related tables, are calculated on a rounded basis.

Tables | Within tables, blank fields generally indicate non-applicability or that presentation of any content would not be meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Values that are zero on a rounded basis can be either negative or positive on an actual basis.

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Risks relating to UBS

Certain risks, including those described below, may affect UBS's ability to execute its strategy or its business activities, financial condition, results of operations and prospects. UBS is inherently exposed to multiple risks, many of which may become apparent only with the benefit of hindsight. As a result, risks that UBS does not consider to be material, or of which it is not currently aware, could also adversely affect UBS. Within each category, the risks that UBS considers to be most material are presented first.

Strategy, management and operational risks

UBS's acquisition of Credit Suisse Group AG exposes UBS to heightened litigation risk and regulatory scrutiny and entails significant additional costs, liabilities and business integration risks

UBS acquired the Credit Suisse Group under exceptional circumstances of volatile financial markets and the continued outflows and deteriorating overall financial position of Credit Suisse, in order to avert a failure of Credit Suisse and thus damage to the Swiss financial center and to global financial stability. The acquisition was effected through a merger of Credit Suisse Group AG with and into UBS Group AG, with UBS Group AG succeeding to all assets and all liabilities of Credit Suisse Group AG, becoming the direct or indirect shareholder of the former Credit Suisse Group AG's direct and indirect subsidiaries (the "Credit Suisse Group"). Therefore, on a consolidated basis, all assets, risks and liabilities of the Credit Suisse Group became a part of UBS. This includes all ongoing and future litigation, regulatory and similar matters arising out of the business of Credit Suisse Group, thereby materially increasing UBS's exposure to litigation and investigation risks, as described in further detail below.

UBS has incurred substantial transaction fees and costs in connection with the transaction and will continue to incur substantial integration and restructurings costs. In addition, UBS may not realize all of the expected cost reductions and other benefits of the transaction. UBS may not be able to successfully execute its strategic plans or to achieve the expected benefits of the acquisition of Credit Suisse Group. The success of the transaction, including anticipated benefits and cost savings, will depend, in part, on the ability to successfully integrate the operations of both firms rapidly and effectively, while maintaining stability of operations and high levels of service to customers of the combined franchise.

UBS's ability to successfully integrate Credit Suisse will depend on a number of factors, some of which are outside of its control, including UBS's ability to:

- Combine the operations of the two firms in a manner that preserves client service, simplifies infrastructure and results in operating cost savings.
- Reverse outflows of deposits and client invested assets at Credit Suisse, particularly in its Wealth Management and Switzerland and to attract additional deposits and other client assets to the combined firm.
- Achieve cost reductions at the levels and in the timeframe it plans.
- Enhance, integrate, and, where necessary, remediate risk management and financial control and other systems and frameworks, including to remediate the material weaknesses in Credit Suisse's internal controls over financial reporting.
- Simplify the legal structure of the combined firm in an expedited manner, including through mergers of UBS Switzerland AG and Credit Suisse Schweiz AG and the planned merger of UBS AG and Credit Suisse AG, as well as other mergers and asset dispositions, including obtaining regulatory approvals and licenses required to implement such changes.
- Retain staff and to reverse attrition of staff in certain of Credit Suisse's business areas.
- Successfully execute the wind-down of the assets and liabilities in its Non-core and legacy unit and release capital and resources for other purposes.
- Resolve outstanding litigation, regulatory and similar matters, including matters relating to Credit Suisse, on terms that are not significantly adverse to UBS Group, as well as to successfully remediate outstanding regulatory and supervisory matters and meet other regulatory commitments.

Further investigation and planning for integration is taking place, and risks that UBS does not currently consider to be material, or of which it is not currently aware, could also adversely affect UBS.

The level of success in the absorption of the Credit Suisse Group, in the integration of the two groups and their businesses, particularly in the area of the Swiss domestic bank, as well as domestic and international wealth management business, and in the execution of the planned strategy regarding cost reduction and divestment of any non-core assets, and the level of resulting impairments and write-downs, may impact the operational results, share price and credit rating of UBS. The past financial performance of each of UBS Group AG and Credit Suisse may not be indicative of their future financial performance. The combined group will be required to devote significant management attention and resources to integrating its business practices and support functions. The diversion of management's attention and any delays or difficulties encountered in connection with the transaction and the coordination of the two companies' operations could have an adverse effect on the business, financial results, financial condition or the share price of the combined group following the transaction. The coordination process may also result in additional and unforeseen expenses.

UBS's reputation is critical to its success

UBS's reputation is critical to the success of its strategic plans, business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. In the past, UBS's reputation has been adversely affected by its losses during the financial crisis, investigations into its cross-border private banking services, criminal resolutions of LIBOR-related and foreign exchange matters, as well as other matters. UBS believes that reputational damage as a result of these events was an important factor in its loss of clients and client assets across its asset-gathering businesses. Credit Suisse has more recently been subject significant litigation and regulatory matters and to financial losses that adversely affected its reputation and the confidence of clients, which played a significant role in the failure of Credit Suisse in March. These events, or new events that cause reputational damage could have a material adverse effect on its results of operation and financial condition, as well as its ability to achieve its strategic goals and financial targets.

Operational risks affect UBS's business

UBS's businesses depend on its ability to process a large number of transactions, many of which are complex, across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which it is subject and to prevent, or promptly detect and stop, unauthorised, fictitious or fraudulent transactions. UBS also relies on access to, and on the functioning of, systems maintained by third parties, including clearing systems, exchanges, information processors and central counterparties. Any failure of its or third-party systems could have an adverse effect on UBS. These risks may be greater as UBS deploys newer technologies, such as blockchain, or processes, platforms or products that rely on these technologies. UBS's operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities – including those arising from process error, failed execution, misconduct, unauthorised trading, fraud, system failures, financial crime, cyberattacks, breaches of information security, inadequate or ineffective access controls and failure of security and physical protection – are appropriately controlled. If UBS's internal controls fail or prove ineffective in identifying and remedying these risks, it could suffer operational failures that might result in material losses, such as the substantial loss it incurred from the unauthorised trading incident announced in September 2011. The acquisition of the Credit Suisse Group may elevate these risks, particularly during the first phases of integration, as the firms have historically operated under different procedures, IT systems, risk policies and structures of governance.

As a significant proportion of its staff have been and will continue working from outside the office, UBS has faced, and will continue to face, new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While UBS has taken measures to manage these risks, such measures have never been tested on the scale or duration that UBS is currently experiencing, and there is risk that these measures will prove not to have been effective in the current unprecedented operating environment.

