ADDENDUM DATED 19 NOVEMBER 2021

If you are in any doubt about any of the contents of this addendum, you should obtain independent professional advice.

Addendum to the Base Listing Document dated 23 March 2021 relating to Non-collateralised Structured Products to be issued by

UBS

UBS AG

(incorporated with limited liability in Switzerland)

acting through its London Branch

Sponsor

UBS SECURITIES ASIA LIMITED

This addendum, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving further information with regard to us. You must read this addendum in conjunction with our base listing document dated 23 March 2021 (our "**Base Listing Document**").

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this addendum is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this addendum misleading.

The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them.

Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in our Base Listing Document and the relevant launch announcement and supplemental listing document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products are complex products. You should exercise caution in relation to them. The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness, and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

IMPORTANT INFORMATION

What is this addendum about?

This addendum contains supplemental general information on us, our unaudited third quarter 2021 financial information for the quarter period ended 30 September 2021 and the risk management and control applicable to UBS Group AG (our holding company), UBS AG and our subsidiaries (together, "**UBS Group**") extracted from UBS Group AG's third quarter 2021 financial report. This addendum is a supplement to our Base Listing Document.

What documents should you read before investing in the Structured Products?

You must read this addendum together with our Base Listing Document (including any other addendum to our Base Listing Document to be issued by us from time to time) and the relevant launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued by us from time to time) (together, the "**Listing Documents**") before investing in any Structured Product.

Where can you read the relevant documents?

Copies of this addendum, our Base Listing Document, the relevant launch announcement and supplemental listing document (which include our latest audited consolidated financial statements and any interim or quarterly financial statements) and the consent letter of our auditors are available on the website of the HKEX at *www.hkexnews.hk* and our website at *http://warrants.ubs.com/en*.

本增編、我們的基礎上市文件、相關發行公佈及補充上市文件(其中包括我們的最近期經審核合併財務報表及任何中期或季度財務報表)及我們核數師的同意書，可於香港交易所披露易網站(*www.hkexnews.hk*) 以及我們的網站 *http://warrants.ubs.com/ch/*瀏覽。

Are we subject to any litigation?

Save as disclosed in the Listing Documents, we and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Has our financial position changed since last financial year-end?

There has been no material adverse change in our financial or trading position since 31 December 2020.

What are our credit ratings?

Our long term debt ratings are:

Rating agency	*Rating as of the date of this addendum*
Moody's Deutschland GmbH	Aa3 (stable outlook)
S&P Global Ratings Europe Limited	A+ (stable outlook)

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the date of this addendum are for reference only. Any downgrading of our credit ratings could result in a reduction in the value of the Structured Products;
- a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- a credit rating may be downgraded if our credit quality declines.

The Structured Products are not rated.

Our credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our ratings from time to time.

How can you get further information about us or the Structured Products?

You may visit *http://warrants.ubs.com/en* to obtain further information about us and/or the Structured Products.

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INFORMATION IN RELATION TO US

(1) Updated "Information in relation to us"

The following pages under this section shall replace the information in the section headed "Information in relation to us" on pages 15 to 29 of our Base Listing Document in its entirety.

1. Overview

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

2. Information about the Issuer

2.1. Corporate Information

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

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

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an *Aktiengesellschaft*, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCEMIK50.

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

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

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

For information on UBS's expected financing of its business activities, please refer to "*Liquidity and funding management*" in the "*Capital, liquidity and funding, and balance sheet*" section of the UBS Group AG and UBS AG Annual Report 2020 published on 5 March 2021 ("**Annual Report 2020**") and in the "*Risk, capital, liquidity and funding, and balance sheet*" section of the UBS Group third quarter 2021 report published on 26 October 2021 ("**UBS Group Third Quarter 2021 Report**").

3. Business Overview

3.1. Organisational Structure of UBS AG

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

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

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2020, including interests in significant subsidiaries, are discussed in "*Note 28 Interests in subsidiaries and other entities*" to the UBS Group AG's consolidated financial statements included in the Annual Report 2020.

UBS AG's interests in subsidiaries and other entities as of 31 December 2020, including interests in significant subsidiaries, are discussed in "*Note 28 Interests in subsidiaries and other entities*" to the UBS AG's consolidated financial statements included in the Annual Report 2020.

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

3.2. Recent Developments

3.2.1. Accounting, regulatory, legal and other developments

Refer to the "*Recent developments*" and the "*Credit risk*" sections of the UBS Group first quarter 2021 report published on 27 April 2021 ("**UBS Group First Quarter 2021 Report**"), the UBS Group second quarter 2021 report published on 20 July 2021 ("**UBS Group Second Quarter 2021 Report**") and the UBS Group Third Quarter 2021 Report, as well as the "*Regulatory and legal developments*" in the "*Our strategy, business model and environment*" section of the Annual Report 2020, for information on key accounting, regulatory, legal and other developments.

3.3. Trend Information

For information on trends, refer to the "*Outlook*" statement in the "*Group performance*" section of the UBS Group Third Quarter 2021 Report and to the "*Our environment*" section of the Annual Report 2020 for more information. In addition, please refer to the "*Risk factors*" and the "*Recent Developments*" sections of this document for more information.

3.4. Market and macroeconomic risks relating to the COVID-19 pandemic

The COVID-19 pandemic, governmental measures taken to manage it, as well as developments in fiscal policy and the possible withdrawal of stimulus measures may continue to adversely affect, global economic conditions, resulting in further contraction in the global economy, substantial volatility in the financial markets, increased unemployment, increased credit and counterparty risk, and operational challenges, such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols. While governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, these programs may be coming to an end. In addition, while vaccination campaigns are progressing and many economies are recovering, localized out-breaks, the spread of new variants of COVID-19, and uneven vaccination rates are causing uncertainty around a sustainable recovery. If the pandemic resurges, vaccine distribution is delayed, or available vaccines prove ineffective against evolving strains of the coronavirus, or the actions of governments and central banks are unsuccessful, the adverse impact on the global economy will deepen, UBS AG's results of operations and financial condition in future quarters may be adversely affected.

