



UBS AG

Second quarter 2020 report

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UBS AG consolidated key figures

UBS AG consolidated key figures

USD million, except where indicated	As of or for the quarter ended				As of or year-to-date	
	30.6.20	31.3.20	31.12.19	30.6.19	30.6.20	30.6.19
Results						
Operating income	7,512	8,009	7,145	7,632	15,521	14,975
Operating expenses	5,987	6,210	6,332	5,975	12,197	11,864
Operating profit / (loss) before tax	1,525	1,799	814	1,657	3,324	3,110
Net profit / (loss) attributable to shareholders	1,194	1,421	622	1,307	2,615	2,375
Profitability and growth						
Return on equity (%)	8.4	10.2	4.6	9.9	9.3	9.0
Return on tangible equity (%)	9.5	11.5	5.2	11.3	10.5	10.3
Return on common equity tier 1 capital (%)	13.0	15.9	7.1	14.8	14.4	13.5
Return on risk-weighted assets, gross (%)	10.9	12.2	11.0	11.6	11.6	11.4
Return on leverage ratio denominator, gross (%) ¹	3.2	3.5	3.2	3.4	3.4	3.3
Cost / income ratio (%)	76.9	75.0	88.5	78.2	75.9	79.1
Net profit growth (%)	(8.7)	33.0	128.4	2.0	10.1	(11.8)
Resources						
Total assets	1,063,435	1,099,185	971,916	968,645	1,063,435	968,645
Equity attributable to shareholders	55,416	57,814	53,754	52,359	55,416	52,359
Common equity tier 1 capital ²	37,435	36,194	35,280	35,881	37,435	35,881
Risk-weighted assets ²	284,798	284,706	257,831	261,364	284,798	261,364
Common equity tier 1 capital ratio (%) ²	13.1	12.7	13.7	13.7	13.1	13.7
Going concern capital ratio (%) ²	17.9	16.5	18.3	17.8	17.9	17.8
Total loss-absorbing capacity ratio (%) ²	32.0	32.1	33.9	33.0	32.0	33.0
Leverage ratio denominator ²	974,124	957,199	911,232	911,601	974,124	911,601
Leverage ratio denominator (with temporary FINMA exemption) ³	910,070	903,756			910,070	
Common equity tier 1 leverage ratio (%) ²	3.84	3.78	3.87	3.94	3.84	3.94
Common equity tier 1 leverage ratio (%) (with temporary FINMA exemption) ³	4.11	4.00			4.11	
Going concern leverage ratio (%) ²	5.2	4.9	5.2	5.1	5.2	5.1
Going concern leverage ratio (%) (with temporary FINMA exemption) ³	5.6	5.2			5.6	
Total loss-absorbing capacity leverage ratio (%) ²	9.3	9.5	9.6	9.5	9.3	9.5
Other						
Invested assets (USD billion) ⁴	3,588	3,236	3,607	3,381	3,588	3,381
Personnel (full-time equivalents)	47,120	47,182	47,005	47,072	47,120	47,072

¹ The leverage ratio denominators as of 30 June 2020 and 31 March 2020, which are used for the return calculation, do not reflect the effects of the temporary exemption that has been granted by FINMA in connection with COVID-19. Refer to the "Recent developments" section of the UBS Group second quarter 2020 report for more information. ² Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. ³ Refer to the "Recent developments" section of the UBS Group second quarter 2020 report and the "Capital management" section of this report for further details about the temporary FINMA exemption. ⁴ Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

Alternative performance measures

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

Introduction

Structure of this report

UBS Group AG is the holding company for the UBS Group and the parent company of UBS AG. UBS Group AG holds 100% of the issued shares in UBS AG. Financial information for UBS AG consolidated does not differ materially from that for UBS Group AG consolidated.

This report includes risk and capital management information for UBS AG consolidated and the interim consolidated financial statements, as well as UBS AG standalone financial information for the quarter ended 30 June 2020. Regulatory information for UBS AG standalone will be provided in the 30 June 2020 Pillar 3 report, which will be available as of 14 August under "Pillar 3 disclosures" at www.ubs.com/investors.

→ Refer to the **UBS Group second quarter 2020 report, available under "Quarterly reporting" at www.ubs.com/investors, for more information**

Comparison between UBS Group AG consolidated and UBS AG consolidated

The table on the following page contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated.

The accounting policies applied under International Financial Reporting Standards (IFRS) to both the UBS Group AG and the UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below.

– Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements. UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred.

- The equity of UBS Group AG consolidated was USD 1.6 billion higher than the equity of UBS AG consolidated as of 30 June 2020. This difference was mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with the dividend distributions of UBS Group AG, as well as higher retained earnings in the UBS Group AG consolidated financial statements, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. In addition, UBS Group AG is the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted. These effects were partly offset by treasury shares acquired as part of our currently suspended share repurchase program and those held to hedge share delivery obligations associated with Group compensation plans, as well as additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.
- The going concern capital of UBS Group AG consolidated was USD 2.6 billion higher than the going concern capital of UBS AG consolidated as of 30 June 2020, reflecting higher going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.8 billion and higher common equity tier 1 (CET1) capital of USD 0.7 billion.
- The CET1 capital of UBS Group AG consolidated was USD 0.7 billion higher than that of UBS AG consolidated as of 30 June 2020. The difference in CET1 capital was primarily due to higher UBS Group AG consolidated IFRS equity of USD 1.6 billion, as described above, and lower UBS Group AG accruals for future capital returns to shareholders, partly offset by compensation-related regulatory capital accruals at the UBS Group AG level.
- The going concern loss-absorbing AT1 capital of UBS Group AG consolidated was USD 1.8 billion higher than that of UBS AG consolidated as of 30 June 2020, reflecting deferred contingent capital plan awards.
 - Refer to **"Holding company and significant regulated subsidiaries and sub-groups" under "Complementary financial information" at www.ubs.com/investors for an illustration of the consolidation scope differences between UBS AG and UBS Group AG**
 - Refer to the **"Capital management" section of this report for more information about differences in the loss-absorbing capacity between UBS Group AG consolidated and UBS AG consolidated**

Comparison between UBS Group AG consolidated and UBS AG consolidated

USD million, except where indicated	As of or for the quarter ended 30.6.20		
	UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)
Income statement			
Operating income	7,403	7,512	(109)
Operating expenses	5,821	5,987	(166)
Operating profit / (loss) before tax	1,582	1,525	57
<i>of which: Global Wealth Management</i>	880	868	12
<i>of which: Personal & Corporate Banking</i>	238	238	0
<i>of which: Asset Management</i>	157	157	0
<i>of which: Investment Bank</i>	612	611	1
<i>of which: Group Functions</i>	(305)	(349)	44
Net profit / (loss)	1,236	1,197	39
<i>of which: net profit / (loss) attributable to shareholders</i>	1,232	1,194	39
<i>of which: net profit / (loss) attributable to non-controlling interests</i>	3	3	0
Statement of comprehensive income			
Other comprehensive income	(1,026)	(1,035)	9
<i>of which: attributable to shareholders</i>	(1,027)	(1,037)	9
<i>of which: attributable to non-controlling interests</i>	1	1	0
Total comprehensive income	209	161	48
<i>of which: attributable to shareholders</i>	205	157	48
<i>of which: attributable to non-controlling interests</i>	4	4	0
Balance sheet			
Total assets	1,063,838	1,063,435	403
Total liabilities	1,006,630	1,007,847	(1,216)
Total equity	57,207	55,589	1,619
<i>of which: equity attributable to shareholders</i>	57,035	55,416	1,619
<i>of which: equity attributable to non-controlling interests</i>	173	173	0
Capital information			
Common equity tier 1 capital	38,146	37,435	711
Going concern capital	53,537	50,986	2,551
Risk-weighted assets	286,436	284,798	1,639
Common equity tier 1 capital ratio (%)	13.3	13.1	0.2
Going concern capital ratio (%)	18.7	17.9	0.8
Total loss-absorbing capacity ratio (%)	32.7	32.0	0.7
Leverage ratio denominator	974,348	974,124	224
Leverage ratio denominator (with temporary FINMA exemption) ¹	885,146	910,070	(24,925)
Common equity tier 1 leverage ratio (%)	3.92	3.84	0.07
Common equity tier 1 leverage ratio (%) (with temporary FINMA exemption) ¹	4.31	4.11	0.20
Going concern leverage ratio (%)	5.5	5.2	0.3
Going concern leverage ratio (%) (with temporary FINMA exemption) ¹	6.0	5.6	0.4
Total loss-absorbing capacity leverage ratio (%)	9.6	9.3	0.3

¹ Refer to the "Recent developments" and "Capital management" sections of the UBS Group second quarter 2020 report and the "Capital management" section of this report for further details about the temporary FINMA exemption.

As of or for the quarter ended 31.3.20			As of or for the quarter ended 31.12.19		
UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)	UBS Group AG consolidated	UBS AG consolidated	Difference (absolute)
7,934	8,009	(75)	7,052	7,145	(93)
5,926	6,210	(285)	6,124	6,332	(207)
2,008	1,799	209	928	814	114
1,218	1,201	18	766	754	12
334	335	0	310	311	(1)
157	157	0	180	180	0
709	679	30	(22)	(18)	(4)
(410)	(572)	162	(306)	(413)	107
1,598	1,424	174	727	628	100
1,595	1,421	174	722	622	100
3	3	0	6	6	0
2,597	2,671	(74)	(2,295)	(1,475)	(819)
2,602	2,675	(74)	(2,299)	(1,479)	(819)
(5)	(5)	0	4	4	0
4,195	4,095	100	(1,567)	(847)	(720)
4,197	4,097	100	(1,577)	(857)	(720)
(2)	(2)	0	10	10	0
1,098,099	1,099,185	(1,085)	972,183	971,916	267
1,039,981	1,041,201	(1,220)	917,476	917,988	(512)
58,118	57,983	135	54,707	53,928	779
57,949	57,814	135	54,533	53,754	779
169	169	0	174	174	0
36,691	36,194	497	35,582	35,280	302
51,916	47,115	4,801	51,888	47,237	4,650
286,256	284,706	1,551	259,208	257,831	1,376
12.8	12.7	0.1	13.7	13.7	0.0
18.1	16.5	1.6	20.0	18.3	1.7
32.7	32.1	0.6	34.6	33.9	0.7
955,932	957,199	(1,267)	911,325	911,232	94
877,463	903,756	(26,293)			
3.84	3.78	0.06	3.90	3.87	0.03
4.18	4.00	0.18			
5.4	4.9	0.5	5.7	5.2	0.5
5.9	5.2	0.7			
9.8	9.5	0.3	9.8	9.6	0.2

Risk and capital management

Management report

Risk management and control

UBS AG consolidated risk profile

The risk profile of UBS AG consolidated does not differ materially from that of UBS Group AG consolidated and risk information provided in the UBS Group second quarter 2020 report is equally applicable to UBS AG consolidated.

The credit risk profile of UBS AG consolidated differs from that of UBS Group AG consolidated primarily in relation to

receivables of UBS AG and UBS Switzerland AG from UBS Group AG. As a result of these receivables, total banking products exposure of UBS AG consolidated as of 30 June 2020 was USD 1.1 billion, or 0.2%, higher than the exposure of UBS Group, compared with USD 2.5 billion, or 0.4%, as of 31 March 2020.

→ **Refer to the "Risk management and control" section of the UBS Group second quarter 2020 report for more information**

Capital management

Going and gone concern requirements and information

UBS is considered a systemically relevant bank (an SRB) under Swiss banking law and, on a consolidated basis, both UBS Group AG and UBS AG are required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Swiss SRB framework and requirements applicable to UBS AG consolidated are consistent with those applicable to UBS Group AG consolidated and are described in the "Capital management" section of our Annual Report 2019. With the Swiss Capital Adequacy Ordinance (the CAO) having entered into force as of 1 January 2020, instruments meeting gone concern requirements continue to remain eligible until one year before maturity; the previously applicable 50% haircut in the last year of eligibility has been removed.

UBS AG is subject to going and gone concern requirements on a standalone basis. Capital and other regulatory information for UBS AG standalone will be provided in the 30 June 2020 Pillar 3 report – UBS Group AG and significant regulated subsidiaries and sub-groups, which will be available as of 14 August 2020 under "Pillar 3 disclosures" at www.ubs.com/investors.

In connection with COVID-19, the Swiss Financial Market Supervisory Authority (FINMA) has permitted banks to temporarily exclude central bank sight deposits from the leverage ratio denominator (LRD) for the purpose of calculating going concern ratios. This exemption applies until 1 January 2021. Applicable dividends or similar distributions approved by shareholders after 25 March 2020 reduce the relief by the LRD equivalent of the capital distribution.

Outside of this section, for simplicity and due to the short-term nature of the FINMA exemption, we have chosen to present LRD excluding the temporary FINMA exemption. The effects of the temporary exemption are presented in a separate table on the next page.

Swiss SRB going and gone concern requirements and information

As of 30.6.20	RWA		LRD ¹	
	in %	in USD million	in %	in USD million
<i>USD million, except where indicated</i>				
Required going concern capital				
Total going concern capital	13.96²	39,751	4.88²	47,489
Common equity tier 1 capital	9.66	27,505	3.38	32,877
<i>of which: minimum capital</i>	<i>4.50</i>	<i>12,816</i>	<i>1.50</i>	<i>14,612</i>
<i>of which: buffer capital</i>	<i>5.14</i>	<i>14,639</i>	<i>1.88</i>	<i>18,265</i>
<i>of which: countercyclical buffer</i>	<i>0.02</i>	<i>50</i>		
Maximum additional tier 1 capital	4.30	12,246	1.50	14,612
<i>of which: additional tier 1 capital</i>	<i>3.50</i>	<i>9,968</i>	<i>1.50</i>	<i>14,612</i>
<i>of which: additional tier 1 buffer capital</i>	<i>0.80</i>	<i>2,278</i>		
Eligible going concern capital				
Total going concern capital	17.90	50,986	5.23	50,986
Common equity tier 1 capital	13.14	37,435	3.84	37,435
Total loss-absorbing additional tier 1 capital	4.76	13,551	1.39	13,551
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	<i>3.88</i>	<i>11,058</i>	<i>1.14</i>	<i>11,058</i>
<i>of which: low-trigger loss-absorbing additional tier 1 capital⁴</i>	<i>0.88</i>	<i>2,493</i>	<i>0.26</i>	<i>2,493</i>
Required gone concern capital³				
Total gone concern loss-absorbing capacity	10.44	29,726	3.72	36,195
<i>of which: base requirement</i>	<i>12.86</i>	<i>36,625</i>	<i>4.50</i>	<i>43,836</i>
<i>of which: additional requirement for market share and LRD</i>	<i>1.08</i>	<i>3,076</i>	<i>0.38</i>	<i>3,653</i>
<i>of which: applicable reduction on requirements</i>	<i>(3.50)</i>	<i>(9,975)</i>	<i>(1.16)</i>	<i>(11,293)</i>
<i>of which: rebate granted (equivalent to 42.5% of maximum rebate)</i>	<i>(2.27)</i>	<i>(6,463)</i>	<i>(0.80)</i>	<i>(7,763)</i>
<i>of which: reduction for usage of low-trigger additional tier 1 and tier 2 capital instruments</i>	<i>(1.23)</i>	<i>(3,511)</i>	<i>(0.36)</i>	<i>(3,531)</i>
Eligible gone concern capital				
Total gone concern loss-absorbing capacity	14.05	40,021	4.11	40,021
Total tier 2 capital	2.67	7,598	0.78	7,598
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	<i>2.48</i>	<i>7,063</i>	<i>0.73</i>	<i>7,063</i>
<i>of which: non-Basel III-compliant tier 2 capital</i>	<i>0.19</i>	<i>534</i>	<i>0.05</i>	<i>534</i>
TLAC-eligible senior unsecured debt	11.38	32,423	3.33	32,423
Total loss-absorbing capacity				
Required total loss-absorbing capacity	24.40	69,477	8.59	83,684
Eligible total loss-absorbing capacity	31.95	91,007	9.34	91,007
Risk-weighted assets / leverage ratio denominator				
Risk-weighted assets		284,798		
Leverage ratio denominator ¹				974,124

¹ LRD-based requirements and eligible capital presented in this table do not reflect the effects of the temporary exemption that has been granted by FINMA in connection with COVID-19. Refer to the "Recent developments" section of the UBS Group second quarter 2020 report, which is available under "Quarterly reporting" at www.ubs.com/investors, and to the COVID-19-related information in this section. ² Includes applicable add-ons of 1.08% for RWA and 0.375% for LRD. ³ From 1 January 2020 onward, a maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. ⁴ The relevant capital instruments were issued after the new Swiss SRB framework had been implemented. Effective from 30 June 2020, these instruments can qualify as going concern capital at the UBS AG consolidated level, as agreed with FINMA.