UBS uses automation as part of its efforts to improve efficiency, reduce the risk of error and improve its client experience. UBS intends to expand the use of robotic processing, machine learning and artificial intelligence to further these goals. Use of these tools presents their own risks, including the need for effective design and testing; the quality of the data used for development and operation of machine learning and artificial intelligence tools may adversely affect their functioning and result in errors and other operational risks.

Financial services firms have increasingly been subject to breaches of security and to cyber- and other forms of attack, some of which are sophisticated and targeted attacks intended to gain access to confidential information or systems, disrupt service or steal or destroy data, which may result in business disruption or the corruption or loss of data at our locations or those of third parties. Cyberattacks by hackers, terrorists, criminal organizations, nation states and extremists have also increased in frequency and sophistication. Current geopolitical tensions have led to increased risk of cyberattack from foreign state actors. In particular, the Russia–Ukraine war and the imposition of significant sanctions on Russia by Switzerland, the US, the EU, the UK and others has resulted and may continue to result in an increase in the risk of cyberattacks. Such attacks may occur on UBS's own systems or on the systems that are operated by external service providers, may be attempted through the introduction of ransomware, viruses or malware, phishing and other forms of social engineering, distributed denial of service attacks and other means. These attempts may occur directly, or using equipment or security passwords of UBS employees, third-party service providers or other users. Cybersecurity risks also have increased due to the widespread use of digital technologies, cloud computing and mobile devices to conduct financial business and transactions. During the first quarter of 2023, a third-party vendor, ION XTP, suffered a ransomware attack, which resulted in some disruption to our exchange-traded derivatives clearing activities, although we restored our services within 36 hours, using an available alternative solution. In addition to external attacks, UBS has experienced loss of client data from failure by employees and others to follow internal policies and procedures and from misappropriation of UBS's data by employees and others.

UBS may not be able to anticipate, detect or recognise threats to its systems or data and its preventative measures may not be effective to prevent an attack or a security breach. In the event of a security breach, notwithstanding its preventative measures, UBS may not immediately detect a particular breach or attack. The acquisition of Credit Suisse may elevate and intensify these risks as would-be attackers have a larger potential target in the combined bank and differences in systems, policies, and platforms could make threat detection more difficult. Once a particular attack is detected, time may be required to investigate and assess the nature and extent of the attack, and to restore and test systems and data. If a successful attack occurs at a service provider, as UBS has recently experienced, UBS may be dependent on the service provider's ability to detect the attack, investigate and assess the attack and successfully restore the relevant systems and data. A successful breach or circumvention of security of UBS's or a service provider's systems or data could have significant negative consequences for UBS, including disruption of its operations, misappropriation of confidential information concerning UBS or its clients, damage to its systems, financial losses for UBS or its clients, violations of data privacy and similar laws, litigation exposure and damage to its reputation. UBS may be subject to enforcement actions as regulatory focus on cybersecurity increases and regulators have announced new rules, guidance and initiatives on ransomware and other cybersecurity-related issues.

UBS is subject to complex and frequently changing laws and regulations governing the protection of client and personal data, such as the EU General Data Protection Regulation. Ensuring that UBS complies with applicable laws and regulations when it collects, uses and transfers personal information requires substantial resources and may affect the ways in which UBS conducts its business. In the event that UBS fails to comply with applicable laws, it may be exposed to regulatory fines and penalties and other sanctions. It may also incur such penalties if its vendors or other service providers or clients or counterparties fail to comply with these laws or to maintain appropriate controls over protected data. In addition, any loss or exposure of client or other data may adversely damage UBS's reputation and adversely affect its business.

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been on fighting money laundering and terrorist financing. UBS is required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of its clients under the laws of many of the countries in which it operates. It is also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. UBS has implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Notwithstanding this, US regulators have found deficiencies in the design and operation of anti-money laundering programs in UBS's US operations. UBS has undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for its programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of its programs in these areas, could have serious consequences both from legal enforcement action and from damage to UBS's reputation. Frequent changes in sanctions imposed and increasingly complex sanctions imposed on countries, entities and individuals, as exemplified by the breadth and scope of the sanctions imposed in relation to the war in Ukraine, increase UBS's cost of monitoring and complying with sanctions requirements and increase the risk that it will not identify in a timely manner client activity that is subject to a sanction.

As a result of new and changed regulatory requirements and the changes UBS has made in its legal structure, the volume, frequency and complexity of its regulatory and other reporting has remained elevated. Regulators have also significantly increased expectations regarding UBS's internal reporting and data aggregation, as well as management reporting. UBS has incurred, and continues to incur, significant costs to implement infrastructure to meet these requirements. Failure to meet external reporting requirements accurately and in a timely manner or failure to meet regulatory expectations of internal reporting, data aggregation and management reporting could result in enforcement action or other adverse consequences for UBS.

In addition, despite the contingency plans that UBS has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its businesses and the communities in which it operates. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services that UBS uses or that are used by third parties with whom UBS conducts business.

UBS depends on its risk management and control processes to avoid or limit potential losses in its businesses

Controlled risk-taking is a major part of the business of a financial services firm. Some losses from risk-taking activities are inevitable, but to be successful over time, UBS must balance the risks it takes against the returns generated. Therefore, UBS must diligently identify, assess, manage and control its risks, not only in normal market conditions but also as they might develop under more extreme, stressed conditions, when concentrations of exposures can lead to severe losses.

UBS has not always been able to prevent serious losses arising from risk management failures and extreme or sudden market events. It recorded substantial losses on fixed-income trading positions in the 2008 financial crisis, in the unauthorised trading incident in 2011 and, more recently, positions resulting from the default of a US prime brokerage client. In the recent past, Credit Suisse has suffered very significant losses from the default of the US prime brokerage client, the losses in supply-chain finance funds managed by it, as well as other matters. As a result of these Credit Suisse is subject to significant regulatory remediation obligations to address deficiencies in its risk management and controls systems, that will continue following the merger.

UBS regularly revises and strengthens its risk management and control frameworks to seek to address identified shortcomings. Nonetheless, it could suffer further losses in the future if, for example:

UBS does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;

- its assessment of the risks identified, or its response to negative trends, proves to be untimely, inadequate, insufficient or incorrect;
- its risk models prove insufficient to predict the scale of financial risks the bank faces;
- markets move in ways that UBS does not expect – in terms of their speed, direction, severity or correlation – and its ability to manage risks in the resulting environment is, therefore, affected;
- third parties to whom UBS has credit exposure or whose securities UBS holds are severely affected by events and UBS suffers defaults and impairments beyond the level implied by its risk assessment; or
- collateral or other security provided by its counterparties and clients proves inadequate to cover their obligations at the time of default.