COVID-19 and lockdown and other measures to control the pandemic have significantly affected major economies across the world. Uncertainties are still at a high level, making predictions difficult. The COVID-19 pan-demic has affected all of UBS's businesses, and these effects could be greater in the future if adverse conditions persist or worsen. These effects have included declines in some asset prices, spikes in volatility, lower or negative interest rates, widening of credit spreads and credit deterioration. These effects have resulted in decreases in the valuation of loans and commitments, an increase in the allowance for credit losses and lower valuations of certain classes of trading assets. While certain of these effects have reversed as economies have reopened and economic stimulus has been maintained, or were offset by high levels of client activity in 2020, and, in the first nine months of 2021, by a rebound in asset prices in some sectors, these favorable conditions may not persist.

Should adverse global market conditions recur, or the pandemic lead to additional economic or market disruptions, UBS AG may experience reduced client activity and demand for its products and services, increased utilization 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. Declines in interest rates have decreased net interest margins and such declines may continue to sharpen. A de-cline in invested assets would also reduce recurring fee income in UBS's Global Wealth Management and Asset Management businesses. These factors and other consequences of the COVID-19 pandemic may negatively affect UBS AG's financial condition, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible changes or downgrades to credit ratings.

Although UBS AG is adapting its plans for the return of its employees to the offices following the gradual lifting of lockdowns and similar measures, a substantial portion of its workforce is still in work-from-home solutions, including client-facing and trading staff. If significant portions of its workforce, including key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, the adverse effects of the pandemic on UBS AG's businesses could be exacerbated. In addition, with staff working from outside the offices, UBS AG faces new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While it has taken measures to manage these risks, such measures have never been tested on the scale or duration that UBS AG is currently experiencing, and there is risk that these measures will not be effective in the current unprecedented operating environment.

The extent to which the pandemic, and the 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 scope and duration of the pandemic and any recovery period, the adequacy of vaccine distribution plans and execution of those plans, as well as the efficacy of vaccines against potential virus variants, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on UBS's customers, counterparties, employees and third-party service providers.

3.5. Risks relating to environmental, social and governance matters

UBS AG has set ambitious goals for environmental, social and governance matters. These goals include UBS AG's ambitions for environmental sustainability in its operations, including carbon emissions, in the business UBS does with clients and in products that it offers. They also include goals or ambitions for diversity in UBS AG'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 AG, governments and others to achieve the goals UBS AG has set and many of its goals and objectives are only achievable with a combination of government and private action. National and international standards, industry and scientific practices, and regulatory taxonomies addressing these matters are in many cases still being developed or are likely to change and are subject to different interpretations. Although UBS AG has defined its goals based on the standards that exist today, there can be no assurance that these standards will not be interpreted differently than UBS AG's understanding or change in a manner that substantially increases the cost or effort for UBS AG to achieve such goals or that such goals may prove to be considerably more difficult or even impossible to achieve. If UBS AG is not able to achieve the goals it has set, or can only do so at significant expense to its business, UBS AG may fail to meet regulatory expectations, incur damage to its reputation or be exposed to risk of litigation or other adverse action.

4. Board of Directors

The Board of Directors ("**BoD**") consists of at least five and no more than twelve members. All the members of the BoD are elected individually by the Annual General Meeting of Shareholders ("**AGM**") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

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

4.1.1. Members of the Board of Directors

The current members of the BoD are listed below.

Member	**Title**	**Term of office**	**Current principal activities outside UBS AG**
Axel A. Weber	Chairman	2022	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Councils of the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Advisory Board member of the Department of Economics, University of Zurich; member of the Trilateral Commission.
Jeremy Anderson	Vice Chairman	2022	Vice-Chairman and Senior Independent Director of the Board of Directors of UBS Group AG; board member of Prudential plc; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.
Claudia Böckstiegel	Member	2022	Member of the Board of Directors of UBS Group AG; General Counsel and member of the Enlarged Executive Committee of Roche Holding AG.
William C. Dudley	Member	2022	Member of the Board of Directors of UBS Group AG; senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University; member of the Board of Treliant LLC; member of the Group of Thirty; member of the Council on Foreign Relations; chair of the Bretton Woods Committee board of directors; member of the Board of the Council for Economic Education.
Patrick Firmenich	Member	2022	Member of the Board of Directors of UBS Group AG; chairman of the Board of Firmenich International SA; member of the Board of Jacobs Holding AG; member of the Board of INSEAD and INSEAD World Foundation; member of the Advisory Council of the Swiss Board Institute.

Member	Title	Term of office	Current principal activities outside UBS AG
Reto Francioni	Member	2022	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG (Senior Independent Non-Executive Director, chair of the nomination committee); chairman of the board of Swiss International Air Lines AG; board member of MTIP AG; board member of economiesuisse.
Fred Hu	Member	2022	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; chairman of Primavera Capital Ltd and of Primavera Capital Group; member of the Board of Ant Group; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong; co-chairman of the Nature Conservancy Asia Pacific Council; member of the Board of Trustees of the Institute for Advanced Studies (IAS).
Mark Hughes	Member	2022	Member of the Board of Directors of UBS Group AG; chair of the Board of Directors of the Global Risk Institute; visiting lecturer at the University of Leeds; senior advisor to McKinsey & Company.
Nathalie Rachou	Member	2022	Member of the Board of Directors of UBS Group AG; member of the Board of Euronext N.V. (chair of the remuneration committee); member of the Board of Veolia Environnement SA (chair of the audit committee).
Julie G. Richardson	Member	2022	Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Datalog (chair of the audit committee).
Dieter Wemmer	Member	2022	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); chairman of Marco Capital Holdings Limited, Malta; member of the Berlin Center of Corporate Governance.
Jeanette Wong	Member	2022	Member of the Board of Directors of UBS Group AG; member of the board of Pudential plc; member of the board of Singapore Airlines Limited; member of the Board Risk Committee of GIC Pte Ltd; board member of Jurong Town Corporation; board member of PSA International; Chairman of the CareShield Life Council; member of the Securities Industry Council; member of the Board of Trustees of the National University of Singapore.

5. Litigation, Regulatory and Similar Matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

Specific litigation, regulatory and other matters, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects, are described in "*Note 16 Provisions and contingent liabilities*" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG Third Quarter 2021 Report. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

5.1. Material Contracts

No material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

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

Except as otherwise disclosed in this document (including in the documents incorporated herein by reference), there has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2020.