Swiss SRB going concern requirements and information including temporary FINMA exemption

As of 30.6.20	LRD	
<i>USD million, except where indicated</i>	in %	
Leverage ratio denominator before temporary exemption		
Effective relief		974,124
<i>of which: central bank sight deposits eligible for relief</i>		(64,054)
<i>of which: reduction of relief due to paid and planned dividend distribution</i>		(142,987)
Leverage ratio denominator after temporary exemption		78,933
		910,070
Required going concern capital		
Total going concern capital	4.88	44,366
Common equity tier 1 capital	3.38	30,715
Eligible going concern capital		
Total going concern capital	5.60	50,986
Common equity tier 1 capital	4.11	37,435

Swiss SRB going and gone concern information

<i>USD million, except where indicated</i>	30.6.20	31.3.20	31.12.19
Eligible going concern capital			
Total going concern capital	50,986	47,115	47,237
Total tier 1 capital	50,986	47,115	47,237
Common equity tier 1 capital	37,435	36,194	35,280
Total loss-absorbing additional tier 1 capital	13,551	10,921	11,958
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	<i>11,058</i>	<i>10,921</i>	<i>11,958</i>
<i>of which: low-trigger loss-absorbing additional tier 1 capital¹</i>	<i>2,493</i>		
Eligible gone concern capital²			
Total gone concern loss-absorbing capacity	40,021	44,167	40,168
Total tier 1 capital		2,463	2,415
<i>of which: low-trigger loss-absorbing additional tier 1 capital¹</i>		<i>2,463</i>	<i>2,415</i>
Total tier 2 capital	7,598	7,551	7,431
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	<i>7,063</i>	<i>7,017</i>	<i>6,892</i>
<i>of which: non-Basel III-compliant tier 2 capital</i>	<i>534</i>	<i>534</i>	<i>540</i>
TLAC-eligible senior unsecured debt	32,423	34,153	30,322
Total loss-absorbing capacity	91,007	91,283	87,405
Risk-weighted assets / leverage ratio denominator			
Risk-weighted assets	284,798	284,706	257,831
Leverage ratio denominator ³	974,124	957,199	911,232
Capital and loss-absorbing capacity ratios (%)			
Going concern capital ratio	17.9	16.5	18.3
<i>of which: common equity tier 1 capital ratio</i>	<i>13.1</i>	<i>12.7</i>	<i>13.7</i>
Gone concern loss-absorbing capacity ratio	14.1	15.5	15.6
Total loss-absorbing capacity ratio	32.0	32.1	33.9
Leverage ratios (%)³			
Going concern leverage ratio	5.2	4.9	5.2
<i>of which: common equity tier 1 leverage ratio</i>	<i>3.84</i>	<i>3.78</i>	<i>3.87</i>
Gone concern leverage ratio	4.1	4.6	4.4
Total loss-absorbing capacity leverage ratio	9.3	9.5	9.6

¹ The relevant capital instruments were issued after the new Swiss SRB framework had been implemented. Effective from 30 June 2020, these instruments can qualify as going concern capital of UBS AG, as agreed with FINMA. ² As of 1 January 2020, instruments available to meet gone concern requirements remain eligible until one year before maturity without a haircut of 50% in the last year of eligibility. ³ Leverage ratio denominators (LRDs) and leverage ratios for 30 June 2020 and 31 March 2020 do not reflect the effects of the temporary exemption that has been granted by FINMA in connection with COVID-19. The effects of the temporary exemption granted by FINMA in connection with COVID-19 are presented on the previous page of this section.

UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

Swiss SRB going and gone concern information (UBS Group AG vs UBS AG consolidated)

As of 30.6.20

<i>USD million, except where indicated</i>	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference
Eligible going concern capital			
Total going concern capital	53,537	50,986	2,551
Total tier 1 capital	53,537	50,986	2,551
Common equity tier 1 capital	38,146	37,435	711
Total loss-absorbing additional tier 1 capital	15,390	13,551	1,839
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	12,899	11,058	1,841
<i>of which: low-trigger loss-absorbing additional tier 1 capital</i>	2,491	2,493	(2)
Eligible gone concern capital			
Total gone concern loss-absorbing capacity	40,021	40,021	0
Total tier 2 capital	7,598	7,598	0
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	7,063	7,063	0
<i>of which: non-Basel III-compliant tier 2 capital</i>	534	534	0
TLAC-eligible senior unsecured debt	32,423	32,423	0
Total loss-absorbing capacity			
Total loss-absorbing capacity	93,557	91,007	2,551
Risk-weighted assets / leverage ratio denominator			
Risk-weighted assets	286,436	284,798	1,639
Leverage ratio denominator ¹	974,348	974,124	224
Capital and loss-absorbing capacity ratios (%)			
Going concern capital ratio	18.7	17.9	0.8
<i>of which: common equity tier 1 capital ratio</i>	13.3	13.1	0.2
Gone concern loss-absorbing capacity ratio	14.0	14.1	(0.1)
Total loss-absorbing capacity ratio	32.7	32.0	0.7
Leverage ratios (%)¹			
Going concern leverage ratio	5.5	5.2	0.3
<i>of which: common equity tier 1 leverage ratio</i>	3.92	3.84	0.07
Gone concern leverage ratio	4.1	4.1	0.0
Total loss-absorbing capacity leverage ratio	9.6	9.3	0.3

¹ Leverage ratio denominators (LRDs) and leverage ratios for 30 June 2020 and 31 March 2020 do not reflect the effects of the temporary exemption that has been granted by FINMA in connection with COVID-19. The effects of the temporary exemption granted by FINMA in connection with COVID-19 are presented in the "Swiss SRB going concern requirements and information including temporary FINMA exemption" table in this section.

Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)

As of 30.6.20

<i>USD million</i>	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference
Total IFRS equity	57,207	55,589	1,619
Equity attributable to non-controlling interests	(173)	(173)	0
Deferred tax assets recognized for tax loss carry-forwards	(6,093)	(6,093)	0
Goodwill, net of tax	(6,003)	(6,003)	0
Intangible assets, net of tax	(153)	(153)	0
Compensation-related components (not recognized in net profit)	(1,135)	-	(1,135)
Expected losses on advanced internal ratings-based portfolio less provisions	(262)	(262)	0
Unrealized (gains) / losses from cash flow hedges, net of tax	(2,871)	(2,871)	0
Own credit related to (gains) / losses on financial liabilities measured at fair value that existed at the balance sheet date, net of tax	(39)	(39)	0
Unrealized gains related to debt instruments at fair value through OCI, net of tax	(163)	(163)	0
Prudential valuation adjustments	(155)	(155)	0
Accruals for dividends to shareholders for 2019	(1,314)	(1,298)	(16)
Other ¹	(701)	(945)	243
Total common equity tier 1 capital	38,146	37,435	711

¹ Includes accruals for dividends to shareholders for the current year and other items.

UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

The going concern capital of UBS AG consolidated was USD 2.6 billion lower than the going concern capital of UBS Group AG consolidated as of 30 June 2020, reflecting lower additional tier 1 (AT1) capital of USD 1.8 billion and lower common equity tier 1 (CET1) capital of USD 0.7 billion.

The aforementioned difference in CET1 capital was primarily due to higher UBS Group AG consolidated IFRS equity of USD 1.6 billion and lower UBS Group AG accruals for future capital returns to shareholders, partly offset by compensation-related regulatory capital accruals at the UBS Group AG level.

The going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 1.8 billion lower than that of UBS Group AG consolidated as of 30 June 2020, reflecting Deferred Contingent Capital Plan awards granted at the Group level to eligible employees for the performance years 2015 to 2019.

As of 30 June 2020, the two low-trigger AT1 capital instruments, amounting to USD 2.5 billion, that were on-lent to UBS AG after the new Swiss SRB framework had been implemented, can qualify as going concern capital, as agreed with FINMA. Therefore, subsequent to the approval of FINMA,

the gone concern loss-absorbing capacity of UBS AG consolidated is identical to that of UBS Group AG consolidated.

Differences in capital between UBS Group AG consolidated and UBS AG consolidated related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

The leverage ratio framework for UBS AG consolidated is consistent with that of UBS Group AG consolidated. As of 30 June 2020, the going concern leverage ratio of UBS AG consolidated was 0.3 percentage points lower than that of UBS Group AG consolidated, mainly because the going concern capital of UBS AG consolidated was USD 2.6 billion lower.

- Refer to the **“Capital management”** section of the **UBS Group second quarter 2020 report**, available under **“Quarterly reporting”** at www.ubs.com/investors, for information about the developments of loss-absorbing capacity, RWA and LRD for **UBS Group AG consolidated**
- Refer to the **“Introduction”** section of this report for more information about the differences in equity between **UBS AG consolidated and UBS Group AG**

Consolidated financial statements

Unaudited

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UBS AG interim consolidated financial statements (unaudited)

Income statement

<i>USD million</i>	Note	For the quarter ended			Year-to-date	
		30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,135	2,457	2,755	4,591	5,429
Interest expense from financial instruments measured at amortized cost	3	(1,112)	(1,406)	(1,986)	(2,519)	(3,898)
Net interest income from financial instruments measured at fair value through profit or loss	3	354	262	234	616	573
Net interest income	3	1,376	1,313	1,003	2,689	2,104
Other net income from financial instruments measured at fair value through profit or loss		1,944	1,775	1,936	3,719	3,872
Credit loss (expense) / recovery	9	(272)	(268)	(12)	(540)	(33)
Fee and commission income	4	4,730	5,481	4,908	10,211	9,474
Fee and commission expense	4	(419)	(456)	(434)	(875)	(842)
Net fee and commission income	4	4,311	5,025	4,474	9,336	8,631
Other income	5	153	164	232	317	400
Total operating income		7,512	8,009	7,632	15,521	14,975
Personnel expenses	6	3,682	3,710	3,571	7,391	7,040
General and administrative expenses	7	1,879	2,080	2,004	3,960	4,030
Depreciation and impairment of property, equipment and software		409	405	381	814	761
Amortization and impairment of goodwill and intangible assets		17	16	18	32	33
Total operating expenses		5,987	6,210	5,975	12,197	11,864
Operating profit / (loss) before tax		1,525	1,799	1,657	3,324	3,110
Tax expense / (benefit)	8	328	375	349	703	736
Net profit / (loss)		1,197	1,424	1,308	2,621	2,374
Net profit / (loss) attributable to non-controlling interests		3	3	1	6	(1)
Net profit / (loss) attributable to shareholders		1,194	1,421	1,307	2,615	2,375

Statement of comprehensive income

<i>USD million</i>	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Comprehensive income attributable to shareholders					
Net profit / (loss)	1,194	1,421	1,307	2,615	2,375
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	447	(274)	294	172	143
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	(196)	136	(121)	(61)	(95)
Foreign currency translation differences on foreign operations reclassified to the income statement	0	0	3	0	4
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	2	(8)	(13)	(7)	(13)
Income tax relating to foreign currency translations, including the impact of net investment hedges	(2)	0	(2)	(2)	0
Subtotal foreign currency translation, net of tax	249	(147)	161	103	39
Financial assets measured at fair value through other comprehensive income					
Net unrealized gains / (losses), before tax	19	208	90	226	171
Realized gains reclassified to the income statement from equity	(15)	(9)	(2)	(24)	(3)
Realized losses reclassified to the income statement from equity	0	0	1	0	1
Income tax relating to net unrealized gains / (losses)	(3)	(51)	(24)	(54)	(41)
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	1	147	65	149	128
Cash flow hedges of interest rate risk					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	291	1,953	987	2,244	1,575
Net (gains) / losses reclassified to the income statement from equity	(171)	(103)	(24)	(274)	(45)
Income tax relating to cash flow hedges	(25)	(345)	(191)	(370)	(298)
Subtotal cash flow hedges, net of tax	95	1,505	773	1,600	1,232
Cost of hedging					
Change in fair value of cost of hedging, before tax	(18)	6		(12)	
Amortization of initial cost of hedging to the income statement	5	2		7	
Income tax relating to cost of hedging	0	0		0	
Subtotal cost of hedging, net of tax	(13)	8		(4)	
Total other comprehensive income that may be reclassified to the income statement, net of tax	333	1,514	999	1,847	1,398
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	(417)	104 ¹	18	(314)	(142)
Income tax relating to defined benefit plans	(81)	124	(7)	43	(23)
Subtotal defined benefit plans, net of tax	(498)	228	11	(270)	(165)
Own credit on financial liabilities designated at fair value²					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	(1,095)	1,156	72	62	(254)
Income tax relating to own credit on financial liabilities designated at fair value	223	(223)	0	0	8
Subtotal own credit on financial liabilities designated at fair value, net of tax	(872)	934	72	62	(246)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(1,370)	1,161	83	(208)	(411)
Total other comprehensive income	(1,037)	2,675	1,082	1,639	988
Total comprehensive income attributable to shareholders	157	4,097	2,389	4,254	3,363

Statement of comprehensive income (continued)

USD million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	3	3	1	6	(1)
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	1	(5)	(6)	(4)	(2)
Income tax relating to foreign currency translation movements	0	0	0	0	0
Subtotal foreign currency translation, net of tax	1	(5)	(6)	(4)	(2)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	1	(5)	(6)	(4)	(2)
Total comprehensive income attributable to non-controlling interests	4	(2)	(5)	3	(3)
Total comprehensive income					
Net profit / (loss)	1,197	1,424	1,308	2,621	2,374
Other comprehensive income	(1,035)	2,671	1,076	1,635	986
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>333</i>	<i>1,514</i>	<i>999</i>	<i>1,847</i>	<i>1,398</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>(1,369)</i>	<i>1,157</i>	<i>77</i>	<i>(212)</i>	<i>(412)</i>
Total comprehensive income	161	4,095	2,384	4,256	3,360

¹ Includes a net pre-tax OCI gain of USD 247 million related to UK defined benefit plans (driven by a decrease in the defined benefit obligation mainly resulting from a higher discount rate), largely offset by a net pre-tax OCI loss of USD 148 million related to the Swiss pension plan (driven by an extraordinary employer contribution of USD 143 million that increased the gross plan assets, but led to an OCI loss as no net pension asset could be recognized on the balance sheet as of 31 March 2020 due to the asset ceiling). Refer to "Note 29 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of the Annual Report 2019 for more information about the effects from changes to the Swiss pension plan and the measures to mitigate them. ² Refer to Note 10 for more information.