UBS also holds legacy risk positions, primarily in its Non-core and legacy, that, in many cases, are illiquid and may deteriorate in value. The acquisition of the Credit Suisse Group will increase, materially, the portfolio of business that are outside of UBS's risk appetite and subject to exit that will be managed in the Non-core and legacy segment.

UBS also manages risk on behalf of its clients. The performance of assets UBS holds for its clients may be adversely affected by the same aforementioned factors. If clients suffer losses or the performance of their assets held with UBS is not in line with relevant benchmarks against which clients assess investment performance, UBS may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

Investment positions, such as equity investments made as part of strategic initiatives and seed investments made at the inception of funds that UBS manages, may also be affected by market risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. Deteriorations in the fair value of these positions would have a negative effect on UBS's earnings.

UBS may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees

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. UBS's competitive strength and market position could be eroded if it is unable to identify market trends and developments, does not respond to such trends and developments by devising and implementing adequate business strategies, does not adequately develop or update its technology, including its digital channels and tools, or is unable to attract or retain the qualified people needed.

The amount and structure of UBS's employee compensation is affected not only by its business results, but also by competitive factors and regulatory considerations.

In response to the demands of various stakeholders, including regulatory authorities and shareholders, and in order to better align the interests of UBS's staff with other stakeholders, UBS has increased average deferral periods for stock awards, expanded forfeiture provisions and, to a more limited extent, introduced clawback provisions for certain awards linked to business performance. UBS has also introduced individual caps on the proportion of fixed to variable pay for the Group Executive Board ("**GEB**") members, as well as certain other employees. UBS will also be required to introduce and enforce provisions requiring UBS to recover from GEB members and certain other executives a portion of performance-based incentive compensation in the event that UBS Group or another entity with securities listed on a US national securities exchange, is required to restate its financial statements as a result of a material error.

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect UBS's ability to retain and attract key employees, particularly where UBS competes with companies that are not subject to these constraints. The loss of key staff and the inability to attract qualified replacements could seriously compromise its ability to execute its strategy and to successfully improve its operating and control environment, and could affect its business performance. This risk is intensified by elevated levels of attrition among Credit Suisse employees. Swiss law requires that shareholders approve the compensation of the Board of Directors (the "**BoD**") and the GEB each year. If the shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on UBS's ability to retain experienced directors and its senior management.

As UBS Group AG is a holding company, its operating results, financial condition and ability to pay dividends and other distributions and / or to pay its obligations in the future depend on funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions

UBS Group AG's ability to pay dividends and other distributions and to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS AG, Credit Suisse AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS Group AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory, fiscal or other restrictions. In particular, UBS Group AG's direct and indirect subsidiaries, including UBS AG, Credit Suisse AG UBS Switzerland AG, Credit Suisse Schweiz AG, UBS Americas Holding LLC and UBS Europe SE, are subject to laws and regulations that require the entities to maintain minimum levels of capital and liquidity, restrict dividend payments, authorise regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS Group AG, or could affect their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group AG or another member of the Group. For example, in the early stages of the COVID-19 pandemic, the European Central Bank ordered all banks under its supervision to cease dividend distributions and the Federal Reserve Board has limited capital distributions by bank holding companies and intermediate holding companies. Restrictions and regulatory actions of this kind could impede access to funds that UBS Group AG may need to meet its obligations or to pay dividends to shareholders. In addition, UBS Group AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganisation is subject to all prior claims of the subsidiary's creditors.

UBS's capital instruments may contractually prevent UBS Group AG from proposing the distribution of dividends to shareholders, other than in the form of shares, and from engaging in repurchases of shares, if UBS does not pay interest on these instruments.

Furthermore, UBS Group AG may guarantee some of the payment obligations of certain of the Group's subsidiaries from time to time. These guarantees may require UBS Group AG to provide substantial funds or assets to subsidiaries or their creditors or counterparties at a time when UBS Group AG is in need of liquidity to fund its own obligations.

The credit ratings of UBS Group AG or its subsidiaries used for funding purposes could be lower than the ratings of the Group's operating subsidiaries, which may adversely affect the market value of the securities and other obligations of UBS Group AG or those subsidiaries on a standalone basis.

<u>Market, credit and macroeconomic risks</u>

Performance in the financial services industry is affected by market conditions and the macroeconomic climate

UBS's businesses are materially affected by market and macroeconomic conditions. A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, such as international armed conflicts, war, or acts of terrorism, the imposition of sanctions, global trade or global supply chain disruptions, including energy shortages and food insecurity, changes in monetary or fiscal policy, changes in trade policies or international trade disputes, significant inflationary or deflationary price changes, disruptions in one or more concentrated economic sectors, natural disasters, pandemics or local and regional civil unrest. Such developments can have unpredictable and destabilizing effects.

Adverse changes in interest rates, credit spreads, securities prices, market volatility and liquidity, foreign exchange rates, commodity prices, and other market fluctuations, as well as changes in investor sentiment, can affect UBS's earnings and ultimately its financial and capital positions. As financial markets are global and highly interconnected, local and regional events can have widespread effects well beyond the countries in which they occur. Any of these developments may adversely affect UBS's business or financial results.

As a result of significant volatility in the market, UBS's businesses may experience a decrease in client activity levels and market volumes, which would adversely affect its ability to generate transaction fees, commissions and margins, particularly in Global Wealth Management and the Investment Bank. A market downturn would likely reduce the volume and valuation of assets that UBS manages on behalf of its clients, which would reduce recurring fee income that is charged based on invested assets, primarily in Global Wealth Management and Asset Management, and performance-based fees in Asset Management. Such a downturn could also cause a decline in the value of assets that UBS owns and accounts for as investments or trading positions. In addition, reduced market liquidity or volatility may limit trading opportunities and may therefore reduce transaction-based income and may also impede UBS's ability to manage risks.

Geopolitical events: For example, the Russia–Ukraine war has led to one of the largest humanitarian crises in decades, with millions of people displaced, a mass exodus of businesses from Russia, and heightened volatility across global markets. In addition, as a result of the war, several jurisdictions, including the US, the EU, the UK, Switzerland and others, have imposed extensive sanctions on Russia and Belarus and certain Russian and Belarusian entities and nationals, as well as the Russian Central Bank. Among others, the financial sanctions include barring certain Russian banks from using the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system, asset freezes for sanctioned individuals and corporations, limits on financial transactions with sanctioned entities and individuals, and limitation of deposits in the EU and Switzerland from Russian persons not entitled to residency in the European Economic Area (the "**EEA**") or Switzerland. The scale of the conflict and the speed and extent of sanctions may produce many of the effects described in the paragraph above, including in ways that cannot now be anticipated.