THE UNAUDITED FINANCIAL INFORMATION OF UBS AG FOR THE QUARTERLY PERIOD ENDED 30 SEPTEMBER 2021 - EXTRACTED FROM UBS AG'S THIRD QUARTER 2021 FINANCIAL REPORT

The information set out below in this section has been extracted without adjustment from the unaudited third quarter 2021 financial report of UBS AG for the quarterly period ended 30 September 2021 released on 29 October 2021. The page numbers of the third quarter 2021 financial report appear on the bottom left or right hand side of the pages in this addendum.

The third quarter 2021 financial report is available on our website at *https://www.ubs.com/global/en/investor-relations/financial-information/quarterly-reporting.html*.

UBS AG interim consolidated financial statements (unaudited)

Income statement

		For the quarter ended			Year-to-date	
USD million	Note	30.9.21	30.6.21	30.9.20	30.9.21	30.9.20
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,178	2,107	2,112	6,382	6,703
Interest expense from financial instruments measured at amortized cost	3	(853)	(860)	(934)	(2,572)	(3,453)
Net interest income from financial instruments measured at fair value through profit or loss	3	339	359	319	1,049	935
Net interest income	3	1,664	1,607	1,497	4,860	4,186
Other net income from financial instruments measured at fair value through profit or loss		1,695	1,471	1,763	4,480	5,483
Credit loss (expense) / release	9	14	80	(89)	121	(628)
Fee and commission income	4	6,124	6,047	5,223	18,369	15,434
Fee and commission expense	4	(510)	(484)	(440)	(1,472)	(1,316)
Net fee and commission income	4	5,615	5,563	4,783	16,897	14,118
Other income	5	237	350	1,084	772	1,401
Total operating income		9,224	9,071	9,038	27,130	24,559
Personnel expenses	6	3,951	4,072	3,987	12,109	11,378
General and administrative expenses	7	2,101	2,070	2,076	6,312	6,036
Depreciation and impairment of property, equipment and software		453	439	482	1,340	1,296
Amortization and impairment of goodwill and intangible assets		7	9	15	24	47
Total operating expenses		6,512	6,589	6,560	19,785	18,757
Operating profit / (loss) before tax		2,712	2,481	2,478	7,345	5,802
Tax expense / (benefit)	8	549	563	461	1,550	1,163
Net profit / (loss)		2,163	1,919	2,018	5,795	4,639
Net profit / (loss) attributable to non-controlling interests		9	6	0	18	6
Net profit / (loss) attributable to shareholders		2,154	1,913	2,018	5,777	4,632

Statement of comprehensive income

	For the quarter ended			Year-to-date	
USD million	30.9.21	30.6.21	30.9.20	30.9.21	30.9.20
Comprehensive income attributable to shareholders					
Net profit / (loss)	2,154	1,913	2,018	5,777	4,632
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	(383)	447	760	(1,342)	932
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	174	(203)	(340)	676	(400)
Foreign currency translation differences on foreign operations reclassified to the income statement	7	(9)	(7)	(1)	(7)
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	0	8	9	7	2
Income tax relating to foreign currency translations, including the impact of net investment hedges	53	(4)	(13)	59	(15)
Subtotal foreign currency translation, net of tax	(149)	239	409	(601)	512
Financial assets measured at fair value through other comprehensive income					
Net unrealized gains / (losses), before tax	(44)	21	(3)	(154)	223
Realized gains reclassified to the income statement from equity	0	(3)	(13)	(11)	(36)
Realized losses reclassified to the income statement from equity	0	0	0	2	0
Income tax relating to net unrealized gains / (losses)	11	(4)	4	42	(50)
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	(33)	14	(12)	(121)	137
Cash flow hedges of interest rate risk					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	(112)	542	(41)	(742)	2,204
Net (gains) / losses reclassified to the income statement from equity	(282)	(268)	(240)	(804)	(515)
Income tax relating to cash flow hedges	77	(51)	52	292	(318)
Subtotal cash flow hedges, net of tax	(316)	222	(229)	(1,254)	1,371
Cost of hedging					
Change in fair value of cost of hedging, before tax	1	(24)	(27)	(36)	(38)
Amortization of initial cost of hedging to the income statement	4	7	19	18	26
Income tax relating to cost of hedging	0	0	0	0	0
Subtotal cost of hedging, net of tax	5	(16)	(8)	(18)	(12)
Total other comprehensive income that may be reclassified to the income statement, net of tax	(493)	459	160	(1,992)	2,008
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	15	0	50	(20)	(264)
Income tax relating to defined benefit plans	(10)	0	(3)	(6)	40
Subtotal defined benefit plans, net of tax	6	0	47	(25)	(224)
Own credit on financial liabilities designated at fair value[1]					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	(98)	118	(144)	(8)	(82)
Income tax relating to own credit on financial liabilities designated at fair value	0	0	0	0	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	(98)	118	(144)	(8)	(82)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(92)	119	(97)	(34)	(305)
Total other comprehensive income	(584)	578	64	(2,026)	1,702
Total comprehensive income attributable to shareholders	1,570	2,491	2,081	3,751	6,335

Statement of comprehensive income (continued)

USD million	For the quarter ended 30.9.21	For the quarter ended 30.6.21	For the quarter ended 30.9.20	Year-to-date 30.9.21	Year-to-date 30.9.20
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	9	6	0	18	6
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	(14)	14	6	(12)	3
Income tax relating to foreign currency translation movements	0	0	0	0	0
Subtotal foreign currency translation, net of tax	(14)	14	6	(12)	3
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(14)	14	6	(12)	3
Total comprehensive income attributable to non-controlling interests	(5)	20	7	6	9
Total comprehensive income					
Net profit / (loss)	2,163	1,919	2,018	5,795	4,639
Other comprehensive income	(598)	592	70	(2,038)	1,705
of which: other comprehensive income that may be reclassified to the income statement	*(493)*	*459*	*160*	*(1,992)*	*2,008*
of which: other comprehensive income that will not be reclassified to the income statement	*(106)*	*133*	*(90)*	*(46)*	*(302)*
Total comprehensive income	1,565	2,510	2,088	3,757	6,344