Balance sheet

<i>USD million</i>	Note	30.6.20	31.3.20	31.12.19
Assets				
Cash and balances at central banks		149,549	139,258	107,068
Loans and advances to banks		15,544	16,893	12,379
Receivables from securities financing transactions		85,271	89,648	84,245
Cash collateral receivables on derivative instruments	11	30,846	39,549	23,289
Loans and advances to customers	9	345,783	339,946	327,992
Other financial assets measured at amortized cost	12	27,324	23,907	23,012
Total financial assets measured at amortized cost		654,318	649,202	577,985
Financial assets at fair value held for trading	10	98,155	90,686	127,695
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		<i>38,505</i>	<i>31,192</i>	<i>41,285</i>
Derivative financial instruments	10, 11	152,010	212,986	121,843
Brokerage receivables	10	19,848	20,319	18,007
Financial assets at fair value not held for trading	10	94,010	82,490	83,636
Total financial assets measured at fair value through profit or loss		364,023	406,482	351,181
Financial assets measured at fair value through other comprehensive income	10	8,624	7,653	6,345
Investments in associates		1,054	1,042	1,051
Property, equipment and software		11,889	11,812	11,826
Goodwill and intangible assets		6,414	6,407	6,469
Deferred tax assets		9,263	9,289	9,513
Other non-financial assets	12	7,849	7,299	7,547
Total assets		1,063,435	1,099,185	971,916

Balance sheet (continued)

<i>USD million</i>	Note	30.6.20	31.3.20	31.12.19
Liabilities				
Amounts due to banks		12,410	18,822	6,570
Payables from securities financing transactions		12,019	12,867	7,778
Cash collateral payables on derivative instruments	11	36,883	45,649	31,416
Customer deposits		477,145	468,422	450,591
Funding from UBS Group AG and its subsidiaries		49,701	49,192	47,866
Debt issued measured at amortized cost	14	77,186	66,479	62,835
Other financial liabilities measured at amortized cost	12	10,103	10,462	10,373
Total financial liabilities measured at amortized cost		675,446	671,893	617,429
Financial liabilities at fair value held for trading	10	34,426	32,572	30,591
Derivative financial instruments	10, 11	152,280	206,654	120,880
Brokerage payables designated at fair value	10	40,248	37,652	37,233
Debt issued designated at fair value	10, 13	57,644	53,040	66,592
Other financial liabilities designated at fair value	10, 12	39,131	31,794	36,157
Total financial liabilities measured at fair value through profit or loss		323,729	361,713	291,452
Provisions	15	2,564	2,530	2,938
Other non-financial liabilities	12	6,106	5,065	6,168
Total liabilities		1,007,847	1,041,201	917,988
Equity				
Share capital		338	338	338
Share premium		24,657	24,663	24,659
Retained earnings		23,257	25,994	23,451
Other comprehensive income recognized directly in equity, net of tax		7,164	6,820	5,306
Equity attributable to shareholders		55,416	57,814	53,754
Equity attributable to non-controlling interests		173	169	174
Total equity		55,589	57,983	53,928
Total liabilities and equity		1,063,435	1,099,185	971,916

Statement of changes in equity

<i>USD million</i>	Share capital	Share premium	Retained earnings
Balance as of 1 January 2019 before the adoption of IFRIC 23	338	24,655	23,317
Effect of adoption of IFRIC 23			(11)
Balance as of 1 January 2019 after the adoption of IFRIC 23	338	24,655	23,306
Issuance of share capital			
Premium on shares issued and warrants exercised			
Tax (expense) / benefit		7	
Dividends			(3,250)
Translation effects recognized directly in retained earnings			(5)
New consolidations / (deconsolidations) and other increases / (decreases)		(7)	
Total comprehensive income for the period			1,965
<i>of which: net profit / (loss)</i>			<i>2,375</i>
<i>of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax</i>			
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>			<i>(165)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>			<i>(246)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>			
Balance as of 30 June 2019	338	24,654	22,017
Balance as of 1 January 2020	338	24,659	23,451
Issuance of share capital			
Premium on shares issued and warrants exercised			
Tax (expense) / benefit		(2)	
Dividends			(2,550)
Translation effects recognized directly in retained earnings			(11)
Share of changes in retained earnings of associates and joint ventures			(40)
New consolidations / (deconsolidations) and other increases / (decreases)		0	
Total comprehensive income for the period			2,406
<i>of which: net profit / (loss)</i>			<i>2,615</i>
<i>of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax</i>			
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>			<i>(270)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>			<i>62</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>			
Balance as of 30 June 2020	338	24,657	23,257

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

Other comprehensive income recognized directly in equity, net of tax ¹	<i>of which: foreign currency translation</i>	<i>of which: financial assets measured at fair value through OCI</i>	<i>of which: cash flow hedges</i>	<i>of which: cost of hedging</i>	Total equity attributable to shareholders	Non-controlling interests	Total equity
3,946	3,940	(103)	109		52,256	176	52,432
					(11)		(11)
3,946	3,940	(103)	109		52,245	176	52,421
					0		0
					0		0
					7		7
					(3,250)	(6)	(3,256)
5			5		0		0
					(7)	3	(4)
1,398	39	128	1,232		3,363	(3)	3,360
					2,375	(1)	2,374
1,398	39	128	1,232		1,398		1,398
					(165)		(165)
					(246)		(246)
					0	(2)	(2)
5,350	3,979	25	1,346		52,359	170	52,529
5,306	4,032	14	1,260		53,754	174	53,928
					0		0
					0		0
					(2)		(2)
					(2,550)	(4)	(2,554)
11		0	11		0		0
					(40)		(40)
					0	0	0
1,847	103	149	1,600	(4)	4,254	3	4,256
					2,615	6	2,621
1,847	103	149	1,600	(4)	1,847		1,847
					(270)		(270)
					62		62
					0	(4)	(4)
7,164	4,134	163	2,871	(4)	55,416	173	55,589

Statement of cash flows

	Year-to-date	
<i>USD million</i>	30.6.20	30.6.19
Cash flow from / (used in) operating activities		
Net profit / (loss)	2,621	2,374
Non-cash items included in net profit and other adjustments:		
Depreciation and impairment of property, equipment and software	814	761
Amortization and impairment of intangible assets	32	33
Credit loss expense / (recovery)	540	33
Share of net profits of associates / joint ventures and impairment of associates	(29)	(25)
Deferred tax expense / (benefit)	191	381
Net loss / (gain) from investing activities	240	11
Net loss / (gain) from financing activities	(7,047)	5,998
Other net adjustments	(595)	(455)
Net change in operating assets and liabilities:		
Loans and advances to banks / amounts due to banks	5,585	(1,158)
Securities financing transactions	3,167	(840)
Cash collateral on derivative instruments	(2,046)	2,398
Loans and advances to customers	(14,143)	(1,255)
Customer deposits	21,004	11,063
Financial assets and liabilities at fair value held for trading and derivative financial instruments	38,756	(8,909)
Brokerage receivables and payables	1,140	(1,564)
Financial assets at fair value not held for trading, other financial assets and liabilities	(7,484)	(6,903)
Provisions, other non-financial assets and liabilities	(1,323)	(321)
Income taxes paid, net of refunds	(364)	(410)
Net cash flow from / (used in) operating activities	41,060	1,213
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	(1)	(5)
Disposal of subsidiaries, associates and intangible assets	14	100
Purchase of property, equipment and software	(725)	(690)
Disposal of property, equipment and software	4	8
Purchase of financial assets measured at fair value through other comprehensive income	(4,132)	(1,757)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	1,944	1,160
Net (purchase) / redemption of debt securities measured at amortized cost	(4,817)	653
Net cash flow from / (used in) investing activities	(7,713)	(531)

Statement of cash flows (continued)

	Year-to-date	
<i>USD million</i>	30.6.20	30.6.19
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	14,912	(14,248)
Distributions paid on UBS shares	(2,550)	(3,250)
Repayment of lease liabilities ¹	(262)	
Issuance of long-term debt, including debt issued designated at fair value	43,417	28,491
Repayment of long-term debt, including debt issued designated at fair value	(44,887)	(25,931)
Funding from UBS Group AG and its subsidiaries ²	1,334	2,980
Net changes in non-controlling interests	(4)	(6)
Net cash flow from / (used in) financing activities	11,960	(11,964)
Total cash flow		
Cash and cash equivalents at the beginning of the period	119,804	125,853
Net cash flow from / (used in) operating, investing and financing activities	45,308	(11,283)
Effects of exchange rate differences on cash and cash equivalents	1,567	613
Cash and cash equivalents at the end of the period³	166,679	115,183
<i>of which: cash and balances at central banks⁴</i>	149,430	101,341
<i>of which: loans and advances to banks</i>	14,339	11,874
<i>of which: money market paper</i>	2,911	1,968
Additional information		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	6,375	7,807
Interest paid in cash	4,249	6,016
Dividends on equity investments, investment funds and associates received in cash	1,104	1,243

¹ In 2019, cash payments for the principal portion of the lease liability were classified within operating activities under Financial assets at fair value not held for trading, other financial assets and liabilities.

² Includes funding from UBS Group AG and its subsidiaries measured at amortized cost (recognized in Funding from UBS Group AG and its subsidiaries in the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value in the balance sheet). ³ USD 5,393 million and USD 3,161 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 30 June 2020 and 30 June 2019, respectively. Refer to "Note 26 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2019 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

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), which is also the functional currency of UBS AG's Head Office, UBS AG's US-based operations and UBS AG London Branch. 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 2019, 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 2019. 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 such 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 2019.

Presentation of interest income and expense from financial instruments measured at fair value through profit or loss

Effective from 1 January 2020, UBS AG presents interest income and interest expense from financial instruments measured at fair value through profit or loss on a net basis in its Income Statement, in line with how UBS AG assesses and manages interest and in accordance with IFRS. This presentation change has no effect on *Net interest income* or on *Net profit* attributable to shareholders. Prior periods have been aligned with this change in presentation. Further information about net interest income from financial instruments measured at fair value through profit or loss is provided in Note 3.

Segment reporting

Effective from 1 January 2020, UBS AG only reports total operating expenses for each business division and no longer discloses a detailed cost breakdown by financial statement line item within its Segment reporting disclosures provided in Note 2. This change streamlines reporting, ensures alignment with how UBS AG manages its cost base and has no effect on the Income Statement, or on the net profit of any business division.

Note 1 Basis of accounting (continued)

Adoption of hedge accounting requirements of IFRS 9, *Financial Instruments*

Application and transition effect

Effective from 1 January 2020, UBS AG has prospectively adopted the hedge accounting requirements of IFRS 9 with respect to all of its existing hedge accounting programs, except for fair value hedges of portfolio interest rate risk, which, as permitted under IFRS 9, continue to be accounted for under IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9's hedge accounting model further aligns accounting with risk management practices, amends hedge effectiveness requirements and prohibits voluntary de-designations. IFRS 9 permits the designation of certain additional hedged items, including layer components, net positions, and aggregated exposures, such as a combination of a non-derivative and derivative. IFRS 9 also introduces the concept of "cost of hedging," under which the time value of an option contract, the forward element of a forward contract or the foreign currency basis spread in a cross-currency swap can be deferred in other comprehensive income and, depending on the nature of the hedged transaction, released to the income statement either when the hedged item affects the income statement or over the term of the hedged item.

The adoption of these requirements had no financial impact on UBS AG's financial statements. However, the adoption allows UBS AG to designate more effective hedge accounting relationships, including fair value hedges of foreign currency risk using cross-currency swaps, and to reduce income statement volatility caused by foreign currency basis spread.

Starting from 1 January 2020, UBS AG has been utilizing the concept of "cost of hedging" in its newly designated fair value hedge program of foreign currency debt using cross-currency swaps. The hedged risk is determined as changes in the value of the hedged items arising solely from changes in spot foreign exchange rates. The foreign currency basis spread in cross-currency swaps is excluded from the hedge designation and accounted for through other comprehensive income as a cost of hedging. As of 30 June 2020, the notional of hedging instruments and hedged items designated in the program amounted to USD 13.7 billion, with a gain of USD 9 million deferred in other comprehensive income as a cost of hedging.

Update to significant accounting policy – Hedge accounting (disclosed in "Note 1a item 3j Hedge accounting" in the financial statements 2019 included in the Annual Report 2019)

Hedge accounting under IFRS 9

UBS AG applies hedge accounting requirements of IFRS 9 for fair value hedges of interest rate risk related to debt instruments, fair value hedges of foreign exchange risk related to debt instruments, cash flow hedges of forecast transactions and hedges of net investments in foreign operations.

At the time a financial instrument is designated in a hedge relationship, UBS AG formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, the nature of risk being hedged and the methods that will be used to assess whether the hedge effectiveness criteria are met. As part of effectiveness testing, UBS AG assesses, both at the inception of the hedge and on an ongoing basis, whether there is an economic relationship between the hedged item and the hedging instrument, including whether the relationship is dominated by the effect of credit risk and whether the appropriate hedge ratio is being used. In the case of hedging forecast transactions, the forecast transaction must be highly probable to occur. UBS AG discontinues hedge accounting when: (i) the hedge effectiveness criteria have ceased to be met; (ii) the derivative expires or is sold, terminated or exercised; (iii) the hedged item matures, is sold or repaid; (iv) forecast transactions are no longer deemed to meet the highly probable criteria; or (v) the risk management objective on the basis of which the hedge relationship was designated changes. Voluntary discontinuation of hedge accounting is not permitted.

Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item attributable to the hedged risk, or the amount by which changes in the present value of future cash flows of the hedging instrument exceed changes in the present value of expected cash flows of the hedged item. Such ineffectiveness is recorded in *Other net income from financial instruments measured at fair value through profit or loss*.

Fair value hedges of interest rate risk related to debt instruments

In fair value hedges of interest rate risk, the fair value change of the hedged item attributable to the hedged risk is reflected as an adjustment to the carrying value of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. If the hedge accounting relationship is terminated for reasons other than derecognition of the hedged item, the adjustment to the carrying value is amortized to the income statement over the remaining term to maturity of the hedged item using the effective interest rate method.

Note 1 Basis of accounting (continued)

Fair value hedges of foreign exchange risk related to debt instruments

In fair value hedges of foreign currency risk, the fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the designation of fair value hedges of foreign currency risk. UBS AG has chosen to account for the foreign currency basis as a cost of hedging with amounts deferred in *Other comprehensive income* within *Equity*. These amounts are released to the income statement over the term of the hedged item or upon discontinuation of the hedge relationship.

Cash flow hedges of forecast transactions

Fair value gains or losses associated with the effective portion of derivatives designated as cash flow hedges for cash flow repricing risk are recognized initially in *Other comprehensive income* within *Equity*. When the hedged forecast cash flows affect profit or loss, the associated gains or losses on the hedging derivatives are reclassified from *Equity* to the income statement and are presented in *Interest income from derivative instruments designated as cash flow hedges* within *Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income*.

If a cash flow hedge of forecast transactions is no longer considered effective, or if the hedge relationship is terminated, the cumulative gains or losses on the hedging derivatives previously reported in *Other comprehensive income* within *Equity* remain there until the committed or forecast transactions occur and affect profit or loss. If the forecast transactions are no longer expected to occur, the deferred gains or losses are immediately reclassified to the income statement.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Gains or losses on the hedging

instrument relating to the effective portion of the hedge are recognized directly in *Other comprehensive income* within *Equity*, while any gains or losses relating to the ineffective and/or undesignated portion (for example, the interest element of a forward contract) are recognized in the income statement. Upon disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized in *Equity* associated with the entity is reclassified to *Other income*.