If individual countries impose restrictions on cross-border payments or trade, or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the Eurozone, as a result of the imposition of sanctions on individuals, entities or countries, or escalation of trade restrictions and other actions between the US, or other countries, and China), UBS could suffer adverse effects on its business, losses from enforced default by counterparties, be unable to access its own assets or be unable to effectively manage its risks.

UBS could be materially affected if a crisis develops, regionally or globally, as a result of disruptions in markets due to macroeconomic or political developments, trade restrictions, or the failure of a major market participant. Over time, UBS's strategic plans have become more heavily dependent on its ability to generate growth and revenue in emerging markets, including China, causing UBS to be more exposed to the risks associated with such markets.

Global Wealth Management derives revenues from all the principal regions, but has a greater concentration in Asia than many peers and a substantial presence in the US, unlike many European peers. The Investment Bank's business is more heavily weighted to Europe and Asia than its peers, while its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. UBS's performance may therefore be more affected by political, economic and market developments in these regions and businesses than some other financial service providers.

COVID-19 pandemic: The COVID-19 pandemic, the governmental measures taken to manage it, and related effects, such as labor market displacements, supply chain disruptions, and inflationary pressures, have adversely affected, and may still adversely affect, global and regional economic conditions, resulting in contraction in the global economy, substantial volatility in the financial markets, crises in markets for goods and services, as well as significant disruptions in certain regional real estate markets, increased unemployment, increased credit and counterparty risk, and operational challenges. While in most jurisdictions the pandemic-related governmental measures were reversed, resurgence of the pandemic, ineffectiveness of vaccines and continuance or imposition of new pandemic control measures may result in additional adverse effects on the global economy negatively affecting UBS's results of operations and financial condition. Should inflationary pressures or other adverse global market conditions persist, or should the pandemic lead to additional economic or market disruptions, UBS may experience reduced levels of client activity and demand for its products and services, increased utilisation of lending commitments, significantly increased client defaults, continued and increasing credit and valuation losses in its loan portfolios, loan commitments and other assets, and impairments of other financial assets. A fall in equity markets and a consequent decline in invested assets would also reduce recurring fee income in UBS's Global Wealth Management and Asset Management businesses, as was experienced in the second quarter of 2022. These factors and other consequences of the COVID-19 pandemic may negatively affect UBS's financial condition, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible downgrades to its credit ratings.

The extent to which the pandemic, the ongoing Russia–Ukraine war, and current inflationary pressures and related adverse economic conditions affect UBS's businesses, results of operations and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, including the effects of the current conditions on its clients, counterparties, employees and third-party service providers.

UBS's credit risk exposure to clients, trading counterparties and other financial institutions would increase under adverse or other economic conditions

Credit risk is an integral part of many of UBS's activities, including lending, underwriting and derivatives activities. Adverse economic or market conditions, or the imposition of sanctions or other restrictions on clients, counterparties or financial institutions, may lead to impairments and defaults on these credit exposures. Losses may be exacerbated by declines in the value of collateral securing loans and other exposures. In UBS's prime brokerage, securities finance and Lombard lending businesses, it extends substantial amounts of credit against securities collateral, the value or liquidity of which may decline rapidly. Market closures and the imposition of exchange controls, sanctions or other measures may limit UBS's ability to settle existing transactions or to realise on collateral, which may result in unexpected increases in exposures. UBS's Swiss mortgage and corporate lending portfolios are a large part of its overall lending. It is therefore exposed to the risk of adverse economic developments in Switzerland, including property valuations in the housing market, the strength of the Swiss franc and its effect on Swiss exports, return to negative interest rates applied by the Swiss National Bank, economic conditions within the Eurozone or the European Union (the "**EU**"), and the evolution of agreements between Switzerland and the EU or EEA, which represent Switzerland's largest export market. UBS has exposures related to real estate in various countries, including a substantial Swiss mortgage portfolio. Although it believes this portfolio is prudently managed, UBS could nevertheless be exposed to losses if a substantial deterioration in the Swiss real estate market were to occur.

As UBS experienced in 2020, under the IFRS 9 expected credit loss ("**ECL**") regime, credit loss expenses may increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairments (stage 3), as well as higher ECL from stages 1 and 2. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect UBS's common equity tier 1 ("**CET1**") capital and regulatory capital ratios.

Interest rate trends and changes could negatively affect UBS's financial results

UBS's businesses are sensitive to changes in interest rate trends. A prolonged period of low or negative interest rates, particularly in Switzerland and the Eurozone, adversely affected the net interest income generated by UBS's Personal & Corporate Banking and Global Wealth Management businesses prior to 2022. Actions that UBS took to mitigate adverse effects on income, such as the introduction of selective deposit fees or minimum lending rates, contributed to outflows of customer deposits (a key source of funding for UBS), net new money outflows and a declining market share in its Swiss lending business.

During 2022, interest rates increased sharply in the US and most other markets, including a shift from negative to positive central bank policy rates in the Eurozone and Switzerland, as central banks responded to higher inflation. Higher interest rates generally benefit UBS's net interest income. However, as returns on alternatives to deposits increase with rising interest rates, such as returns on money market funds, UBS has experienced outflows from customer deposits and shifts of deposits from lower-interest account types to accounts bearing higher interest rates, such as savings and certificates of deposit, particularly in the US, where rates have rapidly increased. Customer deposit outflows may require UBS to obtain alternative funding, which would likely be more costly than customer deposits.

The equity and capital of UBS's shareholders are also affected by changes in interest rates.

Currency fluctuation may have an adverse effect on UBS's profits, balance sheet and regulatory capital

UBS is subject to currency fluctuation risks. Although the change from the Swiss franc to the US dollar as its presentation currency in 2018 reduces UBS's exposure to currency fluctuation risks with respect to the Swiss franc, a substantial portion of UBS's assets and liabilities are denominated in currencies other than the US dollar. Additionally, in order to hedge its CET1 capital ratio, UBS's CET1 capital must have foreign currency exposure, which leads to currency sensitivity. As a consequence, it is not possible to simultaneously fully hedge both the amount of capital and the capital ratio. Accordingly, changes in foreign exchange rates may adversely affect UBS's profits, balance sheet, and capital, leverage and liquidity coverage ratios.