1 Refer to Note 10 for more information.

Balance sheet

USD million	Note	30.9.21	30.6.21	31.12.20
Assets				
Cash and balances at central banks		174,478	160,672	158,231
Loans and advances to banks		16,294	16,376	15,344
Receivables from securities financing transactions		74,476	83,494	74,210
Cash collateral receivables on derivative instruments	11	31,655	29,787	32,737
Loans and advances to customers	9	391,769	391,406	380,977
Other financial assets measured at amortized cost	12	27,111	27,201	27,219
Total financial assets measured at amortized cost		715,783	708,937	688,717
Financial assets at fair value held for trading	10	125,586	122,628	125,492
of which: assets pledged as collateral that may be sold or repledged by counterparties		*47,683*	*44,333*	*47,098*
Derivative financial instruments	10, 11	121,189	121,622	159,618
Brokerage receivables	10	20,746	23,010	24,659
Financial assets at fair value not held for trading	10	60,368	64,952	80,038
Total financial assets measured at fair value through profit or loss		327,890	332,211	389,808
Financial assets measured at fair value through other comprehensive income	10	8,397	7,775	8,258
Investments in associates		1,188	1,198	1,557
Property, equipment and software		11,669	11,732	11,958
Goodwill and intangible assets		6,401	6,452	6,480
Deferred tax assets		8,795	8,951	9,174
Other non-financial assets	12	8,123	8,603	9,374
Total assets		1,088,246	1,085,861	1,125,327

Balance sheet (continued)

USD million	Note	30.9.21	30.6.21	31.12.20
Liabilities				
Amounts due to banks		13,292	14,615	11,050
Payables from securities financing transactions		5,256	5,972	6,321
Cash collateral payables on derivative instruments	11	33,062	32,193	37,313
Customer deposits		521,643	517,462	527,929
Funding from UBS Group AG		54,083	55,907	53,979
Debt issued measured at amortized cost	14	80,070	84,491	85,351
Other financial liabilities measured at amortized cost	12	10,209	10,671	10,421
Total financial liabilities measured at amortized cost		717,615	721,311	732,364
Financial liabilities at fair value held for trading	10	34,650	33,348	33,595
Derivative financial instruments	10, 11	121,164	121,688	161,102
Brokerage payables designated at fair value	10	45,557	39,129	38,742
Debt issued designated at fair value	10, 13	69,571	72,799	59,868
Other financial liabilities designated at fair value	10, 12	32,576	32,908	31,773
Total financial liabilities measured at fair value through profit or loss		303,517	299,871	325,080
Provisions	16	2,750	2,792	2,791
Other non-financial liabilities	12	6,946	6,241	7,018
Total liabilities		1,030,828	1,030,216	1,067,254
Equity				
Share capital		338	338	338
Share premium		24,698	24,542	24,580
Retained earnings		26,480	24,414	25,251
Other comprehensive income recognized directly in equity, net of tax		5,569	6,067	7,585
Equity attributable to shareholders		57,085	55,361	57,754
Equity attributable to non-controlling interests		333	284	319
Total equity		57,418	55,645	58,073
Total liabilities and equity		1,088,246	1,085,861	1,125,327

Statement of cash flows

	Year-to-date	
USD million	30.9.21	30.9.20
Cash flow from / (used in) operating activities		
Net profit / (loss)	5,795	4,639
Non-cash items included in net profit and other adjustments:		
Depreciation and impairment of property, equipment and software	1,340	1,296
Amortization and impairment of goodwill and intangible assets	24	47
Credit loss expense / (release)	(121)	628
Share of net profits of associates and joint ventures and impairment related to associates	(72)	(71)
Deferred tax expense / (benefit)	426	328
Net loss / (gain) from investing activities	(321)	(842)
Net loss / (gain) from financing activities	(217)	(4,006)
Other net adjustments	5,395	(1,787)
Net change in operating assets and liabilities:		
Loans and advances to banks and amounts due to banks	2,626	2,729
Securities financing transactions	(1,926)	2,478
Cash collateral on derivative instruments	(3,174)	(1,404)
Loans and advances to customers	(22,629)	(23,746)
Customer deposits	8,119	24,611
Financial assets and liabilities at fair value held for trading and derivative financial instruments	(3,808)	29,751
Brokerage receivables and payables	10,715	(1,264)
Financial assets at fair value not held for trading, other financial assets and liabilities	18,157	2,047
Provisions, other non-financial assets and liabilities	1,766	(1,045)
Income taxes paid, net of refunds	(674)	(664)
Net cash flow from / (used in) operating activities	**21,421**	**33,726**
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	(1)	(29)
Disposal of subsidiaries, associates and intangible assets[1]	564	674
Purchase of property, equipment and software	(1,146)	(1,108)
Disposal of property, equipment and software	268	356
Purchase of financial assets measured at fair value through other comprehensive income	(3,118)	(5,506)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	2,798	3,121
Net (purchase) / redemption of debt securities measured at amortized cost	223	(4,565)
Net cash flow from / (used in) investing activities	**(414)**	**(7,056)**

Statement of cash flows (continued)

	Year-to-date	
USD million	30.9.21	30.9.20
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	(7,717)	14,944
Distributions paid on UBS shares	(4,539)	(2,550)
Issuance of debt designated at fair value and long-term debt measured at amortized cost[2]	81,146	64,601
Repayment of debt designated at fair value and long-term debt measured at amortized cost[2]	(65,416)	(64,452)
Net cash flows from other financing activities	(129)	(409)
Net cash flow from / (used in) financing activities	3,345	12,134
Total cash flow		
Cash and cash equivalents at the beginning of the period	173,430	119,804
Net cash flow from / (used in) operating, investing and financing activities	24,352	38,805
Effects of exchange rate differences on cash and cash equivalents	(6,895)	5,596
Cash and cash equivalents at the end of the period[3]	190,888	164,205
of which: cash and balances at central banks[4]	*174,350*	*149,052*
of which: loans and advances to banks	*14,959*	*13,197*
of which: money market paper	*1,579*	*1,957*
Additional information		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	8,292	9,180
Interest paid in cash	3,981	5,526
Dividends on equity investments, investment funds and associates received in cash	1,969	1,590

1 Includes cash proceeds from the sale of UBS's investment in Clearstream Fund Centre AG (previously Fondcenter AG). UBS's majority stake was sold in 2020 and the remaining minority investment was sold in the second quarter of 2021. 2 Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG on the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value on the balance sheet). 3 USD 3,823 million and USD 4,250 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 30 September 2021 and 30 September 2020, respectively. Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2020 for more information. 4 Includes only balances with an original maturity of three months or less.