Hedge accounting under IAS 39

As permitted under IFRS 9, UBS AG continues to apply hedge accounting requirements of IAS 39 to fair value hedges of portfolio interest rate risk related to loans. As a result, the hedge accounting policy set out in the UBS AG consolidated financial statements included in the Annual Report 2019 continues to apply to this program.

Annual Improvements to IFRS Standards 2018–2020 Cycle and narrow-scope amendments to IFRS 3, Business Combinations, and IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued several narrow-scope amendments to a number of standards as well as the Annual Improvements to IFRS Standards 2018–2020 Cycle. These minor amendments are effective from 1 January 2022. UBS AG is currently assessing the impact on its financial statements.

Amendment to IFRS 16, Leases, (COVID-19-Related Rent Concessions)

In May 2020, the IASB issued an amendment to IFRS 16 to provide an option for lessees to account for rent concessions occurring as a direct consequence of the COVID-19 pandemic as if they were not lease modifications. The amendment is effective from 1 June 2020. UBS AG has not adopted this option, given that the effects on its financial statements are not material.

Note 2 Segment reporting

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

→ Refer to "Note 1a Significant accounting policies item 2" and "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2019 for more information about UBS AG's reporting segments

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the six months ended 30 June 2020						
Net interest income	2,054	1,029	(9)	3	(387)	2,689
Non-interest income	6,553	886	1,048	4,906	(20)	13,372
Income	8,607	1,914	1,038	4,909	(407)	16,061
Credit loss (expense) / recovery	(117)	(187)	0	(200)	(35)	(540)
Total operating income	8,489	1,727	1,038	4,709	(443)	15,521
Total operating expenses	6,421	1,155	724	3,419	478	12,197
Operating profit / (loss) before tax	2,068	573	314	1,290	(921)	3,324
Tax expense / (benefit)						703
Net profit / (loss)						2,621
As of 30 June 2020						
Total assets	327,218	209,953	34,585	349,407	142,272	1,063,435

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the six months ended 30 June 2019						
Net interest income	1,975	995	(13)	(404)	(449)	2,104
Non-interest income	6,090	921	934	4,266	693	12,904
Income	8,065	1,916	921	3,862	244	15,007
Credit loss (expense) / recovery	(4)	1	0	(24)	(6)	(33)
Total operating income	8,061	1,917	921	3,838	238	14,975
Total operating expenses	6,356	1,139	694	3,231	444	11,864
Operating profit / (loss) before tax	1,704	778	227	606	(205)	3,110
Tax expense / (benefit)						736
Net profit / (loss)						2,374
As of 31 December 2019						
Total assets	309,766	209,512	34,565	316,058	102,017	971,916

Note 3 Net interest income

<i>USD million</i>	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income					
Interest income from loans and deposits ¹	1,633	1,870	2,070	3,504	4,099
Interest income from securities financing transactions ²	202	367	545	569	1,044
Interest income from other financial instruments measured at amortized cost	87	89	83	176	179
Interest income from debt instruments measured at fair value through other comprehensive income	35	17	27	52	52
Interest income from derivative instruments designated as cash flow hedges	178	113	29	290	55
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	2,135	2,457	2,755	4,591	5,429
Interest expense on loans and deposits ³	606	893	1,228	1,499	2,365
Interest expense on securities financing transactions ⁴	224	219	324	443	612
Interest expense on debt issued	256	267	404	523	860
Interest expense on lease liabilities	26	27	30	53	60
Total interest expense from financial instruments measured at amortized cost	1,112	1,406	1,986	2,519	3,898
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,022	1,051	769	2,073	1,531
Net interest income from financial instruments measured at fair value through profit or loss					
Net interest income from financial instruments at fair value held for trading	244	202	327	446	762
Net interest income from brokerage balances	182	137	43	318	120
Net interest income from securities financing transactions at fair value not held for trading ⁵	18	33	27	51	57
Interest income from other financial instruments at fair value not held for trading	153	202	233	355	453
Interest expense on other financial instruments designated at fair value	(244)	(311)	(396)	(555)	(819)
Total net interest income from financial instruments measured at fair value through profit or loss	354	262	234	616	573
Total net interest income	1,376	1,313	1,003	2,689	2,104

¹ Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. ² Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. ³ Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, customer deposits, and funding from UBS Group AG and its subsidiaries, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. ⁴ Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions. ⁵ Includes interest expense on securities financing transactions designated at fair value.

Note 4 Net fee and commission income

USD million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Fee and commission income					
Underwriting fees	257	203	224	460	404
<i>of which: equity underwriting fees</i>	123	106	118	230	166
<i>of which: debt underwriting fees</i>	133	97	105	230	238
M&A and corporate finance fees	117	218	296	335	413
Brokerage fees	959	1,245	826	2,204	1,654
Investment fund fees	1,197	1,295	1,196	2,492	2,373
Portfolio management and related services	1,813	2,059	1,915	3,872	3,719
Other	387	462	451	848	911
Total fee and commission income¹	4,730	5,481	4,908	10,211	9,474
<i>of which: recurring</i>	2,980	3,341	3,136	6,321	6,134
<i>of which: transaction-based</i>	1,675	2,102	1,749	3,776	3,290
<i>of which: performance-based</i>	75	39	23	114	50
Fee and commission expense					
Brokerage fees paid	63	86	88	149	168
Distribution fees paid	144	156	142	300	284
Other	212	214	203	426	390
Total fee and commission expense	419	456	434	875	842
Net fee and commission income	4,311	5,025	4,474	9,336	8,631
<i>of which: net brokerage fees</i>	896	1,158	738	2,055	1,486

¹ Reflects third-party fee and commission income for the second quarter of 2020 of USD 2,809 million for Global Wealth Management (first quarter of 2020: USD 3,384 million; second quarter of 2019: USD 2,946 million), USD 313 million for Personal & Corporate Banking (first quarter of 2020: USD 354 million; second quarter of 2019: USD 327 million), USD 700 million for Asset Management (first quarter of 2020: USD 702 million; second quarter of 2019: USD 647 million), USD 872 million for the Investment Bank (first quarter of 2020: USD 1,008 million; second quarter of 2019: USD 962 million) and USD 36 million for Group Functions (first quarter of 2020: USD 33 million; second quarter of 2019: USD 25 million).

Note 5 Other income

USD million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Associates, joint ventures and subsidiaries					
Net gains / (losses) from acquisitions and disposals of subsidiaries ¹	(2)	8	10	7	11
Net gains / (losses) from disposals of investments in associates	0	0	0	0	4
Share of net profits of associates and joint ventures	13	16	10	29	25
Impairments related to associates	0	0	(1)	0	(1)
Total	11	25	20	36	39
Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income	15	9	1	24	2
Income from properties ²	6	7	6	13	13
Net gains / (losses) from properties held for sale	9	0	7	9	7
Income from shared services provided to UBS Group AG or its subsidiaries	106	106	127	212	247
Other	7	17	70	24	91
Total other income	153	164	232	317	400

¹ Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. ² Includes rent received from third parties.

Note 6 Personnel expenses

USD million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Salaries and variable compensation	2,276	2,132	2,120	4,408	4,147
Financial advisor compensation ¹	941	1,094	1,005	2,035	1,965
Contractors	35	28	38	64	74
Social security	182	164	152	347	322
Pension and other post-employment benefit plans	143	177	139	321	309
Other personnel expenses	104	113	116	217	222
Total personnel expenses	3,682	3,710	3,571	7,391	7,040

¹ Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

Note 7 General and administrative expenses

USD million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Occupancy	86	88	81	174	169
Rent and maintenance of IT and other equipment	79	89	79	168	167
Communication and market data services	125	124	131	248	262
Administration	1,241	1,395	1,236	2,636	2,505
<i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i>	<i>1,127</i>	<i>1,250</i>	<i>1,139</i>	<i>2,377</i>	<i>2,275</i>
<i>of which: UK and German bank levies</i>	<i>3</i>	<i>15</i>	<i>(32)</i>	<i>17</i>	<i>(17)</i>
Marketing and public relations ¹	47	39	49	87	99
Travel and entertainment	23	58	87	81	164
Professional fees	143	138	173	281	329
Outsourcing of IT and other services	113	127	140	240	286
Litigation, regulatory and similar matters ²	2	6	4	8	(4)
Other	20	18	24	38	53
Total general and administrative expenses	1,879	2,080	2,004	3,960	4,030

¹ Includes charitable donations. ² Reflects the net increase in / (release of) provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 15 for more information. Also includes recoveries from third parties (second quarter of 2020: USD 0 million; first quarter of 2020: USD 1 million; second quarter of 2019: USD 1 million).

Note 8 Income taxes

UBS AG recognized income tax expenses of USD 328 million for the second quarter of 2020, representing an effective tax rate of 21.5%, compared with USD 349 million for the second quarter of 2019.

Current tax expenses were USD 329 million, compared with USD 196 million, and related to taxable profits of UBS Switzerland AG and other entities.

There was a net deferred tax benefit of USD 1 million, compared with deferred tax expenses of USD 153 million. This net benefit included expenses of USD 63 million in respect of the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences, which primarily relate to UBS Americas Inc. These expenses were more than offset by deferred tax benefit items, which included a benefit of USD 31 million in

respect of additional DTA recognition that resulted from the contribution of real estate assets by UBS AG to UBS Americas Inc. and UBS Financial Services Inc. in the second quarter of 2020. The additional DTA recognition related to the elections that were made in the fourth quarter of 2018 to capitalize certain historic real estate costs. This amount represents one half of the expected full-year benefit and, therefore, further amounts totaling USD 31 million will be recognized in the third and fourth quarters of 2020 in accordance with the requirements of IAS 34, *Interim Financial Reporting*. The deferred tax benefit items also included a benefit of USD 33 million in respect of an increase in temporary difference DTAs as the expected value of future tax deductions for deferred compensation awards increased.

Note 9 Expected credit loss measurement

a) Expected credit losses in the period

Total net credit loss expenses were USD 272 million during the second quarter of 2020, reflecting net expenses of USD 202 million related to stage 1 and 2 positions and net expenses of USD 70 million related to credit-impaired (stage 3) positions.

Stage 1 and 2 net credit loss expenses of USD 202 million were primarily driven by a net expense of USD 127 million from an update to the forward-looking scenarios, factoring in updated macroeconomic assumptions to reflect the effects of the COVID-19 pandemic, in particular updated GDP and unemployment assumptions. This also led to exposure movements from stage 1 to stage 2 as probabilities of default increased.

The remaining stage 1 and 2 expenses of USD 75 million mainly reflect the effects of expert judgement overlays for selected exposures to Swiss large corporates and small and medium-sized entities, as well as remeasurements within our loan book, mainly in the Investment Bank. These were partly offset by recoveries on energy-related exposures and securities financing transactions with a number of real estate investment trusts, where we had increased allowances in the first quarter of 2020.

Stage 3 net credit loss expenses were USD 70 million. In the Investment Bank, stage 3 net expenses of USD 22 million were driven by USD 38 million of expenses recognized across various positions, partly offset by recoveries on securities financing transactions with a number of real estate investment trusts, where we had increased allowances in the first quarter of 2020. In Group Functions, stage 3 expenses of USD 20 million arose from an energy-related exposure in the Non-core and Legacy Portfolio. In Global Wealth Management, stage 3 net expenses of USD 19 million primarily reflected USD 9 million on a single structured margin-lending position, with the remaining USD 10 million on a number of smaller positions across the portfolios. In Personal & Corporate Banking, stage 3 net expenses of USD 10 million arose primarily on two newly defaulted clients in the corporate lending portfolio.

Note 9 Expected credit loss measurement (continued)**b) Changes to ECL models, scenarios, scenario weights and key inputs**

The outlook for the global economy has deteriorated markedly since the end of 2019 as a result of the COVID-19 outbreak. COVID-19 and related lockdown measures have significantly impacted major economies across the world. Uncertainties are still at a high level, making predictions difficult and displaying several potential triggers for further negative developments.

Scenarios and scenario weights

For the second quarter of 2020, the two scenarios and related macroeconomic factors that were applied in the first quarter of 2020 were reviewed in light of the economic and political conditions prevailing at 30 June 2020 through a series of extraordinary governance meetings, with input from UBS AG risk and finance experts across the regions and business divisions.

The key aspects of the narratives for the scenarios are summarized below.

- The baseline scenario was updated for 30 June 2020 and takes into account a significant deterioration of GDP in relevant markets. GDP in the US and Switzerland is expected to decline by around 6.4% and 5.5% respectively in 2020 – this reflects a very significant drop in the first half of 2020 and an expected sequential rebound of about 4% and 8% respectively in the second half of the year. The Eurozone also experiences a very severe contraction in economic activity in 2020, with an 8.2% decline in GDP. In addition, the baseline reflects the sharp increase in unemployment observed in the first half of 2020, with unemployment expected to remain at around 14% in the US and to rise to just below 4% in Switzerland by the end of 2020. Housing prices are assumed to be largely flat in Switzerland but to decrease in the US, by around 4% over the two years 2020 and 2021 in cumulative terms. Overall, economic improvements are expected to take place in 2021, with GDP expected to increase by around 4% in both the US and Switzerland.
- The global crisis scenario (also known as the severe downside scenario) was updated during the second quarter of 2020 to account for updated market data and the impact of the COVID-19 outbreak. The scenario assumptions are considered to be consistent with assumptions for COVID-19-related disruption but to a significantly more adverse degree than what is considered under the baseline scenario, with a full year GDP contraction expected to continue into 2021 and only a moderate recovery starting from the end of 2021. Relative to their values at the end of the first quarter of 2020 and considering the period until the end of the first quarter of 2021, GDP is assumed to decline by more than 11% in both the US and Switzerland and unemployment to remain elevated, with a peak above 17% and 6% in the US and Switzerland, respectively. Housing prices are also assumed to decline significantly, by almost 14% and 20% in the US and Switzerland respectively.
- Given the evolving pandemic, management assessed in the first quarter of 2020 whether an interim review of the upside (asset price inflation) and mild downside (monetary-tightening) scenarios, both of which were applied at the end of 2019, would be warranted, as these scenarios became less probable in the specific circumstances. This assessment was reviewed during the second quarter of 2020 and, consistent with the first quarter, management agreed that the upside and the mild downside narratives should remain in place, as they may become relevant again once there is more clarity on COVID-19; however, their probability weights should be temporarily set to zero given (i) there are too many uncertainties and lack of supportable information on precedent cases that could be used for modeling narratives and economic shock factors, and (ii) the probability weight estimation would have been speculative. This assessment will be reviewed in the third quarter of 2020.

	Baseline	
	2020	2021
Key parameters		
Real GDP growth (annual % change, annual average)		
United States	(6.4)	4.5
Eurozone	(8.2)	6.2
Switzerland	(5.5)	4.4
Unemployment rate (annual %, level, 4Q average)		
United States	14.1	7.8
Eurozone	9.8	6.6
Switzerland	3.9	3.4
Real estate (annual % change, 4Q average)		
United States	(2.8)	(1.6)
Eurozone	(10.2)	8.6
Swiss Single-Family Homes	(0.2)	0.5

Note 9 Expected credit loss measurement (continued)

As a consequence of the exceptional circumstances and prevailing uncertainties at the end of the second quarter of 2020, UBS AG decided to keep the weight allocation consistent with the decision made in the first quarter of 2020, with a 70% weighting assigned to the baseline and a 30% weighting assigned to the global crisis scenario. Overall, these weights still reflect the current sentiment regarding the boundaries of economic outcomes, with a bias toward the updated baseline scenario, but give sufficient credence to the global crisis scenario, thereby accounting for the prospect that the pandemic may not be contained effectively.