Regulatory and legal risks

Material legal and regulatory risks arise in the conduct of UBS's businesses

As a global financial services firm operating in more than 50 countries, UBS is subject to many different legal, tax and regulatory regimes, including extensive regulatory oversight, and is exposed to significant liability risk. UBS is subject to a large number of claims, disputes, legal proceedings and government investigations and expects that its ongoing business activities will continue to give rise to such matters in the future. The extent of UBS's financial exposure to these and other matters is material and could substantially exceed the level of provisions that it has established. UBS is not able to predict the financial and non-financial consequences these matters may have when resolved.

UBS may be subject to adverse preliminary determinations or court decisions that may negatively affect public perception and its reputation, result in prudential actions from regulators, and cause UBS to record additional provisions for such matters even when it believes it has substantial defences and expects to ultimately achieve a more favourable outcome. This risk is illustrated by the award of aggregate penalties and damages of EUR 4.5bn by the court of first instance in France. This award was reduced to an aggregate of EUR 1.8bn by the Court of Appeal, and UBS has further appealed this judgment.

Guilty pleas and DPA

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. Among other things, a guilty plea to, or conviction of, a crime (including as a result of termination of the Deferred Prosecution Agreement Credit Suisse entered into with the United States Department of Justice in 2021 to resolve its Mozambique matter) could have material consequences for us. Resolution of regulatory proceedings may require us 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 our 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 us.

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 authorisations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorisations or participations, could have material adverse consequences for UBS.

UBS's settlements with governmental authorities in connection with foreign exchange, London Interbank Offered Rates ("**LIBOR**") and other benchmark interest rates starkly illustrate the significantly increased level of financial and reputational risk now associated with regulatory matters in major jurisdictions. In connection with investigations related to LIBOR and other benchmark rates and to foreign exchange and precious metals, very large fines and disgorgement amounts were assessed against UBS, and it was required to enter guilty pleas despite its full cooperation with the authorities in the investigations, and despite its receipt of conditional leniency or conditional immunity from anti-trust authorities in a number of jurisdictions, including the US and Switzerland.

For a number of years, UBS has been, and continues to be, subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. UBS believes it has remediated the deficiencies that led to significant losses in the past and made substantial changes in its controls and it conducts risk frameworks to address the issues highlighted by the LIBOR-related, foreign exchange and precious metals regulatory resolutions. UBS has also undertaken extensive efforts to implement new regulatory requirements and meet heightened expectations.

Credit Suisse and or UBS have become the target of lawsuits, and may become the target of further litigation, in connection with the transaction and/or the regulatory and other actions taken in connection with the transaction, all of which could result in substantial costs. As of June 5, 2023, Credit Suisse had incurred a net charge of USD 7.4 billion in respect of its supply chain finance funds (SCFF) matter, and the ultimate cost of resolving the SCFF matter may be material to the operating results of the combined group. Since the close of the acquisition, various litigation claims have been lodged against UBS under Swiss merger law alleging that Credit Suisse shareholders received disadvantaged treatment in the acquisition. In addition, numerous cases have been lodged against FINMA in respect of the write down of Credit Suisse's AT1 bonds ordered by FINMA. UBS Group AG, as the successor to Credit Suisse, is participating in proceedings as an aggrieved party. The cumulative effects of the litigations to which UBS has succeeded and the claims related to the acquisition and the circumstances surrounding it, may have material adverse consequences for the combined group.

Credit Suisse delayed its reporting for the year ending 2022 stating that it had identified material weaknesses in its internal controls over financial reporting as a result of which Credit Suisse management had concluded that, as of December 31, 2022, its internal controls over financial reporting were not effective, and for the same reasons, it reached the same conclusion regarding December 31, 2021. Since the acquisition, UBS has undertaken a review of the processes and systems giving rise to the material weaknesses and the remediation program undertaken. This review is ongoing and UBS expects to adopt and implement further controls and procedures following the completion of such review and discussions with its regulators. In the course of this review, UBS may become aware of facts that cause it to broaden the scope of the findings.

UBS continues to be in active dialogue with regulators concerning the actions it is taking to improve its operational risk management, risk control, anti-money laundering, data management and other frameworks, and otherwise seek to meet supervisory expectations, but there can be no assurance that its efforts will have the desired effects. As a result of this history, UBS's level of risk with respect to regulatory enforcement may be greater than that of some of its peers.

Substantial changes in regulation may adversely affect UBS's businesses and its ability to execute its strategic plans

Since the financial crisis of 2008, UBS has been subject to significant regulatory requirements, including recovery and resolution planning, changes in capital and prudential standards, changes in taxation regimes as a result of changes in governmental administrations, new and revised market standards and fiduciary duties, as well as new and developing environmental, social and governance standards and requirements. Notwithstanding attempts by regulators to align their efforts, the measures adopted or proposed for banking regulation differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution. In addition, Swiss regulatory changes with regard to such matters as capital and liquidity have often proceeded more quickly than those in other major jurisdictions, and Switzerland's requirements for major international banks are among the strictest of the major financial centres. This could put Swiss banks, such as UBS, at a disadvantage when competing with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

UBS's implementation of additional regulatory requirements and changes in supervisory standards, as well as its compliance with existing laws and regulations, continues to receive heightened scrutiny from supervisors. If UBS does not meet supervisory expectations in relation to these or other matters, or if additional supervisory or regulatory issues arise, it would likely be subject to further regulatory scrutiny, as well as measures that may further constrain its strategic flexibility.

Resolvability and resolution and recovery planning: UBS has moved significant operations into subsidiaries to improve resolvability and meet other regulatory requirements, and this has resulted in substantial implementation costs, increased its capital and funding costs and reduced operational flexibility. For example, UBS has transferred all of its US subsidiaries under a US intermediate holding company to meet US regulatory requirements and has transferred substantially all the operations of Personal & Corporate Banking and Global Wealth Management booked in Switzerland to UBS Switzerland AG to improve resolvability.

These changes create operational, capital, liquidity, funding and tax inefficiencies. UBS's operations in subsidiaries are subject to local capital, liquidity, stable funding, capital planning and stress testing requirements. These requirements have resulted in increased capital and liquidity requirements in affected subsidiaries, which limit UBS's operational flexibility and negatively affect its ability to benefit from synergies between business units and to distribute earnings to the Group.

Under the Swiss too-big-to-fail ("**TBTF**") framework, UBS is required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure. Moreover, under this framework and similar regulations in the US, the UK, the EU and other jurisdictions in which it operates, UBS is required to prepare credible recovery and resolution plans detailing the measures that would be taken to recover in a significant adverse event or in the event of winding down the Group or the operations in a host country through resolution or insolvency proceedings. If a recovery or resolution plan that UBS produces is determined by the relevant authority to be inadequate or not credible, relevant regulation may permit the authority to place limitations on the scope or size of UBS's business in that jurisdiction, or oblige UBS to hold higher amounts of capital or liquidity or to change its legal structure or business in order to remove the relevant impediments to resolution.