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

Note 1 Basis of accounting and other financial reporting effects

Basis of preparation

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

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS AG consolidated annual financial statements for the period ended 31 December 2020, except for the changes described in this Note. These interim financial statements are unaudited and should be read in conjunction with UBS AG's audited consolidated financial statements included in the Annual Report 2020. In the opinion of management, all necessary adjustments were made for a fair presentation of UBS AG's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information about areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 (*Interest Rate Benchmark Reform – Phase 2*)

On 1 January 2021, UBS AG adopted *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced.

The amendments provide a practical expedient that permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates (ARRs) to be accounted for prospectively by updating a given instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

UBS AG has adopted the amendments, which have no material effect on its financial statements.

Furthermore, the amendments provide various hedge accounting reliefs, with the following expected to benefit UBS AG.

– *Risk components*
  The amendments permit UBS AG to designate an alternative benchmark rate as a non-contractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided UBS AG can reasonably expect that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. As of 30 September 2021, the alternative benchmark rates that UBS AG has designated as the hedged risk in fair value hedges of interest rate risk related to debt instruments, mortgages and cash flow hedges of forecast transactions were the Secured Overnight Financing Rate (SOFR), the Swiss Average Rate Overnight (SARON) and the Sterling Overnight Index Average (SONIA). The designated notionals were USD 14.2 billion, USD 3.1 billion and USD 0.7 billion, respectively.
– *Hedge designation*
  Following amendments to the hedge documentation to reflect the change in designation relating to IBOR reform, UBS AG will continue its hedge relationships provided the other hedge accounting criteria and requirements of the phase 2 amendment are met. As of 30 September 2021, no such changes have been made.
– *Amounts accumulated in the cash flow hedge reserve*
  Upon changing the hedge designation as set out above, the accumulated amounts in the cash flow hedge reserve are assumed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based is changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also assumed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur. As of 30 September 2021, no such changes have been made.
– *Retrospective effectiveness assessment as applied to hedges designated under IAS 39*
  Upon the end of the phase 1 relief for effectiveness assessment UBS AG may elect to reset to zero the cumulative fair value changes of the hedged item and hedging instrument for the purpose of assessing the retrospective effectiveness of a hedging relationship. As of 30 September 2021, no such election has been made.
  › **Refer to "Note 25 Hedge accounting" in the "Consolidated financial statements" section of the Annual Report 2020 for details about phase 1 accounting reliefs**

The amendments also introduced additional disclosure requirements regarding UBS AG's management of the transition to alternative benchmark rates, its progress as at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition.

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

RISK MANAGEMENT AND CONTROL - EXTRACTED FROM UBS GROUP AG'S THIRD QUARTER 2021 FINANCIAL REPORT

The information set out below in this section has been extracted without adjustment from the third quarter 2021 financial report of UBS Group AG. The page numbers of the third quarter 2021 financial report appear on the bottom left or right hand side of the pages in this addendum.

The third quarter 2021 financial report is available on our website at *https://www.ubs.com/global/en/investor-relations/financial-information/quarterly-reporting.html*.

Risk management and control

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 our Annual Report 2020.

Credit risk

Credit loss (expense) / release

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
For the quarter ended 30.9.21						
Stages 1 and 2	9	(1)	0	2	0	11
Stage 3	2	8	0	(7)	0	3
Total credit loss (expense) / release	**11**	**7**	**0**	**(5)**	**0**	**14**
For the quarter ended 30.6.21						
Stages 1 and 2	13	51	0	24	(1)	88
Stage 3	0	(5)	0	(3)	0	(8)
Total credit loss (expense) / release	**14**	**46**	**0**	**21**	**(1)**	**80**

Credit loss expense / release

Total net credit loss releases were USD 14 million, reflecting net releases of USD 11 million related to stage 1 and 2 positions and net releases of USD 3 million related to credit-impaired (stage 3) positions.

› **Refer to "Note 7 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about credit loss expense / release**

› **Refer to "Note 1 Summary of significant accounting policies," "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of our Annual Report 2020 for information about scenario updates**

Overall banking products exposures

Overall banking products exposure increased by USD 16 billion, to USD 666 billion as of 30 September 2021. The increase was driven by a USD 14 billion increase in balances at central banks and a USD 2 billion increase in loan commitments and guarantees.

Credit-impaired gross exposure decreased by USD 190 million to USD 3,128 million, with decreases across Global Wealth Management and Personal & Corporate Banking.

There were no significant changes in total loans and advances to customers across our business divisions.

In aggregate, exposure related to traded products decreased by USD 1.6 billion to USD 52.4 billion during the third quarter of 2021, mainly driven by exposure to clearing houses.

Committed credit facilities

We did not observe an increase in drawing of committed credit facilities by clients in the third quarter of 2021. We manage our credit risk on the aggregate of drawn and committed undrawn credit facilities, and model full drawing of committed facilities in our stress testing framework.

Loan underwriting

In the Investment Bank, new loan underwriting activity and distributions continued to be robust during the third quarter of 2021. As of 30 September 2021, mandated loan underwriting commitments totaled USD 4.4 billion on a notional basis (compared with USD 3.6 billion as of 30 June 2021). As of 30 September 2021, USD 0.4 billion 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.

Swiss mortgage portfolio

Of our USD 163 billion total Swiss real estate portfolio as of 30 September 2021, USD 148 billion related to residential real estate, USD 6 billion to commercial retail and office real estate, and USD 9 billion to industrial and other real estate.

The residential portfolio consists of USD 123 billion for single-family houses and apartments (average loan-to-value (LTV) ratio of 53%) and USD 25 billion in residential income-producing real estate (average LTV of 52%). We are also carefully monitoring the level of risk in our Swiss commercial retail and office real estate portfolio (average LTV of 46%) and its resilience to the economic impact of COVID-19.