Economic scenarios and weights applied

ECL scenario	Assigned weights in %		
	30.6.20	31.3.20	31.12.19
Upside	0.0	0.0	7.5
Baseline	70.0	70.0	42.5
Mild downside	0.0	0.0	35.0
Global crisis	30.0	30.0	15.0

Sensitivity to different scenario weight combinations and "pro forma all-stage-2" measurement

Expected credit loss (ECL) is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses. UBS AG reported USD 636 million of ECL allowances and provisions for stage 1 or 2 positions at the end of the second quarter of 2020. If UBS AG had applied a 100% weight to the baseline scenario or 100% weight to the global crisis scenario, ECL allowances and provisions would have been approximately USD 0.5 billion and USD 1.2 billion, respectively. As a way of comparing IFRS 9 to its US GAAP equivalent standard, if all stage 1 and 2 positions across the portfolio had been measured for lifetime ECL irrespective of whether there was a significant increase in credit risk (SICR) status, with a 70% weight applied to the baseline and 30% to the global crisis scenario, ECL allowances and provisions for positions not subject to credit-impairment would have been approximately USD 1.5 billion.

Note 9 Expected credit loss measurement (continued)**c) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions**

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

value of these financial assets. Rather, the carrying value of financial assets measured at FVOCI represents the maximum exposure to credit risk.

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

USD million	30.6.20							
	Carrying amount ^{1,2}				ECL allowance			
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Cash and balances at central banks	149,549	149,549	0	0	0	0	0	0
Loans and advances to banks	15,544	15,445	99	0	(6)	(4)	(1)	(1)
Receivables from securities financing transactions	85,271	85,271	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	30,846	30,846	0	0	(1)	(1)	0	0
Loans and advances to customers	345,783	320,108	23,673	2,002	(1,089)	(134)	(236)	(719)
<i>of which: Private clients with mortgages</i>	137,563	128,527	8,076	960	(157)	(25)	(93)	(39)
<i>of which: Real estate financing</i>	40,653	34,083	6,559	11	(55)	(10)	(42)	(4)
<i>of which: Large corporate clients</i>	14,376	11,148	2,962	266	(308)	(34)	(58)	(217)
<i>of which: SME clients</i>	13,518	7,845	5,177	496	(319)	(21)	(29)	(269)
<i>of which: Lombard</i>	116,482	116,292	0	191	(71)	(11)	0	(60)
<i>of which: Credit cards</i>	1,396	1,065	304	26	(35)	(9)	(11)	(15)
<i>of which: Commodity trade finance</i>	3,194	3,155	30	9	(83)	(5)	0	(78)
Other financial assets measured at amortized cost	27,324	26,178	404	741	(151)	(40)	(10)	(100)
<i>of which: Loans to financial advisors</i>	2,673	2,090	201	382	(116)	(34)	(7)	(74)
Total financial assets measured at amortized cost	654,318	627,398	24,176	2,743	(1,249)	(181)	(247)	(821)
Financial assets measured at fair value through other comprehensive income	8,624	8,624	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	662,942	636,023	24,176	2,743	(1,249)	(181)	(247)	(821)

Off-balance sheet (in scope of ECL)	Total exposure				ECL provision			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	16,313	14,768	1,369	176	(47)	(11)	(4)	(32)
<i>of which: Large corporate clients</i>	3,494	2,640	733	121	(8)	(3)	(3)	(3)
<i>of which: SME clients</i>	1,293	725	514	54	(25)	(1)	(1)	(24)
<i>of which: Financial intermediaries and hedge funds</i>	6,964	6,910	54	0	(6)	(6)	0	0
<i>of which: Lombard</i>	602	602	0	0	(1)	0	0	(1)
<i>of which: Commodity trade finance</i>	1,601	1,583	18	0	(1)	(1)	0	0
Irrevocable loan commitments	39,651	34,494	5,044	114	(121)	(57)	(64)	0
<i>of which: Large corporate clients</i>	23,167	18,284	4,838	45	(109)	(50)	(59)	0
Forward starting reverse repurchase and securities borrowing agreements	2,210	2,210	0	0	0	0	0	0
Committed unconditionally revocable credit lines	39,701	34,771	4,870	60	(65)	(34)	(32)	0
<i>of which: Real estate financing</i>	5,666	5,019	647	0	(25)	(4)	(21)	0
<i>of which: Large corporate clients</i>	4,356	3,482	856	18	(9)	(4)	(5)	0
<i>of which: SME clients</i>	4,980	2,962	1,984	34	(17)	(14)	(4)	0
<i>of which: Lombard</i>	9,410	9,410	0	0	(1)	(1)	0	0
<i>of which: Credit cards</i>	8,159	7,726	425	8	(10)	(7)	(2)	0
Irrevocable committed prolongation of existing loans	4,265	4,240	25	1	(7)	(7)	0	0
Total off-balance sheet financial instruments and other credit lines	102,141	90,483	11,307	351	(240)	(108)	(100)	(32)
Total allowances and provisions					(1,489)	(290)	(346)	(853)

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances. ² The presentation of ECL exposures by stage includes best estimates to account for the effect of management overlays on model outputs.

Note 9 Expected credit loss measurement (continued)

USD million	31.3.20							
	Carrying amount ¹				ECL allowance			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Financial instruments measured at amortized cost								
Cash and balances at central banks	139,258	139,258	0	0	0	0	0	0
Loans and advances to banks	16,893	16,815	78	0	(6)	(4)	(1)	(1)
Receivables from securities financing transactions	89,648	88,394	449	804	(34)	(2)	(15)	(16)
Cash collateral receivables on derivative instruments	39,549	39,549	0	0	0	0	0	0
Loans and advances to customers	339,946	323,136	14,896	1,914	(936)	(101)	(164)	(671)
<i>of which: Private clients with mortgages</i>	134,759	126,633	7,168	957	(111)	(17)	(55)	(39)
<i>of which: Real estate financing</i>	39,097	33,876	5,205	16	(49)	(6)	(39)	(4)
<i>of which: Large corporate clients</i>	15,343	14,328	849	166	(191)	(21)	(35)	(134)
<i>of which: SME clients</i>	11,943	10,453	1,036	455	(358)	(18)	(20)	(320)
<i>of which: Lombard</i>	114,401	114,144	0	258	(56)	(10)	0	(46)
<i>of which: Credit cards</i>	1,317	985	308	23	(34)	(7)	(14)	(14)
<i>of which: Commodity trade finance</i>	2,801	2,778	13	10	(82)	(5)	0	(77)
Other financial assets measured at amortized cost	23,907	22,961	410	536	(143)	(31)	(15)	(97)
<i>of which: Loans to financial advisors</i>	2,699	2,198	303	198	(112)	(25)	(13)	(73)
Total financial assets measured at amortized cost	649,202	630,114	15,833	3,255	(1,120)	(139)	(195)	(786)
Financial assets measured at fair value through other comprehensive income	7,653	7,653	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	656,855	637,767	15,833	3,255	(1,120)	(139)	(195)	(786)
		Total exposure				ECL provision		
Off-balance sheet (in scope of ECL)								
Guarantees	17,830	17,387	361	83	(76)	(8)	(1)	(66)
<i>of which: Large corporate clients</i>	3,742	3,471	244	26	(33)	(1)	0	(32)
<i>of which: SME clients</i>	1,308	1,185	67	56	(28)	0	0	(27)
<i>of which: Financial intermediaries and hedge funds</i>	7,965	7,949	16	0	(5)	(5)	0	0
<i>of which: Lombard</i>	603	603	0	0	(7)	0	0	(7)
<i>of which: Commodity trade finance</i>	1,967	1,951	16	0	(1)	(1)	0	0
Irrevocable loan commitments	28,334	27,701	550	84	(46)	(34)	(13)	0
<i>of which: Large corporate clients</i>	18,224	17,712	453	59	(33)	(26)	(7)	0
Forward starting reverse repurchase and securities borrowing agreements	5,123	5,123	0	0	0	0	0	0
Committed unconditionally revocable credit lines	36,374	35,396	942	35	(36)	(20)	(16)	0
<i>of which: Real estate financing</i>	4,989	4,679	310	0	(16)	(3)	(12)	0
<i>of which: Large corporate clients</i>	3,784	3,697	70	17	(2)	(1)	0	0
<i>of which: SME clients</i>	4,644	4,492	133	18	(10)	(9)	(1)	0
<i>of which: Lombard</i>	7,649	7,649	0	0	0	(1)	0	0
<i>of which: Credit cards</i>	8,295	7,923	371	0	(5)	(4)	(2)	0
Irrevocable committed prolongation of existing loans	4,040	4,038	0	2	(4)	(4)	0	0
Total off-balance sheet financial instruments and other credit lines	91,701	89,644	1,852	204	(162)	(66)	(29)	(66)
Total allowances and provisions					(1,282)	(205)	(225)	(852)

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

Note 9 Expected credit loss measurement (continued)

USD million	31.12.19								
	Carrying amount ¹				ECL allowance				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	
Financial instruments measured at amortized cost									
Cash and balances at central banks	107,068	107,068	0	0	0	0	0	0	
Loans and advances to banks	12,379	12,298	80	0	(6)	(4)	(1)	(1)	
Receivables from securities financing transactions	84,245	84,245	0	0	(2)	(2)	0	0	
Cash collateral receivables on derivative instruments	23,289	23,289	0	0	0	0	0	0	
Loans and advances to customers	327,992	310,705	15,538	1,749	(764)	(82)	(123)	(559)	
<i>of which: Private clients with mortgages</i>	132,646	124,063	7,624	959	(110)	(15)	(55)	(41)	
<i>of which: Real estate financing</i>	38,481	32,932	5,532	17	(43)	(5)	(34)	(4)	
<i>of which: Large corporate clients</i>	9,703	9,184	424	94	(117)	(15)	(4)	(98)	
<i>of which: SME clients</i>	11,786	9,817	1,449	521	(303)	(17)	(15)	(271)	
<i>of which: Lombard</i>	112,893	112,796	0	98	(22)	(4)	0	(18)	
<i>of which: Credit cards</i>	1,661	1,314	325	22	(35)	(8)	(14)	(13)	
<i>of which: Commodity trade finance</i>	2,844	2,826	8	10	(81)	(5)	0	(77)	
Other financial assets measured at amortized cost	23,012	21,985	451	576	(143)	(35)	(13)	(95)	
<i>of which: Loans to financial advisors</i>	2,877	2,341	334	202	(109)	(29)	(11)	(70)	
Total financial assets measured at amortized cost	577,985	559,590	16,069	2,326	(915)	(124)	(137)	(655)	
Financial assets measured at fair value through other comprehensive income	6,345	6,345	0	0	0	0	0	0	
Total on-balance sheet financial assets in scope of ECL requirements	584,329	565,935	16,069	2,326	(915)	(124)	(137)	(655)	
		Total exposure			ECL provision				
Off-balance sheet (in scope of ECL)		Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	18,142	17,757	304	82	(42)	(8)	(1)	(33)	
<i>of which: Large corporate clients</i>	3,687	3,461	203	24	(10)	(1)	0	(9)	
<i>of which: SME clients</i>	1,180	1,055	67	58	(24)	0	0	(23)	
<i>of which: Financial intermediaries and hedge funds</i>	7,966	7,950	16	0	(5)	(4)	0	0	
<i>of which: Lombard</i>	622	622	0	0	(1)	0	0	(1)	
<i>of which: Commodity trade finance</i>	2,334	2,320	13	0	(1)	(1)	0	0	
Irrevocable loan commitments	27,547	27,078	419	50	(35)	(30)	(5)	0	
<i>of which: Large corporate clients</i>	18,735	18,349	359	27	(27)	(24)	(3)	0	
Forward starting reverse repurchase and securities borrowing agreements	1,657	1,657	0	0	0	0	0	0	
Committed unconditionally revocable credit lines	36,979	35,735	1,197	46	(34)	(17)	(17)	0	
<i>of which: Real estate financing</i>	5,242	4,934	307	0	(16)	(3)	(13)	0	
<i>of which: Large corporate clients</i>	4,274	4,188	69	17	(1)	(1)	0	0	
<i>of which: SME clients</i>	4,787	4,589	171	27	(9)	(8)	(1)	0	
<i>of which: Lombard</i>	7,976	7,975	0	1	0	0	0	0	
<i>of which: Credit cards</i>	7,890	7,535	355	0	(6)	(4)	(2)	0	
<i>of which: Commodity trade finance</i>	344	344	0	0	0	0	0	0	
Irrevocable committed prolongation of existing loans	3,289	3,285	0	4	(3)	(3)	0	0	
Total off-balance sheet financial instruments and other credit lines	87,614	85,513	1,920	182	(114)	(58)	(23)	(33)	
Total allowances and provisions					(1,029)	(181)	(160)	(688)	

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

Note 9 Expected credit loss measurement (continued)

The table below provides information about the ECL gross exposure and the ECL coverage ratio for our core loan portfolios: Loans and advances to customers, Other financial assets measured at amortized cost and relevant Off-balance sheet exposures. Cash and balances at central banks, Loans and advances to banks, Receivables from securities financing transactions, Cash collateral receivables on derivative

instruments, and Financial assets measured at fair value through other comprehensive income are not included in the table below due to their lower sensitivity to ECL.

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

ECL coverage ratios for core loan portfolios

30.6.20

Financial instruments measured at amortized cost	Gross carrying amount (USD million) ¹				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Loans and advances to customers	346,872	320,242	23,909	2,721	31	4	99	2,643
of which: Private clients with mortgages	137,720	128,552	8,169	1,000	11	2	113	394
of which: Real estate financing	40,708	34,093	6,601	15	14	3	63	2,541
of which: Large corporate clients	14,684	11,182	3,020	483	210	30	191	4,488
of which: SME clients	13,837	7,866	5,206	765	231	27	55	3,520
of which: Lombard	116,554	116,303	0	251	6	1	0	2,403
of which: Credit cards	1,430	1,074	315	41	242	81	354	3,569
of which: Commodity trade finance	3,278	3,160	30	87	254	15	8	8,973
Other financial assets measured at amortized cost	27,475	26,219	414	842	55	15	241	1,194
of which: Loans to financial advisors	2,789	2,124	208	456	415	161	347	1,627

Off-balance sheet (in scope of ECL)	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	16,313	14,768	1,369	176	29	7	27	1,831
Irrevocable loan commitments	39,651	34,494	5,044	114	31	16	128	0
Committed unconditionally revocable credit lines	39,701	34,771	4,870	60	16	10	65	0
Irrevocable committed prolongation of existing loans	4,265	4,240	25	1	16	16	15	0

¹ The presentation of ECL exposures by stage includes best estimates to account for the effect of management overlays on model outputs.