Capital and prudential standards: As an internationally active Swiss systemically relevant bank (an "**SRB**"), UBS is subject to capital and total loss-absorbing capacity ("**TLAC**") requirements that are among the most stringent in the world. Moreover, many of UBS's subsidiaries must comply with minimum capital, liquidity and similar requirements and, as a result, UBS Group AG and UBS AG have contributed a significant portion of their capital and provide substantial liquidity to these subsidiaries. These funds are available to meet funding and collateral needs in the relevant entities, but are generally not readily available for use by the Group as a whole.

UBS expects its risk-weighted assets ("**RWA**") to further increase as the effective date for additional capital standards promulgated by the Basel Committee on Banking Supervision (the "**BCBS**") draws nearer. In connection with the acquisition of Credit Suisse, FINMA has permitted Credit Suisse entities to continue to apply certain prior interpretations and has provided supervisory rulings on the treatment of certain items for RWA or capital purposes. In general, these interpretations require that UBS phase out the treatment over the next several years. In addition, FINMA has agreed that additional capital requirement applicable to Swiss systemically relevant banks, which is based on market share in Switzerland and LRD, will not increase as a result of acquisition of Credit Suisse before the end of 2025. The phase-out or end of these periods will likely increase the overall capital requirements of UBS Group, which increase may be substantial.

Increases in capital and liquidity standards could significantly curtail UBS's ability to pursue strategic opportunities or to return capital to shareholders.

Market regulation and fiduciary standards: UBS's wealth and asset management businesses operate in an environment of increasing regulatory scrutiny and changing standards with respect to fiduciary and other standards of care and the focus on mitigating or eliminating conflicts of interest between a manager or advisor and the client, which require effective implementation across the global systems and processes of investment managers and other industry participants. For example, UBS has made material changes to its business processes, policies and the terms on which it interacts with these clients in order to comply with SEC Regulation Best Interest, which is intended to enhance and clarify the duties of brokers and investment advisers to retail customers, the Volcker Rule, which limits UBS's ability to engage in proprietary trading, as well as changes in European and Swiss market conduct regulation. Future changes in the regulation of its duties to customers may require UBS to make further changes to its businesses, which would result in additional expense and may adversely affect its business. UBS may also become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations.

In many instances, UBS provides services on a cross-border basis, and it is therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonise the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect UBS's ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities based on determinations of equivalence of home country regulation, substituted compliance or similar principles of comity. A negative determination with respect to Swiss equivalence could limit UBS's access to the market in those jurisdictions and may negatively influence its ability to act as a global firm. For example, the EU declined to extend its equivalence determination for Swiss exchanges, which lapsed as of 30 June 2019.

UBS experienced cross-border outflows over a number of years as a result of heightened focus by fiscal authorities on cross-border investment and fiscal amnesty programs, in anticipation of the implementation in Switzerland of the global automatic exchange of tax information, and as a result of the measures UBS has implemented in response to these changes. Further changes in local tax laws or regulations and their enforcement, additional cross-border tax information exchange regimes, national tax amnesty or enforcement programs or similar actions may affect the ability or willingness of its clients to do business with UBS and could result in additional cross-border outflows.

If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors

Under the Swiss Banking Act, FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS Group AG, UBS AG, Credit Suisse AG, UBS Switzerland AG and Credit Suisse Schweiz AG, if there is justified concern that the entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils capital adequacy requirements. Such powers include ordering protective measures, instituting restructuring proceedings (and exercising any Swiss resolution powers in connection therewith), and instituting liquidation proceedings, all of which may have a material adverse effect on shareholders and creditors or may prevent these entities from paying dividends or making payments on debt obligations.

UBS would have limited ability to challenge any such protective measures, and creditors and shareholders would also have limited ability under Swiss law or in Swiss courts to reject them, seek their suspension, or challenge their imposition, including measures that require or result in the deferment of payments.

If restructuring proceedings are opened with respect to UBS Group AG, UBS AG, Credit Suisse AG, UBS Switzerland AG or Credit Suisse Schweiz AG, the resolution powers that FINMA may exercise include the power to: (i) transfer all or some of the assets, debt and other liabilities, and contracts of the entity subject to proceedings to another entity; (ii) stay for a maximum of two business days (a) the termination of, or the exercise of rights to terminate, netting rights, (b) rights to enforce or dispose of certain types of collateral or (c) rights to transfer claims, liabilities or certain collateral, under contracts to which the entity subject to proceedings is a party; and / or (iii) partially or fully write down the equity capital and regulatory capital instruments and, if such regulatory capital is fully written down, write down or convert into equity the other debt instruments of the entity subject to proceedings. Shareholders and creditors would have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised. They would have only limited rights to challenge any decision to exercise resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

Upon full or partial write-down of the equity and regulatory capital instruments of the entity subject to restructuring proceedings, the relevant shareholders and creditors would receive no payment in respect of the equity and debt that is written down, the write-down would be permanent, and the investors would likely not, at such time or at any time thereafter, receive any shares or other participation rights, or be entitled to any write-up or any other compensation in the event of a potential subsequent recovery of the debtor. If FINMA orders the conversion of debt of the entity subject to restructuring proceedings into equity, the securities received by the investors may be worth significantly less than the original debt and may have a significantly different risk profile. In addition, creditors receiving equity would be effectively subordinated to all creditors of the restructured entity in the event of a subsequent winding up, liquidation or dissolution of the restructured entity, which would increase the risk that investors would lose all or some of their investment.

FINMA has significant discretion in the exercise of its powers in connection with restructuring proceedings. Furthermore, certain categories of debt obligations, such as certain types of deposits, are subject to preferential treatment. As a result, holders of obligations of an entity subject to a Swiss restructuring proceeding may have their obligations written down or converted into equity even though obligations ranking on par with such obligations are not written down or converted.