› **Refer to the "Risk management and control" section of our Annual Report 2020 for more information about our Swiss mortgage portfolio**

Exposure to the Swiss economy and Swiss corporates

Within Personal & Corporate Banking, certain industry sectors continue to exhibit higher risk due to COVID-19 and the associated containment measures. Industry sectors with a negative outlook include tourism and media, as well as, to a lesser degree, culture, sports and education. Our exposure to the tourism sector (including hotels, restaurants and transport) totaled USD 1.9 billion as of 30 September 2021, with hotels accounting for USD 1.0 billion of this exposure. Our other exposures included USD 1.0 billion to the culture, sports and education sector, and USD 0.2 billion to the media sector. Apart from a few large counterparties, our exposures within these sectors are highly diversified across Switzerland.

Banking and traded products exposure in our business divisions and Group Functions

	30.9.21					
USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Banking products[1]						
Gross exposure	328,250	220,545	1,535	61,824	53,682	665,836
of which: loans and advances to customers (on-balance sheet)	*225,393*	*148,937*	*1*	*12,917*	*4,036*	*391,284*
of which: guarantees and loan commitments (off-balance sheet)	*10,404*	*28,414*	*0*	*14,750*	*3,623*	*57,191*
Traded products[2,3]						
Gross exposure	11,279	836	0	40,300		52,415
of which: over-the-counter derivatives	*8,218*	*818*	*0*	*11,760*		*20,796*
of which: securities financing transactions	*0*	*0*	*0*	*21,379*		*21,379*
of which: exchange-traded derivatives	*3,062*	*18*	*0*	*7,161*		*10,241*
Other credit lines, gross[4]	12,259	23,336	0	3,462	29	39,086
Total credit-impaired exposure, gross (stage 3)	907	1,771	0	450	0	3,128
Total allowances and provisions for expected credit losses (stages 1 to 3)	276	712	0	257	4	1,248
of which: stage 1	*85*	*118*	*0*	*64*	*4*	*270*
of which: stage 2	*46*	*144*	*0*	*36*	*0*	*225*
of which: stage 3 (allowances and provisions for credit-impaired exposures)	*145*	*450*	*0*	*157*	*0*	*752*

	30.6.21					
USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Banking products[1]						
Gross exposure	315,902	219,372	3,329	60,923	50,531	650,057
of which: loans and advances to customers (on-balance sheet)	*223,082*	*149,806*	*1*	*13,809*	*4,378*	*391,076*
of which: guarantees and loan commitments (off-balance sheet)	*10,382*	*26,984*	*0*	*15,053*	*2,789*	*55,208*
Traded products[2,3]						
Gross exposure	11,516	732	0	41,762		54,009
of which: over-the-counter derivatives	*8,435*	*706*	*0*	*12,506*		*21,647*
of which: securities financing transactions	*0*	*0*	*0*	*22,198*		*22,198*
of which: exchange-traded derivatives	*3,081*	*25*	*0*	*7,058*		*10,164*
Other credit lines, gross[4]	11,269	24,350	0	3,147	30	38,796
Total credit-impaired exposure, gross (stage 3)	1,002	1,875	0	441	0	3,318
Total allowances and provisions for expected credit losses (stages 1 to 3)	288	734	1	266	4	1,294
of which: stage 1	*92*	*117*	*0*	*64*	*4*	*277*
of which: stage 2	*46*	*149*	*0*	*38*	*0*	*233*
of which: stage 3 (allowances and provisions for credit-impaired exposures)	*150*	*469*	*1*	*164*	*0*	*784*

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 FVOCI, 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.

Global Wealth Management and Personal & Corporate Banking loans and advances to customers, gross

	Global Wealth Management		Personal & Corporate Banking	
USD million	30.9.21	30.6.21	30.9.21	30.6.21
Secured by residential property	62,817	61,895	108,112	108,167
Secured by commercial / industrial property[1]	3,690	3,483	18,967	19,042
Secured by cash	22,563	22,358	2,449	2,625
Secured by securities	118,520	117,802	1,868	1,899
Secured by guarantees and other collateral	15,495	15,266	7,062	7,017
Unsecured loans and advances to customers	2,307	2,277	10,479	11,056
Total loans and advances to customers, gross	225,393	223,082	148,937	149,806
Allowances	(168)	(173)	(578)	(601)
Total loans and advances to customers, net of allowances	225,225	222,908	148,359	149,205

1 Includes exposures with mixed collateral as security, where the primary purpose of the loan is not to finance a specific property.

Market risk

We continued to maintain generally low levels of management value-at-risk (VaR). Average management VaR (1-day, 95% confidence level) decreased marginally to USD 11 million from USD 12 million at the end of the second quarter of 2021.

There were no new Group VaR negative backtesting exceptions in the third quarter of 2021, and the total number of negative backtesting exceptions within the most recent 250-business-day window remained at 3. 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.

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

					Average by risk type				
USD million	Min.	Max.	Period end	Average	Equity	Interest rates	Credit spreads	Foreign exchange	Commodities
Global Wealth Management	1	3	2	2	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	7	15	11	11	8	9	6	3	2
Group Functions	5	7	5	5	0	4	3	1	0
Diversification effect[2,3]			(6)	(6)	0	(5)	(5)	0	0
Total as of 30.9.21	**8**	**16**	**11**	**11**	**8**	**9**	**6**	**3**	**2**
Total as of 30.6.21	4	32	10	12	9	9	7	3	3

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 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 and Group Functions and the VaR for the Group as a whole. 3 As the minima and maxima for different business divisions and Group Functions occur on different days, it is not meaningful to calculate a portfolio diversification effect.

As of 30 September 2021, the interest rate sensitivity of our banking book to a +1-basis-point parallel shift in yield curves was negative USD 31.4 million, compared with negative USD 31.3 million as of 30 June 2021. The reported interest rate sensitivity excludes additional tier 1 (AT1) capital instruments, as per FINMA Pillar 3 disclosure requirements, with a sensitivity of USD 4.9 million per basis point, and our equity, goodwill and real estate, with a modeled sensitivity of USD 22.3 million per basis point, of which USD 5.4 million and USD 16.1 million are attributable to the Swiss franc and the US dollar portfolios, respectively.

The most adverse of the six FINMA interest rate scenarios was the "Parallel up" scenario, which resulted in a change in the economic value of equity of negative USD 6.3 billion, representing a pro forma reduction of 10.5% of tier 1 capital, which is well below the regulatory outlier test of 15% of tier 1 capital. The immediate effect of the "Parallel up" scenario on tier 1 capital as of 30 September 2021 would have been a reduction of 2.0%, or USD 1.2 billion, arising from the part of our banking book that is measured at fair value through profit or loss and from the financial assets measured at fair value through other comprehensive income. This scenario would, however, have a positive effect on net interest income.