31.3.20

Financial instruments measured at amortized cost	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Loans and advances to customers	340,882	323,237	15,060	2,585	27	3	109	2,596
of which: Private clients with mortgages	134,870	126,650	7,224	996	8	1	77	390
of which: Real estate financing	39,146	33,881	5,245	20	12	2	75	2,047
of which: Large corporate clients	15,534	14,349	885	300	123	15	401	4,476
of which: SME clients	12,301	10,470	1,055	775	291	17	188	4,129
of which: Lombard	114,457	114,154	0	303	5	1	0	1,508
of which: Credit cards	1,351	993	322	37	254	72	420	3,708
of which: Commodity trade finance	2,882	2,783	13	87	283	18	1	8,818
Other financial assets measured at amortized cost	24,050	22,992	425	633	59	13	360	1,531
of which: Loans to financial advisors	2,811	2,224	317	271	397	114	418	2,702

Off-balance sheet (in scope of ECL)	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	17,830	17,387	361	83	42	5	30	8,045
Irrevocable loan commitments	28,334	27,701	550	84	16	12	228	0
Committed unconditionally revocable credit lines	36,374	35,396	942	35	10	6	168	0
Irrevocable committed prolongation of existing loans	4,040	4,038	0	2	10	10	0	0

Note 9 Expected credit loss measurement (continued)

31.12.19

Financial instruments measured at amortized cost	Gross carrying amount (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Loans and advances to customers	328,756	310,787	15,661	2,308	23	3	79	2,420
<i>of which: Private clients with mortgages</i>	<i>132,756</i>	<i>124,077</i>	<i>7,679</i>	<i>1,000</i>	<i>8</i>	<i>1</i>	<i>72</i>	<i>406</i>
<i>of which: Real estate financing</i>	<i>38,524</i>	<i>32,937</i>	<i>5,567</i>	<i>21</i>	<i>11</i>	<i>2</i>	<i>62</i>	<i>1,765</i>
<i>of which: Large corporate clients</i>	<i>9,819</i>	<i>9,199</i>	<i>429</i>	<i>192</i>	<i>119</i>	<i>16</i>	<i>100</i>	<i>5,088</i>
<i>of which: SME clients</i>	<i>12,089</i>	<i>9,834</i>	<i>1,464</i>	<i>791</i>	<i>251</i>	<i>18</i>	<i>104</i>	<i>3,420</i>
<i>of which: Lombard</i>	<i>112,915</i>	<i>112,799</i>	<i>0</i>	<i>116</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>1,566</i>
<i>of which: Credit cards</i>	<i>1,696</i>	<i>1,322</i>	<i>339</i>	<i>35</i>	<i>205</i>	<i>60</i>	<i>404</i>	<i>3,718</i>
<i>of which: Commodity trade finance</i>	<i>2,925</i>	<i>2,831</i>	<i>8</i>	<i>87</i>	<i>278</i>	<i>17</i>	<i>3</i>	<i>8,844</i>
Other financial assets measured at amortized cost	23,154	22,019	463	672	62	16	274	1,420
<i>of which: Loans to financial advisors</i>	<i>2,987</i>	<i>2,370</i>	<i>344</i>	<i>272</i>	<i>366</i>	<i>122</i>	<i>305</i>	<i>2,570</i>

Off-balance sheet (in scope of ECL)	Gross exposure (USD million)				ECL coverage (bps)			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	18,142	17,757	304	82	23	4	30	4,032
Irrevocable loan commitments	27,547	27,078	419	50	13	11	120	0
Committed unconditionally revocable credit lines	36,979	35,735	1,197	46	9	5	143	0
Irrevocable committed prolongation of existing loans	3,289	3,285	0	4	8	8	0	0

Note 10 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2019, which provides more information about valuation principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements, and methods applied to calculate fair values for financial instruments not measured at fair value.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair

value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

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

Note 10 Fair value measurement (continued)

a) Fair value hierarchy

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

Determination of fair values from quoted market prices or valuation techniques¹

USD million	30.6.20				31.3.20				31.12.19			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis												
Financial assets at fair value held for trading	82,046	13,399	2,710	98,155	73,687	14,982	2,018	90,686	113,635	12,248	1,812	127,695
<i>of which:</i>												
Equity instruments	64,164	710	76	64,949	54,960	535	185	55,680	96,162	400	226	96,788
Government bills / bonds	11,057	2,272	10	13,339	11,017	2,826	9	13,852	9,630	1,770	64	11,464
Investment fund units	6,282	1,744	27	8,053	7,077	1,556	21	8,654	7,088	1,729	50	8,867
Corporate and municipal bonds	537	7,416	779	8,732	618	8,432	498	9,549	755	6,796	542	8,093
Loans	0	980	1,600	2,580	0	1,205	1,120	2,325	0	1,180	791	1,971
Asset-backed securities	7	277	218	501	16	428	184	628	0	372	140	512
Derivative financial instruments	868	149,601	1,541	152,010	1,193	209,349	2,445	212,986	356	120,224	1,264	121,843
<i>of which:</i>												
Foreign exchange contracts	472	53,317	7	53,797	635	94,070	26	94,731	240	52,228	8	52,476
Interest rate contracts	25	55,147	330	55,502	20	55,402	418	55,839	6	42,288	263	42,558
Equity / index contracts	0	36,195	795	36,991	4	53,989	1,301	55,294	7	22,220	597	22,825
Credit derivative contracts	0	1,540	405	1,945	0	1,574	669	2,243	0	1,612	394	2,007
Commodity contracts	0	3,302	1	3,304	0	3,909	6	3,915	0	1,820	0	1,821
Brokerage receivables	0	19,848	0	19,848	0	20,319	0	20,319	0	18,007	0	18,007
Financial assets at fair value not held for trading	49,389	40,886	3,735	94,010	39,666	39,125	3,699	82,490	40,608	39,065	3,962	83,636
<i>of which:</i>												
Financial assets for unit-linked investment contracts	26,387	0	5	26,392	22,826	0	0	22,826	27,568	118	0	27,686
Corporate and municipal bonds	578	20,737	0	21,316	655	19,753	0	20,408	653	18,732	0	19,385
Government bills / bonds	22,175	4,540	0	26,714	15,954	3,853	0	19,808	12,089	3,700	0	15,790
Loans	0	8,317	1,024	9,340	0	8,390	1,081	9,470	0	10,206	1,231	11,438
Securities financing transactions	0	7,163	126	7,289	0	6,909	147	7,056	0	6,148	147	6,294
Auction rate securities	0	0	1,393	1,393	0	0	1,393	1,393	0	0	1,536	1,536
Investment fund units	188	115	103	406	138	132	107	378	194	140	98	432
Equity instruments	61	0	545	606	93	3	454	549	103	4	451	559
Other	0	13	540	553	0	84	518	602	0	16	499	515
Financial assets measured at fair value through other comprehensive income on a recurring basis												
Financial assets measured at fair value through other comprehensive income	1,551	7,074	0	8,624	1,651	6,002	0	7,653	1,906	4,439	0	6,345
<i>of which:</i>												
Asset-backed securities	0	6,634	0	6,634	0	5,507	0	5,507	0	3,955	0	3,955
Government bills / bonds	1,515	98	0	1,612	1,613	92	0	1,705	1,859	16	0	1,875
Corporate and municipal bonds	36	341	0	378	38	404	0	441	47	468	0	515
Non-financial assets measured at fair value on a recurring basis												
Precious metals and other physical commodities	4,890	0	0	4,890	4,050	0	0	4,050	4,597	0	0	4,597
Non-financial assets measured at fair value on a non-recurring basis												
Other non-financial assets ²	0	0	130	130	0	0	202	202	0	0	199	199
Total assets measured at fair value	138,744	230,808	8,116	377,668	120,247	289,776	8,364	418,386	161,102	193,983	7,237	362,322

Note 10 Fair value measurement (continued)**Determination of fair values from quoted market prices or valuation techniques (continued)¹**

USD million	30.6.20				31.3.20				31.12.19			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value on a recurring basis												
Financial liabilities at fair value held for trading	28,216	6,093	117	34,426	26,965	5,464	143	32,572	25,791	4,726	75	30,591
<i>of which:</i>												
Equity instruments	23,464	306	76	23,846	22,289	283	26	22,599	22,526	149	59	22,734
Corporate and municipal bonds	38	4,558	39	4,635	22	3,921	74	4,018	40	3,606	16	3,661
Government bills / bonds	4,052	770	0	4,822	3,880	710	0	4,590	2,820	646	0	3,466
Investment fund units	662	431	2	1,096	774	532	43	1,349	404	294	0	698
Derivative financial instruments	871	148,116	3,293	152,280	1,246	201,775	3,633	206,654	385	118,498	1,996	120,880
<i>of which:</i>												
Foreign exchange contracts	447	54,385	67	54,899	636	92,516	65	93,218	248	53,705	60	54,013
Interest rate contracts	7	49,048	838	49,894	6	49,780	892	50,678	7	36,434	130	36,571
Equity / index contracts	0	39,622	1,445	41,067	4	53,968	1,557	55,528	3	24,171	1,293	25,468
Credit derivative contracts	0	1,781	917	2,698	0	1,875	1,065	2,940	0	2,448	512	2,960
Commodity contracts	0	3,128	10	3,138	0	3,437	0	3,438	0	1,707	0	1,707
Financial liabilities designated at fair value on a recurring basis												
Brokerage payables designated at fair value	0	40,248	0	40,248	0	37,652	0	37,652	0	37,233	0	37,233
Debt issued designated at fair value	0	49,123	8,521	57,644	0	46,013	7,027	53,040	0	56,943	9,649	66,592
Other financial liabilities designated at fair value	0	36,766	2,365	39,131	0	30,309	1,485	31,794	0	35,119	1,039	36,157
<i>of which:</i>												
Financial liabilities related to unit-linked investment contracts	0	26,573	0	26,573	0	23,150	0	23,150	0	28,145	0	28,145
Securities financing transactions	0	8,371	0	8,371	0	5,992	0	5,992	0	5,742	0	5,742
Over-the-counter debt instruments	0	1,796	1,057	2,852	0	1,159	1,138	2,297	0	1,231	791	2,022
Total liabilities measured at fair value	29,087	280,347	14,296	323,729	28,211	321,213	12,289	361,713	26,176	252,518	12,759	291,452

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

b) Valuation adjustments**Deferred day-1 profit or loss reserves**

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

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

Deferred day-1 profit or loss reserves

USD million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Reserve balance at the beginning of the period	194	146	161	146	255
Profit / (loss) deferred on new transactions	121	118	58	239	90
(Profit) / loss recognized in the income statement	(72)	(69)	(60)	(141)	(187)
Foreign currency translation	0	(1)	0	(1)	(1)
Reserve balance at the end of the period	243	194	158	243	158

Note 10 Fair value measurement (continued)

Own credit

The valuation of financial liabilities designated at fair value requires consideration of the own credit component of fair value. Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants. However, own credit risk is not reflected in the valuation of UBS's liabilities that are fully collateralized or for other obligations for which it is established market practice to not include an own credit component.

The description of UBS's methodology to estimate own credit and the related accounting principles is included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2019.

In the second quarter of 2020, other comprehensive income related to own credit on financial liabilities designated at fair value was negative USD 1,095 million, primarily due to a significant tightening of UBS's credit spreads, which have largely returned to the levels observed prior to the COVID-19 pandemic.

Own credit adjustments on financial liabilities designated at fair value

USD million	Included in Other comprehensive income				
	For the quarter ended		Year-to-date		
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Recognized during the period:					
Realized gain / (loss)	8	1	6	9	6
Unrealized gain / (loss)	(1,103)	1,156	66	53	(260)
Total gain / (loss), before tax	(1,095)	1,156	72	62	(254)
		As of			
USD million	30.6.20	31.3.20	30.6.19		
Recognized on the balance sheet as of the end of the period:					
Unrealized life-to-date gain / (loss)	(31)	1,069	60		

Credit, funding, debit and other valuation adjustments

A description of UBS's methodology for estimating credit valuation adjustments (CVAs), funding valuation adjustments (FVAs), debit valuation adjustments (DVAs) and other valuation adjustments is included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2019.

In the second quarter of 2020, CVAs and FVAs decreased due to the reversal of the significant widening of credit and funding spreads observed in the first quarter of 2020 as a result of the economic effects of the COVID-19 pandemic. Other valuation adjustments for liquidity and model uncertainty also decreased, primarily due to smaller bid-offer spreads as markets stabilized during the second quarter of 2020.

Valuation adjustments on financial instruments

Life-to-date gain / (loss), USD million	As of		
	30.6.20	31.3.20	31.12.19
Credit valuation adjustments¹	(78)	(92)	(48)
Funding valuation adjustments²	(141)	(378)	(93)
Debit valuation adjustments	1	2	1
Other valuation adjustments	(715)	(879)	(566)
<i>of which: liquidity</i>	<i>(385)</i>	<i>(536)</i>	<i>(300)</i>
<i>of which: model uncertainty</i>	<i>(330)</i>	<i>(343)</i>	<i>(266)</i>

¹ Amounts do not include reserves against defaulted counterparties. ² Includes FVAs on structured financing transactions of USD 44 million as of 30 June 2020, USD 194 million as of 31 March 2020 and USD 43 million as of 31 December 2019.

c) Transfers between Level 1 and Level 2

The amounts disclosed in this section reflect transfers between Level 1 and Level 2 for instruments that were held for the entire reporting period.

Assets and liabilities transferred from Level 2 to Level 1 during the first six months of 2020, or from Level 1 to Level 2 during the first six months of 2020, were not material.

Note 10 Fair value measurement (continued)**d) Level 3 instruments: valuation techniques and inputs**

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

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities. The ranges will therefore vary from period to period and parameter to parameter, based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges and weighted averages of unobservable inputs may differ

across other financial institutions due to the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2019. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2019.

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

USD billion	Fair value				Valuation technique(s)	Significant unobservable input(s) ¹	Range of inputs						
	Assets		Liabilities				30.6.20			31.12.19			unit ¹
	30.6.20	31.12.19	30.6.20	31.12.19			low	high	weighted average ²	low	high	weighted average ²	
Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading													
<i>Corporate and municipal bonds</i>	0.8	0.5	0.0	0.0	Relative value to market comparable	Bond price equivalent	0	143	101	0	143	101	points
<i>Traded loans, loans designated at fair value, loan commitments and guarantees</i>	3.1	2.4	0.1	0.0	Relative value to market comparable	Loan price equivalent	0	100	99	0	101	99	points
					Discounted expected cash flows	Credit spread	250	1,000		225	530		basis points
					Market comparable and securitization model	Discount margin	1	19	3	0	14	2	%
<i>Auction rate securities</i>	1.4	1.5			Relative value to market comparable	Bond price equivalent	79	91	80	79	98	88	points
<i>Investment fund units³</i>	0.1	0.1	0.0	0.0	Relative value to market comparable	Net asset value							
<i>Equity instruments³</i>	0.6	0.7	0.1	0.1	Relative value to market comparable	Price							
Debt issued designated at fair value⁴			8.5	9.6									
Other financial liabilities designated at fair value			2.4	1.0	Discounted expected cash flows	Funding spread	44	175		44	175		basis points
Derivative financial instruments													
<i>Interest rate contracts</i>	0.3	0.3	0.8	0.1	Option model	Volatility of interest rates	33	80		15	63		basis points
					Discounted expected cash flows	Credit spreads	(2)	558		1	700		basis points
						Bond price equivalent	0	113		0	100		points
<i>Equity / index contracts</i>	0.8	0.6	1.4	1.3	Option model	Equity dividend yields	0	14		0	14		%
						Volatility of equity stocks, equity and other indices	4	125		4	105		%
						Equity-to-FX correlation	(45)	61		(45)	71		%
						Equity-to-equity correlation	(17)	99		(17)	98		%

¹ The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). ² Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts as this would not be meaningful. ³ The range of inputs is not disclosed as there is a dispersion of values given the diverse nature of the investments. ⁴ Valuation techniques, significant unobservable inputs and the respective input ranges for Debt issued designated at fair value are the same as the equivalent derivative instruments presented elsewhere in this table.

Note 10 Fair value measurement (continued)

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

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

The table shown presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported with the equivalent derivative or structured financing instrument within the table below.