Developments in sustainability, climate, environmental and social standards and regulations may affect UBS's business and impact its ability to fully realise its goals

UBS has set ambitious goals for environmental, social and governance ("**ESG**") matters. These goals include its ambitions for environmental sustainability in its operations, including carbon emissions, in the business it does with clients and in products that it offers. They also include goals or ambitions for diversity in UBS's workforce and supply chain, and support for the United Nations Sustainable Development Goals. There is substantial uncertainty as to the scope of actions that may be required of UBS, governments and others to achieve the goals it has set, and many of such goals and objectives are only achievable with a combination of government and private action. National and international standards and expectations, industry and scientific practices, and regulatory taxonomies and disclosure obligations addressing these matters are relatively immature and are rapidly evolving. In many cases, goals and standards are defined at a high level and can be subject to different interpretations. In addition, there are significant limitations in the data available to measure UBS's climate and other goals. Although UBS has defined and disclosed its goals based on the standards existing at the time of disclosure, there can be no assurance (i) that the various ESG regulatory and disclosure regimes under which UBS operates will not come into conflict with one another, (ii) that the current standards will not be interpreted differently than UBS's understanding or change in a manner that substantially increases the cost or effort for UBS to achieve such goals or (iii) that additional data or methods, whether voluntary or required by regulation, may substantially change UBS's calculation of its goals and aspirations. It is possible that such goals may prove to be considerably more difficult or even impossible to achieve. The evolving standards may also require UBS to substantially change the stated goals and ambitions. If UBS is not able to achieve the goals it has set, or can only do so at significant expense to its business, it may fail to meet regulatory expectations, incur damage to its reputation or be exposed to an increased risk of litigation or other adverse action.

While ESG regulatory regimes and international standards are being developed, including to require consideration of ESG risks in investment decisions, some jurisdictions, notably in the US, have developed rules restricting the consideration of ESG factors in investment and business decisions. Under these anti-ESG rules, companies that are perceived as boycotting or discriminating against certain industries may be restricted from doing business with certain governmental entities. UBS's businesses may be adversely affected if the firm is considered as discriminating against companies based on ESG considerations, or if further anti-ESG rules are developed or broadened.

UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards

UBS prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The application of these accounting standards requires the use of judgment based on estimates and assumptions that may involve significant uncertainty at the time they are made. This is the case, for example, with respect to the measurement of fair value of financial instruments, the recognition of deferred tax assets ("**DTAs**"), the assessment of the impairment of goodwill, expected credit losses and estimation of provisions for litigation, regulatory and similar matters. Such judgments, including the underlying estimates and assumptions, which encompass historical experience, expectations of the future and other factors, are regularly evaluated to determine their continuing relevance based on current conditions. Using different assumptions could cause the reported results to differ. Changes in assumptions, or failure to make the changes necessary to reflect evolving market conditions, may have a significant effect on the financial statements in the periods when changes occur. Estimates of provisions may be subject to a wide range of potential outcomes and significant uncertainty. For example, the broad range of potential outcomes in UBS's legal proceedings in France and in a number of Credit Suisse's legal proceedings increase the uncertainty associated with assessing the appropriate provision. If the estimates and assumptions in future periods deviate from the current outlook, UBS's financial results may also be negatively affected.

Changes to IFRS or interpretations thereof may cause future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect UBS's regulatory capital and ratios. For example, the introduction of the ECL regime under IFRS 9 in 2018 fundamentally changed how credit risk arising from loans, loan commitments, guarantees and certain revocable facilities is accounted for. Under the ECL regime, credit loss expenses may increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairments (stage 3), as well as higher ECL from stages 1 and 2, only gradually diminishing once the economic outlook improves. As UBS observed in 2020, this effect may be more pronounced in a deteriorating economic environment. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect UBS's CET1 capital and regulatory capital ratios.

UBS may be unable to maintain its capital strength

Capital strength enables UBS to grow its businesses and absorb increases in regulatory and capital requirements. UBS's ability to maintain its capital ratios is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards, methodologies and interpretations that may adversely affect the calculation of its capital ratios, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. UBS's capital and leverage ratios are driven primarily by RWA, the leverage ratio denominator and eligible capital, all of which may fluctuate based on a number of factors, some of which are outside of UBS's control. The results of UBS's businesses may be adversely affected by events arising from other risk factors described herein. In some cases, such as litigation and regulatory risk and operational risk events, losses may be sudden and large. These risks could reduce the amount of capital available for return to shareholders and hinder UBS's ability to achieve its capital returns target of a progressive cash dividend coupled with a share repurchase program.

UBS's eligible capital may be reduced by losses recognised within net profit or other comprehensive income. Eligible capital may also be reduced for other reasons, including acquisitions that change the level of goodwill, changes in temporary differences related to DTAs included in capital, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, changes in regulatory interpretations on the inclusion or exclusion of items contributing to UBS's shareholder equity in regulatory capital, and changes in the value of certain pension fund assets and liabilities or in the interest rate and other assumptions used to calculate the changes in UBS's net defined benefit obligation recognised in other comprehensive income.

RWA are driven by UBS's business activities, by changes in the risk profile of its exposures, by changes in its foreign currency exposures and foreign exchange rates, and by regulation. For instance, substantial market volatility, a widening of credit spreads, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in an increase in RWA. Changes in the calculation of RWA, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures and other methodology changes, as well as the finalisation of the Basel III framework and Fundamental Review of the Trading Book promulgated by the BCBS, which are expected to increase UBS's RWA.

The leverage ratio is a balance sheet-driven measure and therefore limits balance sheet-intensive activities, such as lending, more than activities that are less balance sheet intensive, and it may constrain UBS's business even if UBS satisfies other risk-based capital requirements. UBS's leverage ratio denominator is driven by, among other things, the level of client activity, including deposits and loans, foreign exchange rates, interest rates and other market factors. Many of these factors are wholly or partly outside of UBS's control.

The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets

UBS's effective tax rate is highly sensitive to its performance, its expectation of future profitability and any potential increases or decreases in statutory tax rates, such as any potential increase in the US federal corporate tax rate. Furthermore, based on prior years' tax losses, UBS has recognised DTAs reflecting the probable recoverable level based on future taxable profit as informed by its business plans. If UBS's performance is expected to produce diminished taxable profit in future years, particularly in the US, it may be required to write down all or a portion of the currently recognised DTAs through the income statement in excess of anticipated amortisation. This would have the effect of increasing UBS's effective tax rate in the year in which any write-downs are taken. Conversely, if UBS expects the performance of entities in which it has unrecognised tax losses to improve, particularly in the US or the UK, UBS could potentially recognise additional DTAs. The effect of doing so would be to reduce its effective tax rate in years in which additional DTAs are recognised and to increase its effective tax rate in future years. UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This, in turn, would cause a write-down of the associated DTAs. Conversely, an increase in US corporate tax rates would result in an increase in the Group's DTAs.

UBS generally revalues its DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account its updated business plans. UBS considers the performance of its businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of its DTAs, including the remaining tax loss carry-forward period and its assessment of expected future taxable profits over the life of DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict.

UBS's results in past years have demonstrated that changes in the recognition of DTAs can have a very significant effect on its reported results. Any future change in the manner in which UBS remeasures DTAs could affect UBS's effective tax rate, particularly in the year in which the change is made.