› **Refer to "Interest rate risk in the banking book" in the "Market risk" section of our Annual Report 2020 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 equity, capital and net interest income of Global Wealth Management and Personal & Corporate Banking**

Interest rate risk – banking book

USD million	+1 bp	Parallel up[1]	Parallel down[1]	Steepener[2]	Flattener[3]	Short-term up[4]	Short-term down[5]
CHF	(5.0)	(717.4)	800.0	(282.1)	144.4	(133.7)	137.8
EUR	(1.0)	(191.5)	219.9	(43.6)	12.0	(46.2)	49.3
GBP	0.2	33.6	(33.1)	(23.9)	29.7	41.1	(35.5)
USD	(25.2)	(5,375.9)	4,420.2	(971.0)	(308.1)	(2,247.9)	2,378.6
Other	(0.3)	(80.6)	(38.2)	(9.9)	(29.3)	(53.5)	(35.6)
Total effect on economic value of equity as per Pillar 3 requirement as of 30.9.21	**(31.4)**	**(6,331.8)**	**5,368.8**	**(1,330.5)**	**(151.2)**	**(2,440.2)**	**2,494.5**
Additional tier 1 (AT1) capital instruments	4.9	931.3	(1,015.0)	2.0	202.2	568.2	(592.1)
Total including AT1 capital instruments as of 30.9.21	**(26.5)**	**(5,400.5)**	**4,353.8**	**(1,328.4)**	**51.1**	**(1,872.0)**	**1,902.4**
Total effect on economic value of equity as per Pillar 3 requirement as of 30.6.21	(31.3)	(6,307.9)	5,527.2	(1,498.3)	29.9	(2,248.3)	2,423.5
Total including AT1 capital instruments as of 30.6.21	(26.0)	(5,296.8)	4,423.0	(1,478.3)	231.4	(1,648.0)	1,797.4

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

Country risk

The COVID-19 pandemic, and its impact on growth, employment, debt dynamics and supply chains, remains an important driver of country risk, and we expect this to be the case for at least the near future.

Although the availability and effective distribution of vaccines continue to improve and a gradual lifting of lockdowns in many economies is ongoing, the spread of new COVID-19 variants and localized outbreaks are still causing uncertainty around a sustainable recovery.

Concerns have grown about a resurgence in global inflation, but key central banks expect recent price spikes (such as in the US and the Eurozone) to be transitory. There are related concerns about increasing energy prices in a number of countries, and mounting global supply chain stresses are creating negative pressure on growth and employment. China is facing several challenges, including a slowing economy following the post-pandemic boom. We expect measures taken by governments and central banks that are intended to support their economies to give rise to increased sovereign risk.

We remain watchful of developments in Europe and political changes in a number of countries. Our direct exposure to peripheral European countries is limited, although we have significant country risk exposure to the major European economies, including Germany, the UK and France.

We continue to monitor potential trade policy disputes, as well as economic and political developments.

A number of emerging markets are facing economic, political and market pressures, particularly in light of challenges related to the COVID-19 pandemic. Our exposure to emerging market countries is diversified.

› **Refer to the "Risk management and control" section of our Annual Report 2020 for more information**

Exposures to Eurozone countries rated lower than AAA / Aaa by at least one major rating agency

USD million	30.9.21							30.6.21	
	Banking products, gross[1]		Traded products		Trading inventory	Total		Total	
	Before hedges	Net of hedges	Before hedges	Net of hedges	Net long per issuer		Net of hedges		Net of hedges
France	1,726	1,723	1,601	1,478	3,325	6,652	6,526	7,724	7,595
Monaco[2]	1,009	1,009	29	29	8	1,046	1,046	1,073	1,073
Italy	676	643	313	312	62	1,050	1,018	1,178	1,142
Austria	260	259	146	146	552	958	957	1,242	1,241
Ireland	674	645	62	62	166	902	874	714	685
Spain	433	342	83	83	231	747	656	731	638
Belgium	220	220	162	162	25	408	408	333	333
Finland	26	26	49	49	220	295	295	224	224
Portugal	44	32	10	10	5	59	47	62	62
Cyprus	27	12	0	0	21	48	33	48	33
Other[3]	12	10	19	19	16	47	44	58	53
Total	5,109	4,922	2,473	2,349	4,630	12,212	11,901	**13,388**	**13,079**

1 Before deduction of IFRS 9 ECL allowances and provisions. 2 Internally rated below AAA / Aaa equivalent. Monaco is not rated by any major rating agency. 3 Represents aggregate exposures to Andorra, Estonia, Greece, Latvia, Lithuania, Malta, Montenegro, San Marino, Slovakia and Slovenia.

Operational risk

Operational resilience, conduct and financial crime remain the key non-financial risk themes for UBS and the financial services industry. Operational resilience also continues to be a focus area for regulators globally, with a particular emphasis on measures taken to respond to the ongoing COVID-19 pandemic.

Our global program to continuously enhance our operational resilience capabilities remains in effect and includes addressing developing regulatory requirements in this regard.

The existing resilience built into our operations and the effectiveness of our business continuity management and operational risk procedures (including those which apply to third-party service providers) have been critical in handling the ongoing COVID-19 pandemic and have enabled us to continue to serve our clients without material impact. We have maintained stable operations while complying with governmental measures to contain COVID-19 that have been imposed in many of our principal locations, and we remain focused on the safety and well-being of our staff, with a particular focus on countries severely impacted by COVID-19 outbreaks.

Increases in the sophistication of cyberattacks and related frauds are being seen worldwide. Cybersecurity incidents that occurred during the third quarter of 2021 did not have a significant effect on our operations. We continue to seek to enhance our security controls and monitoring of cyber threats.

We maintain our focus on innovation and digitalization to create value for our clients. As part of the resulting transformation, we focus on timely changes to frameworks, including consideration of new or revised controls, working practices and oversight, with the aim of mitigating any new risks introduced.

Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to the firm. As such, effective management of conduct risk is an integral part of our risk culture. We continue to focus on leveraging the conduct risk framework across our activities, enhancing management information, and maintaining momentum on fostering a strong culture.