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

Sensitivity of fair value measurements to changes in unobservable input assumptions¹

USD million	30.6.20		31.3.20		31.12.19	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans designated at fair value, loan commitments and guarantees	71	(83)	165	(209)	46	(21)
Securities financing transactions	26	(26)	35	(33)	11	(11)
Auction rate securities	105	(105)	105	(105)	87	(87)
Asset-backed securities	45	(45)	42	(51)	35	(40)
Equity instruments	160	(92)	150	(82)	140	(80)
Interest rate derivative contracts, net	12	(23)	16	(20)	8	(17)
Credit derivative contracts, net	6 ²	(11) ²	34	(38)	31	(35)
Foreign exchange derivative contracts, net	14	(8)	15	(13)	12	(8)
Equity / index derivative contracts, net	351	(352)	362	(429)	183	(197)
Other	35	(35)	48	(50)	47	(51)
Total	824	(780)	972	(1,028)	600	(547)

¹ Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument. ² Includes refinements applied in estimating valuation uncertainty, resulting from a move to use issuer specific proxy credit default swap curves rather than generic curves.

f) Level 3 instruments: movements during the period

Significant changes in Level 3 instruments

The table on the following pages presents additional information about significant Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains

and losses included in the table may not comprise the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented within the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Note 10 Fair value measurement (continued)

Movements of Level 3 instruments¹

USD billion	Balance as of 31 December 2018	Net gains / losses included in income ²	Total gains / losses included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 June 2019
			of which: related to Level 3 instruments held at the end of the reporting period									
Financial assets at fair value held for trading	2.0	(0.1)	0.0	0.3	(1.2)	0.8	0.0	0.2	(0.3)	0.0	1.6	
<i>of which:</i>												
Investment fund units	0.4	0.0	0.0	0.0	(0.2)	0.0	0.0	0.1	(0.2)	0.0	0.2	
Corporate and municipal bonds	0.7	0.0	0.0	0.1	(0.2)	0.0	0.0	0.0	(0.1)	0.0	0.5	
Loans	0.7	(0.1)	0.0	0.1	(0.7)	0.8	0.0	0.0	0.0	0.0	0.7	
Other	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.3	
Derivative financial instruments – assets	1.4	(0.2)	(0.1)	0.0	0.0	0.3	(0.2)	0.2	(0.1)	0.0	1.5	
<i>of which:</i>												
Interest rate contracts	0.4	(0.1)	(0.1)	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.6	
Equity / index contracts	0.5	(0.1)	0.0	0.0	0.0	0.1	0.0	0.1	(0.1)	0.0	0.4	
Credit derivative contracts	0.5	0.0	0.0	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.5	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Financial assets at fair value not held for trading	4.4	0.3	0.3	0.3	(0.4)	0.0	0.0	0.2	(0.9)	0.0	3.9	
<i>of which:</i>												
Loans	1.8	0.2	0.2	0.1	(0.1)	0.0	0.0	0.2	(0.9)	0.0	1.3	
Auction rate securities	1.7	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	1.6	
Equity instruments	0.5	0.1	0.1	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.5	
Other	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.6	
Derivative financial instruments – liabilities	2.2	0.0	(0.1)	0.0	0.0	0.2	(0.4)	0.1	(0.2)	0.0	1.9	
<i>of which:</i>												
Interest rate contracts	0.2	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	
Equity / index contracts	1.4	0.0	(0.1)	0.0	0.0	0.1	(0.3)	0.0	(0.2)	0.0	1.0	
Credit derivative contracts	0.5	0.0	0.0	0.0	0.0	0.1	(0.1)	0.1	0.0	0.0	0.6	
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	
Debt issued designated at fair value	11.0	0.4	0.4	0.0	0.0	3.9	(2.2)	0.3	(2.1)	0.0	11.4	
Other financial liabilities designated at fair value	1.0	0.1	0.1	0.0	0.0	0.2	(0.7)	0.0	0.0	0.0	0.7	

¹ Effective 2020, UBS has enhanced its disclosure of Level 3 movements by excluding from the table the impacts of instruments purchased during the period and sold prior to the end of the period. Prior-period comparatives have been restated accordingly. ² Net gains / losses included in comprehensive income are comprised of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. ³ Total Level 3 assets as of 30 June 2020 were USD 8.1 billion (31 December 2019: USD 7.2 billion). Total Level 3 liabilities as of 30 June 2020 were USD 14.3 billion (31 December 2019: USD 12.8 billion).

Note 10 Fair value measurement (continued)

Balance as of 31 December 2019 ³	Net gains / losses included in income ²	Total gains / losses included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 June 2020 ³
			<i>of which: related to Level 3 instruments held at the end of the reporting period</i>								
1.8	(0.1)	0.0	0.3	(1.0)	1.4	0.0	0.3	0.0	0.0	0.0	2.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.5	0.0	0.0	0.2	(0.2)	0.0	0.0	0.2	0.0	0.0	0.0	0.8
0.8	0.0	0.0	0.0	(0.6)	1.4	0.0	0.0	0.0	0.0	0.0	1.6
0.4	0.0	0.0	0.0	(0.2)	0.0	0.0	0.1	0.0	0.0	0.0	0.3
1.3	0.3	0.4	0.0	0.0	0.5	(0.5)	0.0	(0.1)	0.0	0.0	1.5
0.3	0.2	0.2	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.3
0.6	0.0	0.1	0.0	0.0	0.5	(0.2)	0.0	(0.1)	0.0	0.0	0.8
0.4	0.1	0.1	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.0	(0.1)	(0.1)	0.5	(0.6)	0.0	0.0	0.1	0.0	0.0	0.0	3.7
1.2	0.0	0.0	0.4	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	1.0
1.5	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.5
0.7	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.8
2.0	1.2	1.1	0.0	0.0	0.5	(0.8)	0.6	(0.3)	0.0	0.0	3.3
0.1	0.7	0.7	0.0	0.0	0.0	(0.3)	0.3	0.0	0.0	0.0	0.8
1.3	0.2	0.2	0.0	0.0	0.5	(0.4)	0.0	(0.2)	0.0	0.0	1.4
0.5	0.3	0.3	0.0	0.0	0.1	(0.1)	0.3	(0.1)	0.0	0.0	0.9
0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
9.6	0.1	0.2	0.0	0.0	2.9	(3.5)	0.4	(1.0)	0.0	0.0	8.5
1.0	0.1	0.1	0.0	0.0	1.5	(0.3)	0.0	0.0	0.0	0.0	2.4

Note 10 Fair value measurement (continued)

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

Assets transferred into and out of Level 3 in the first six months of 2020 totaled USD 0.4 billion and USD 0.2 billion, respectively. Transfers into Level 3 mainly consisted of corporate and municipal bonds, reflecting decreased observability of the relevant valuation inputs.

Liabilities transferred into and out of Level 3 in the first six months of 2020 totaled USD 1.0 billion and USD 1.3 billion, respectively. Transfers into Level 3 mainly consisted of debt issued designated at fair value, primarily credit-linked and equity-linked issued debt instruments, as well as credit and interest rate derivative contracts due to decreased observability of the relevant valuation inputs. Transfers out of Level 3 mainly consisted of debt issued designated at fair value, primarily equity-linked issued debt instruments, due to increased observability of the embedded derivative inputs.

g) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

USD billion	30.6.20		31.3.20		31.12.19	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash and balances at central banks	149.5	149.5	139.3	139.3	107.1	107.1
Loans and advances to banks	15.5	15.5	16.9	16.9	12.4	12.4
Receivables from securities financing transactions	85.3	85.3	89.6	89.7	84.2	84.2
Cash collateral receivables on derivative instruments	30.8	30.8	39.5	39.5	23.3	23.3
Loans and advances to customers	345.8	345.8	339.9	341.8	328.0	330.3
Other financial assets measured at amortized cost	27.3	27.9	23.9	24.7	23.0	23.3
Liabilities						
Amounts due to banks	12.4	12.4	18.8	18.8	6.6	6.6
Payables from securities financing transactions	12.0	12.0	12.9	12.9	7.8	7.8
Cash collateral payables on derivative instruments	36.9	36.9	45.6	45.6	31.4	31.4
Customer deposits	477.1	477.3	468.4	468.5	450.6	450.7
Funding from UBS Group AG and its subsidiaries	49.7	49.7	49.2	46.6	47.9	49.6
Debt issued measured at amortized cost	77.2	78.2	66.5	66.7	62.8	64.3
Other financial liabilities measured at amortized cost ¹	6.3	6.3	6.7	6.7	6.5	6.5

¹ Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The fair value valuation techniques and assumptions relate only to the fair value of UBS AG's financial instruments not measured at fair value. Other

institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 11 Derivative instruments

a) Derivative instruments

	Derivative financial assets	Notional values related to derivative financial assets ³	Derivative financial liabilities	Notional values related to derivative financial liabilities ³	Other notional values ⁴
<i>As of 30.6.20, USD billion</i>					
Derivative financial instruments^{1,2}					
Interest rate contracts	55.5	910	49.9	887	11,797
Credit derivative contracts	1.9	66	2.7	68	0
Foreign exchange contracts	53.8	2,971	54.9	2,818	2
Equity / index contracts	37.0	376	41.1	474	105
Commodity contracts	3.3	66	3.1	58	11
Unsettled purchases of non-derivative financial instruments ⁵	0.3	32	0.2	12	
Unsettled sales of non-derivative financial instruments ⁵	0.2	31	0.4	18	
Total derivative financial instruments, based on IFRS netting⁶	152.0	4,451	152.3	4,334	11,914
Further netting potential not recognized on the balance sheet ⁷	(138.1)		(134.3)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(112.3)</i>		<i>(112.3)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(25.8)</i>		<i>(21.9)</i>		
Total derivative financial instruments, after consideration of further netting potential	13.9		18.0		

As of 31.3.20, USD billion

	Derivative financial assets	Notional values related to derivative financial assets ³	Derivative financial liabilities	Notional values related to derivative financial liabilities ³	Other notional values ⁴
<i>As of 31.3.20, USD billion</i>					
Derivative financial instruments^{1,2}					
Interest rate contracts	55.8	971	50.7	924	12,095
Credit derivative contracts	2.2	81	2.9	68	0
Foreign exchange contracts	94.7	3,413	93.2	3,221	2
Equity / index contracts	55.3	422	55.5	487	111
Commodity contracts	3.9	73	3.4	70	11
Unsettled purchases of non-derivative financial instruments ⁵	0.4	38	0.4	16	
Unsettled sales of non-derivative financial instruments ⁵	0.5	39	0.5	22	
Total derivative financial instruments, based on IFRS netting⁶	213.0	5,037	206.7	4,807	12,219
Further netting potential not recognized on the balance sheet ⁷	(193.2)		(186.6)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(160.7)</i>		<i>(160.7)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(32.5)</i>		<i>(25.9)</i>		
Total derivative financial instruments, after consideration of further netting potential	19.8		20.1		

As of 31.12.19, USD billion

	Derivative financial assets	Notional values related to derivative financial assets ³	Derivative financial liabilities	Notional values related to derivative financial liabilities ³	Other notional values ⁴
<i>As of 31.12.19, USD billion</i>					
Derivative financial instruments^{1,2}					
Interest rate contracts	42.6	1,007	36.6	961	11,999
Credit derivative contracts	2.0	70	3.0	70	0
Foreign exchange contracts	52.5	3,174	54.0	2,994	1
Equity / index contracts	22.8	420	25.5	534	122
Commodity contracts	1.8	56	1.7	60	13
Unsettled purchases of non-derivative financial instruments ⁵	0.1	17	0.1	7	
Unsettled sales of non-derivative financial instruments ⁵	0.1	15	0.1	10	
Total derivative financial instruments, based on IFRS netting⁶	121.8	4,759	120.9	4,635	12,135
Further netting potential not recognized on the balance sheet ⁷	(110.7)		(106.1)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(89.3)</i>		<i>(89.3)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(21.4)</i>		<i>(16.8)</i>		
Total derivative financial instruments, after consideration of further netting potential	11.1		14.8		

¹ Derivative financial liabilities as of 30 June 2020 include USD 35 million related to derivative loan commitments (31 March 2020: USD 43 million; 31 December 2019: USD 17 million). No notional amounts related to these commitments are included in this table, but they are disclosed in Note 16, under Loan commitments. ² Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. The fair value of these derivative instruments was not material for any periods presented. No notional amounts related to these instruments are included in this table, but they are disclosed in Note 16, under Forward starting transactions. ³ In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. ⁴ Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for any periods presented. ⁵ Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. ⁶ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ⁷ Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 25 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2019 for more information.

Note 11 Derivative instruments (continued)

Derivative financial assets decreased by USD 61 billion and derivative financial liabilities decreased by USD 54 billion compared with the first quarter of 2020, mainly reflecting roll-offs and market-driven movements in foreign exchange and equity / index contracts in our Derivatives & Solutions and Financing businesses in the Investment Bank.

b) Cash collateral on derivative instruments

<i>USD billion</i>	Receivables 30.6.20	Payables 30.6.20	Receivables 31.3.20	Payables 31.3.20	Receivables 31.12.19	Payables 31.12.19
Cash collateral on derivative instruments, based on IFRS netting ¹	30.8	36.9	39.5	45.6	23.3	31.4
Further netting potential not recognized on the balance sheet ²	(18.0)	(20.1)	(21.7)	(24.2)	(14.4)	(18.1)
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(16.7)</i>	<i>(18.3)</i>	<i>(19.6)</i>	<i>(21.8)</i>	<i>(13.3)</i>	<i>(16.5)</i>
<i>of which: netting with collateral received / pledged</i>	<i>(1.3)</i>	<i>(1.8)</i>	<i>(2.1)</i>	<i>(2.4)</i>	<i>(1.1)</i>	<i>(1.7)</i>
Cash collateral on derivative instruments, after consideration of further netting potential	12.8	16.8	17.9	21.5	8.9	13.3

¹ Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. ² Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 25 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2019 for more information.

Note 12 Other assets and liabilities**a) Other financial assets measured at amortized cost**

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Debt securities	19,062	14,118	14,141
<i>of which: government bills / bonds</i>	<i>9,812</i>	<i>8,458</i>	<i>8,492</i>
Loans to financial advisors ¹	2,673	2,699	2,877
Fee- and commission-related receivables	1,650	2,084	1,520
Finance lease receivables	1,409	1,386	1,444
Settlement and clearing accounts	317	893	587
Accrued interest income	624	625	742
Other	1,589	2,102	1,701
Total other financial assets measured at amortized cost	27,324	23,907	23,012

¹ Related to financial advisors in the US and Canada.

b) Other non-financial assets

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Precious metals and other physical commodities	4,890	4,050	4,597
Bail deposit ¹	1,300	1,273	1,293
Prepaid expenses	697	787	687
VAT and other tax receivables	335	336	436
Properties and other non-current assets held for sale	242	202	199
Other	385	651	335
Total other non-financial assets	7,849	7,299	7,547

¹ Refer to item 1 in Note 15b for more information.

Note 12 Other assets and liabilities (continued)

c) Other financial liabilities measured at amortized cost

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Other accrued expenses	1,426	1,639	1,697
Accrued interest expenses	1,183	1,083	1,596
Settlement and clearing accounts	1,802	1,827	1,368
Lease liabilities	3,763	3,744	3,858
Other	1,930	2,168	1,854
Total other financial liabilities measured at amortized cost	10,103	10,462	10,373

d) Other financial liabilities designated at fair value

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Financial liabilities related to unit-linked investment contracts	26,573	23,150	28,145
Securities financing transactions	8,371	5,992	5,742
Over-the-counter debt instruments	2,852	2,297	2,022
Funding from UBS Group AG and its subsidiaries	1,220	259	217
Other	114	96	31
Total other financial liabilities designated at fair value	39,131	31,794	36,157
<i>of which: life-to-date own credit (gain) / loss</i>	<i>(8)</i>	<i>(328)</i>	<i>6</i>

e) Other non-financial liabilities

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Compensation-related liabilities	3,706	2,656	4,296
<i>of which: financial advisor compensation plans</i>	<i>1,267</i>	<i>1,188</i>	<i>1,459</i>
<i>of which: other compensation plans</i>	<i>1,156</i>	<i>371</i>	<i>1,750</i>
<i>of which: net defined benefit pension and post-employment liabilities</i>	<i>767</i>	<i>624</i>	<i>629</i>
<i>of which: other compensation-related liabilities¹</i>	<i>516</i>	<i>473</i>	<i>458</i>
Deferred tax liabilities	668	800	311
Current tax liabilities	827	649	780
VAT and other tax payables	477	502	445
Deferred income	243	213	134
Other	186	245	202
Total other non-financial liabilities	6,106	5,065	6,168

¹ Includes liabilities for payroll taxes and untaken vacation.