UBS's full-year effective tax rate could change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected, or if branches and subsidiaries generate tax losses that UBS cannot benefit from through the income statement. In particular, losses at entities or branches that cannot offset for tax purposes taxable profits in other Group entities, and which do not result in additional DTA recognition, may increase UBS's effective tax rate. In addition, tax laws or the tax authorities in countries where UBS has undertaken legal structure changes may cause entities to be subject to taxation as permanent establishments or may prevent the transfer of tax losses incurred in one legal entity to newly organised or reorganised subsidiaries or affiliates or may impose limitations on the utilisation of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilise the tax losses in the originating entity, the DTAs associated with such tax losses may be required to be written down through the income statement.

Changes in tax law may materially affect UBS's effective tax rate, and, in some cases, may substantially affect the profitability of certain activities. In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws, including assertions that UBS is required to pay taxes in a jurisdiction as a result of activities connected to that jurisdiction constituting a permanent establishment or similar theory, and changes in UBS's assessment of uncertain tax positions, could cause the amount of taxes it ultimately pays to materially differ from the amount accrued.

UBS Group AG and Credit Suisse may incur substantial tax liabilities in connection with the transaction.

In the past, Credit Suisse has made significant impairments of the tax value of its participations in subsidiaries below their tax acquisition costs. As a result of the transaction, tax acquisition costs of participations held by Credit Suisse may be transferred to UBS Group AG. Additionally, UBS may further impair its participations in former Credit Suisse subsidiaries after the closing of the transaction. UBS Group AG may become subject to additional Swiss tax on future reversals of such impairments for Swiss tax purposes. Reversals of prior impairments may occur to the extent that the net asset value of the previously impaired subsidiary increases, e.g., as a result of an increase in retained earnings. Although it is difficult to quantify this additional tax exposure, as various potential mitigants (e.g., transfers of assets and liabilities, business activities, subsidiary investments, as well as other restructuring measures within the Combined Group in the course of the integration) exist, such additional tax exposure may be material.

<u>Liquidity and funding risk</u>

Liquidity and funding management are critical to UBS's ongoing performance

The viability of UBS's business depends on the availability of funding sources, and its success depends on its ability to obtain funding at times, in amounts, for tenors and at rates that enable it to efficiently support its asset base in all market conditions. UBS's funding sources have generally been stable, but could change in the future because of, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A substantial part of UBS's liquidity and funding requirements are met using short-term unsecured funding sources, including retail and wholesale deposits and the regular issuance of money market securities. A change in the availability of short-term funding could occur quickly.

The addition of loss-absorbing debt as a component of capital requirements, the regulatory requirements to maintain minimum TLAC at UBS's holding company and at subsidiaries, as well as the power of resolution authorities to bail in TLAC instruments and other debt obligations, and uncertainty as to how such powers will be exercised, caused and may still cause further increase of UBS's cost of funding, and could potentially increase the total amount of funding required, in the absence of other changes in its business.

Reductions in UBS's credit ratings may adversely affect the market value of the securities and other obligations and increase its funding costs, in particular with regard to funding from wholesale unsecured sources, and could affect the availability of certain kinds of funding. In addition, as experienced in connection with Moody's downgrade of UBS AG's long-term debt rating in June 2012, rating downgrades can require UBS to post additional collateral or make additional cash payments under trading agreements. UBS's credit ratings, together with its capital strength and reputation, also contribute to maintaining client and counterparty confidence, and it is possible that rating changes could influence the performance of some of UBS's businesses. The acquisition of the Credit Suisse Group has elevated these risks and may cause these risks to intensify. One day after the announcement of the planned acquisition of Credit Suisse in March 2023, Standard & Poor's placed both UBS Group AG's Long-Term Counterparty Credit Rating and High-trigger additional Tier 1 instruments on Negative watch. Upon the close the acquisition in June, Fitch Ratings downgraded the Long-Term Issuer Default Ratings (IDRs) of UBS Group AG to 'A' from 'A+' and of UBS AG to 'A+' from 'AA-'. Fitch also upgraded Credit Suisse AG's Long-Term IDR to 'A+' from 'BBB+'.

The requirement to maintain a liquidity coverage ratio of high-quality liquid assets to estimated stressed short-term net cash outflows, and other similar liquidity and funding requirements, oblige UBS to maintain high levels of overall liquidity, limit its ability to optimise interest income and expense, make certain lines of business less attractive and reduce its overall ability to generate profits. In particular, UBS AG is subjected to increased liquidity coverage requirements under the direction of FINMA. The liquidity coverage ratio and net stable funding ratio requirements are intended to ensure that UBS is not overly reliant on short-term funding and that it has sufficient long-term funding for illiquid assets. The relevant calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in market-wide and firm-specific stress situations. In an actual stress situation, however, UBS's funding outflows could exceed the assumed amounts.

This Form 6-K is hereby incorporated by reference into (1) each of the registration statements on Form F-3 (Registration Numbers 333-263376, 333-272539 and 333-272452), and on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; 333-249143 and 333-272975), and into each prospectus outstanding under any of the foregoing registration statements, (2) any outstanding offering circular or similar document issued or authorized by UBS AG and Credit Suisse AG that incorporates by reference any Forms 6-K of UBS AG and Credit Suisse AG (respectively) that are incorporated into its registration statements filed with the SEC, and (3) the base prospectus of Corporate Asset Backed Corporation ("CABCO") dated June 23, 2004 (Registration Number 333-111572), the Form 8-K of CABCO filed and dated June 23, 2004 (SEC File Number 001-13444), and the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated May 10, 2004 and May 17, 2004 (Registration Number 033-91744 and 033-91744-05).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

UBS Group AG

By: /s/ Sergio Ermotti
Name: Sergio Ermotti
Title: Group Chief Executive Officer

By: /s/ Todd Tuckner
Name: Todd Tuckner
Title: Group Chief Financial Officer

By: /s/ Steffen Henrich
Name: Steffen Henrich
Title: Group Controller

UBS AG

By: /s/ Sergio Ermotti
Name: Sergio Ermotti
Title: President of the Executive Board

By: /s/ Todd Tuckner
Name: Todd Tuckner
Title: Chief Financial Officer

By: /s/ Steffen Henrich
Name: Steffen Henrich
Title: Controller

Credit Suisse AG

By: /s/ Ulrich Körner
Name: Ulrich Körner
Title: Chief Executive Officer

By: /s/ Simon Grimwood
Name: Simon Grimwood
Title: Chief Financial Officer

Date: August 31, 2023