Hybrid working arrangements can lead to increased conduct risk, inherent risk of fraudulent activities, potential increases in the number of suspicious transactions, and increased information security risks (in particular, regarding client data and unpublished price-sensitive information). Our increased monitoring and supervision remain in place for remote working, including programs to educate clients and employees on fraud risk, where our protocols for interaction to mitigate this risk have been updated.

In addition to the effects of COVID-19, financial crime (e.g., 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 remains essential for UBS. Money laundering and financial fraud techniques are becoming increasingly sophisticated, while geopolitical volatility makes the sanctions landscape more complex, and new risks emerge, such as virtual currencies and related activities or investments.

The Office of the Comptroller of the Currency issued a Cease and Desist Order against the firm in May 2018 related to our US branch know-your-customer (KYC) and anti-money-laundering (AML) 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 US legal entities. We introduced significant improvements to the framework in 2019 and 2020, and are continuing to implement these improvements, which we believe will yield the planned enhancements to our AML controls.

We continue to focus on strategic enhancements for AML / KYC and sanctions programs on a global scale to cope with evolving risk profiles and regulatory expectations, including the exploration of new technologies and more sophisticated rules-based monitoring, using self-learning systems to identify potentially suspicious transactions and behavior.

PROVISIONS AND CONTINGENT LIABILITIES - EXTRACTED FROM UBS AG'S THIRD QUARTER 2021 FINANCIAL REPORT

The information set out below in this section has been extracted without adjustment from the unaudited third quarter 2021 financial report of UBS AG for the quarterly period ended 30 September 2021 released on 29 October 2021. The page numbers of the third quarter 2021 financial report appear on the bottom left or right hand side of the pages in this addendum.

The third quarter 2021 financial report is available on our website at *https://www.ubs.com/global/en/investor-relations/financial-information/quarterly-reporting.html*.

Note 16 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

USD million	30.9.21	30.6.21	31.12.20
Provisions other than provisions for expected credit losses	2,547	2,583	2,534
Provisions for expected credit losses[1]	203	209	257
Total provisions	2,750	2,792	2,791

1 Refer to Note 9c for more information.

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

USD million	Litigation, regulatory and similar matters[1]	Restructuring[2]	Other[3]	Total
Balance as of 31 December 2020	2,135	67	332	2,534
Balance as of 30 June 2021	2,119	148	317	2,583
Increase in provisions recognized in the income statement	24	52	14	91
Release of provisions recognized in the income statement	(13)	(9)	(6)	(27)
Provisions used in conformity with designated purpose	(27)	(51)	(11)	(89)
Capitalized reinstatement costs	0	0	14	14
Foreign currency translation / unwind of discount	(20)	(2)	(4)	(25)
Balance as of 30 September 2021	2,084	139	324	2,547

1 Comprises provisions for losses resulting from legal, liability and compliance risks. 2 Includes personnel-related restructuring provisions of USD 90 million as of 30 September 2021 (30 June 2021: USD 104 million; 31 December 2020: USD 13 million) and provisions for onerous contracts of USD 48 million as of 30 September 2021 (30 June 2021: USD 40 million; 31 December 2020: USD 49 million). 3 Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short period of time but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS AG is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 16b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

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

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

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

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

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

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

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement UBS entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and was subject to probation, which ended in January 2020.

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

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group third quarter 2021 report.

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

USD million	Global Wealth Manage-ment	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	Group Functions	Total
Balance as of 31 December 2020	861	115	0	227	932	2,135
Balance as of 30 June 2021	800	100	1	282	936	2,119
Increase in provisions recognized in the income statement	13	0	8	2	2	24
Release of provisions recognized in the income statement	(12)	0	0	(1)	0	(13)
Provisions used in conformity with designated purpose	(23)	0	(1)	(4)	0	(27)
Foreign currency translation / unwind of discount	(14)	(2)	0	(4)	0	(20)
Balance as of 30 September 2021	765	98	8	275	937	2,084

1 Provisions, if any, for matters described in this Note are recorded in Global Wealth Management (item 3 and item 4) and Group Functions (item 2). Provisions, if any, for the matters described in items 1 and 6 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this Note in item 5 are allocated between the Investment Bank and Group Functions.

Note 16 Provisions and contingent liabilities (continued)

1. Inquiries regarding cross-border wealth management businesses

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

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("*caution*") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced 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 laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The trial in the Court of Appeal took place between 8-24 March 2021. At the conclusion of the trial, the prosecutor asserted that the maximum penalty was EUR 2.2 billion and requested the court to award a penalty of at least EUR 2 billion. The French state asked for civil damages of EUR 1 billion. The deliberations of the Court of Appeal on the merits of the case have been extended and the decision is currently set to be rendered on 13 December 2021. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, our balance sheet at 30 September 2021 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 521 million at 30 September 2021). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on our balance sheet at 30 September 2021 reflects our best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("*inculpé*") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud.

Our balance sheet at 30 September 2021 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages.

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019. On 10 December 2019, the district court denied UBS's motion to dismiss.

Our balance sheet at 30 September 2021 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then, UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands seeking aggregate damages of USD 3.4 billion, of which USD 3.0 billion have been resolved through settlements, arbitration or withdrawal of claims. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Note 16 Provisions and contingent liabilities (continued)

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. In June 2021 the court in the first of the three cases denied defendants' motion to dismiss; defendants are seeking leave to appeal that decision. In July 2021, the court in another of these cases granted defendants' motion to dismiss. A motion to dismiss is pending in the remaining case.

Our balance sheet at 30 September 2021 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

5. Foreign exchange, LIBOR and benchmark rates, and other trading practices

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

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

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS was granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

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

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. 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. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received final court approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In December 2019, UBS entered into an agreement with representatives of the class of USD lenders to settle their USD LIBOR class action. The agreement has received final court approval. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. Defendants moved to dismiss the complaint on 30 September 2021.

Other benchmark class actions in the US: In 2014, 2015 and 2017, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021. In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings. Also 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. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint following the dismissal, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint moved to dismiss. In February 2020, the court in the BBSW action granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings, which the court denied in May 2021. The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

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

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

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 30 September 2021 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.

Note 16 Provisions and contingent liabilities (continued)

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 30 September 2021 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

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