Note 13 Debt issued designated at fair value

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Issued debt instruments			
Equity-linked ¹	35,657	32,927	41,722
Rates-linked	13,694	12,898	16,318
Credit-linked	1,866	1,682	1,916
Fixed-rate	4,436	3,797	4,636
Commodity-linked	1,335	1,249	1,567
Other	655	488	432
Total debt issued designated at fair value	57,644	53,040	66,592
<i>of which: issued by UBS AG with original maturity greater than one year²</i>	41,403	37,364	51,031
<i>of which: life-to-date own credit (gain) / loss</i>	39	(741)	82

¹ Includes investment fund unit-linked instruments issued. ² Issued by the legal entity UBS AG. Based on original contractual maturity without considering any early redemption features. 100% of the balance as of 30 June 2020 was unsecured (31 March 2020: 100% of the balance was unsecured; 31 December 2019: more than 99% of the balance was unsecured).

Note 14 Debt issued measured at amortized cost

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Certificates of deposit	16,401	9,246	5,190
Commercial paper	16,156	15,453	14,413
Other short-term debt	3,877	2,468	2,235
Short-term debt¹	36,434	27,167	21,837
Senior unsecured debt	21,751	20,590	22,356
<i>of which: issued by UBS AG with original maturity greater than one year²</i>	21,729	20,576	22,349
Covered bonds	2,605	2,570	2,633
Subordinated debt	7,598	7,551	7,431
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	7,063	7,017	6,892
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	534	534	540
Debt issued through the Swiss central mortgage institutions	8,795	8,597	8,574
Other long-term debt	3	3	4
Long-term debt³	40,752	39,312	40,998
Total debt issued measured at amortized cost⁴	77,186	66,479	62,835

¹ Debt with an original contractual maturity of less than one year. ² Issued by the legal entity UBS AG. Based on original contractual maturity without considering any early redemption features. As of 30 June 2020, 100% of the balance was unsecured (31 March 2020: 100% of the balance was unsecured; 31 December 2019: 100% of the balance was unsecured). ³ Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. ⁴ Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

Note 15 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

<i>USD million</i>	30.6.20	31.3.20	31.12.19
Provisions other than provisions for expected credit losses	2,324	2,368	2,825
Provisions for expected credit losses	240	162	114
Total provisions	2,564	2,530	2,938

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

<i>USD million</i>	Litigation, regulatory and similar matters ¹	Restructuring	Other ³	Total
Balance as of 31 December 2019	2,475	99	251	2,825
Balance as of 31 March 2020	1,998	132	238	2,368
Increase in provisions recognized in the income statement	20	14	8	42
Release of provisions recognized in the income statement	(18)	(7)	(1)	(27)
Provisions used in conformity with designated purpose	(33)	(39)	(7)	(79)
Foreign currency translation / unwind of discount	14	1	4	19
Balance as of 30 June 2020	1,980	101²	243	2,324

¹ Comprises provisions for losses resulting from legal, liability and compliance risks. ² Primarily consists of personnel-related restructuring provisions of USD 41 million as of 30 June 2020 (31 March 2020: USD 68 million; 31 December 2019: USD 33 million) and provisions for onerous contracts of USD 55 million as of 30 June 2020 (31 March 2020: USD 59 million; 31 December 2019: USD 61 million). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to severance payments and onerous contracts. Severance-related provisions are used within a short time period, usually within six months, but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS AG is

committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 15b. There are no material contingent liabilities associated with the other classes of provisions.

Note 15 Provisions and contingent liabilities (continued)

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 the 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.

Note 15 Provisions and contingent liabilities (continued)

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 second quarter 2020 report.

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

<i>USD million</i>	Global Wealth Manage- ment	Personal & Corporate Banking	Asset Manage- ment	Investment Bank	Group Functions	UBS
Balance as of 31 December 2019	782	113	0	255	1,325	2,475
Balance as of 31 March 2020	747	112	0	205	934	1,998
Increase in provisions recognized in the income statement	20	0	0	1	0	20
Release of provisions recognized in the income statement	(12)	(6)	0	0	0	(18)
Provisions used in conformity with designated purpose	(33)	0	0	(1)	0	(33)
Foreign currency translation / unwind of discount	9	2	0	2	0	14
Balance as of 30 June 2020	732	108	0	207	934	1,980

¹ Provisions, if any, for matters described in this disclosure 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 disclosure are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in item 5 are allocated between the Investment Bank and Group Functions.

Note 15 Provisions and contingent liabilities (continued)

1. Inquiries regarding cross-border wealth management businesses

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

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court. On 26 July 2019, the Supreme Court reversed the decision of the Federal Administrative Court. In December 2019, the court released its written decision. The decision requires the FTA to obtain confirmation from the French authorities that transmitted data will be used only for the purposes stated in their request before transmitting any data. The stated purpose of the original request was to obtain information relating to taxes owed by account holders. Accordingly, any information transferred to the French authorities must not be passed to criminal authorities or used in connection with the ongoing case against UBS discussed in this item. In February 2020, the FTA ordered that UBS would not be granted party status in the French administrative assistance proceedings. UBS appealed this decision to the Federal Administrative Court. On 15 July, the Federal Administrative Court upheld the FTA's decision, holding that UBS does not have party status in these proceedings. UBS has ten days to appeal this decision to the Swiss Supreme Court.

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 originally scheduled for 2 June 2020 has been rescheduled to 8-24 March 2021. The Court of Appeal will retry the case de novo as to both the law and the facts, and the fines and penalties can be greater than or less than those imposed by the court of first instance. 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 June 2020 reflected provisions with respect to this matter in an amount of EUR 450 million (USD 506 million at 30 June 2020). 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 June 2020 reflects our best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

Note 15 Provisions and contingent liabilities (continued)

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. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017. In June 2019, UBS entered into a settlement agreement with the Italian tax authorities under which it paid EUR 101 million to resolve the claims asserted by the authority related to UBS AG's potential permanent establishment in Italy. In October 2019, the Judge of Preliminary Investigations of the Milan Court approved an agreement with the Milan prosecutor under Article 63 of Italian Administrative Law 231 under which UBS AG, UBS Switzerland AG and UBS Monaco have paid an aggregate of EUR 10.3 million to resolve claims premised on the alleged inadequacy of historical internal controls. No admission of wrongdoing was required in connection with this resolution.

Our balance sheet at 30 June 2020 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.

Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), related to UBS's RMBS business from 2005 through 2007. On 8 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 FIRREA 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 June 2020 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.

Note 15 Provisions and contingent liabilities (continued)

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) have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 3.4 billion, of which claims with aggregate claimed damages of USD 2.6 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by 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; customer complaint and arbitration 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 and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into 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 in relation to their examinations of UBS's operations.

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, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

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. These events, further defaults or any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

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 2020, three US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and seven other underwriters of Puerto Rico municipal bonds. 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.

Our balance sheet at 30 June 2020 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.

Note 15 Provisions and contingent liabilities (continued)

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 the UK Financial Conduct Authority (FCA), the US Commodity Futures Trading Commission (CFTC), FINMA, the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking, the DOJ's Criminal Division and the European Commission. UBS has ongoing obligations under the Cease and Desist Order of the Federal Reserve Board and the Office of the Comptroller of the Currency (as successor to the Connecticut Department of Banking), and to cooperate with relevant authorities and to undertake certain remediation measures. UBS has also been 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. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

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

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

In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint. UBS and 11 other banks have reached an agreement with the plaintiffs to settle the class action for a total of USD 10 million. The settlement is subject to court approval.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have 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 has ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been 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.

Note 15 Provisions and contingent liabilities (continued)

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 preliminary court approval and remains subject to final 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.

Other benchmark class actions in the US: In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiffs' federal racketeering claims on the same basis and affirmed its previous dismissal of the plaintiffs' antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. 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 in the other Yen LIBOR, Euroyen TIBOR and the EURIBOR actions have appealed the dismissals. In April 2020, the appeals court reversed the dismissal of the Yen LIBOR / Euroyen TIBOR complaint. The EURIBOR action remains on appeal. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs in the CHF LIBOR and

SIBOR / SOR actions filed amended complaints following the dismissals, and the courts granted renewed motions to dismiss in July 2019 (SIBOR / SOR) and in September 2019 (CHF LIBOR). Plaintiffs in both actions have appealed. 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 in the BBSW action filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint have 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. The court dismissed the GBP LIBOR action in August 2019, and plaintiffs appealed the dismissal in September 2019.

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 are pending. Similar class actions have been filed concerning European government bonds and other government bonds.

UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

Government sponsored entities (GSE) bonds: Starting in February 2019, class action complaints were filed in the US District Court for the Southern District of New York against UBS and other banks on behalf of plaintiffs who traded GSE bonds. A consolidated complaint was filed alleging collusion in GSE bond trading between 1 January 2009 and 1 January 2016. In December 2019, UBS and eleven other defendants agreed to settle the class action for a total of USD 250 million. The settlement is subject to court approval.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 30 June 2020 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 15 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 has 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 June 2020 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 16 Guarantees, commitments and forward starting transactions

The table below presents the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

	Gross		Total gross	Sub-participations	Net
	Measured at fair value	Not measured at fair value			
<i>As of 30.6.20, USD million</i>					
Total guarantees	963	16,313	17,275	(2,627)	14,648
Loan commitments	7,390	39,651	47,042	(782)	46,259
Forward starting transactions¹					
Reverse repurchase agreements	37,327	2,206	39,533		
Securities borrowing agreements		4	4		
Repurchase agreements	43,367	2,172	45,539		
<i>As of 31.3.20, USD million</i>					
Total guarantees	969	17,830	18,800	(2,634)	16,166
Loan commitments	13,514	28,334	41,848	(817)	41,031
Forward starting transactions¹					
Reverse repurchase agreements	41,161	5,113	46,275		
Securities borrowing agreements		9	9		
Repurchase agreements	31,293	1,221	32,515		
<i>As of 31.12.19, USD million</i>					
Total guarantees	986	18,142	19,128	(2,646)	16,482
Loan commitments	6,308	27,547	33,856	(787)	33,069
Forward starting transactions¹					
Reverse repurchase agreements	20,284	1,657	21,941		
Repurchase agreements	7,740	408	8,148		

¹ Cash to be paid in the future by either UBS or the counterparty.

Note 17 Currency translation rates

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

	Closing exchange rate				Average rate ¹				
	As of				For the quarter ended		Year-to-date		
	30.6.20	31.3.20	31.12.19	30.6.19	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
1 CHF	1.06	1.04	1.03	1.02	1.04	1.04	1.00	1.04	1.00
1 EUR	1.12	1.10	1.12	1.14	1.11	1.10	1.13	1.11	1.13
1 GBP	1.24	1.24	1.32	1.27	1.24	1.28	1.28	1.26	1.30
100 JPY	0.93	0.93	0.92	0.93	0.93	0.93	0.92	0.93	0.91

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

Note 18 Supplemental guarantor information required under SEC regulations

Joint liability of UBS Switzerland AG

In 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for contractual obligations of UBS AG existing on the asset transfer date, including the full and unconditional

guarantee of certain registered debt securities issued by UBS AG. To reflect this joint liability, UBS Switzerland AG is presented in a separate column as a subsidiary co-guarantor.

The joint liability of UBS Switzerland AG for contractual obligations of UBS AG decreased by USD 6 billion in the first half of 2020 to USD 11 billion as of 30 June 2020, mainly driven by movements in debt issued designated at fair value.

Supplemental guarantor consolidated income statement

<i>USD million</i>	UBS AG (standalone) ¹	UBS Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2020					
Operating income					
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	1,813	1,821	1,439	(481)	4,591
Interest expense from financial instruments measured at amortized cost	(2,152)	(258)	(759)	651	(2,519)
Net interest income from financial instruments measured at fair value through profit or loss	507	83	175	(149)	616
Net interest income	169	1,645	854	20	2,689
Other net income from financial instruments measured at fair value through profit or loss	2,570	435	386	329	3,719
Credit loss (expense) / recovery	(239)	(218)	(83)	0	(540)
Fee and commission income	1,855	2,293	6,581	(518)	10,211
Fee and commission expense	(307)	(454)	(623)	509	(875)
Net fee and commission income	1,548	1,839	5,958	(8)	9,336
Other income	2,207	135	831	(2,857)	317
Total operating income	6,255	3,836	7,947	(2,517)	15,521
Operating expenses					
Personnel expenses	1,713	1,027	4,651	0	7,391
General and administrative expenses	1,619	1,568	1,983	(1,210)	3,960
Depreciation and impairment of property, equipment and software	430	122	320	(57)	814
Amortization and impairment of goodwill and intangible assets	2	0	30	0	32
Total operating expenses	3,764	2,716	6,983	(1,267)	12,197
Operating profit / (loss) before tax	2,490	1,120	964	(1,250)	3,324
Tax expense / (benefit)	138	215	266	83	703
Net profit / (loss)	2,352	904	698	(1,333)	2,621
Net profit / (loss) attributable to non-controlling interests	0	0	6	0	6
Net profit / (loss) attributable to shareholders	2,352	904	691	(1,333)	2,615

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at www.ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)**Supplemental guarantor consolidated statement of comprehensive income**

<i>USD million</i>	UBS		Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2020	UBS AG (standalone) ¹	Switzerland AG (standalone) ¹			
Comprehensive income attributable to shareholders					
Net profit / (loss)	2,352	904	691	(1,333)	2,615
Other comprehensive income					
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation, net of tax	7	278	(111)	(72)	103
Financial assets measured at fair value through other comprehensive income, net of tax	0	0	149	0	149
Cash flow hedges, net of tax	1,348	84	176	(8)	1,600
Cost of hedging, net of tax	9	0	(13)	0	(4)
Total other comprehensive income that may be reclassified to the income statement, net of tax	1,364	362	201	(80)	1,847
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans, net of tax	(131)	(97)	(42)	0	(270)
Own credit on financial liabilities designated at fair value, net of tax	62				62
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(69)	(97)	(42)	0	(208)
Total other comprehensive income	1,295	265	160	(80)	1,639
Total comprehensive income attributable to shareholders	3,647	1,169	851	(1,413)	4,254
Total comprehensive income attributable to non-controlling interests			3		3
Total comprehensive income	3,647	1,169	854	(1,413)	4,256

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at www.ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated balance sheet

<i>USD million</i>					
As of 30 June 2020	UBS AG (standalone) ¹	UBS Switzerland AG (standalone) ¹	Other subsidiaries ²	Elimination entries	UBS AG (consolidated)
Assets					
Cash and balances at central banks	51,258	77,212	21,078		149,549
Loans and advances to banks	36,886	6,357	20,183	(47,882)	15,544
Receivables from securities financing transactions	60,577	2,024	49,286	(26,617)	85,271
Cash collateral receivables on derivative instruments	29,262	1,176	11,311	(10,903)	30,846
Loans and advances to customers	95,491	208,911	64,068	(22,687)	345,783
Other financial assets measured at amortized cost	8,856	8,283	12,555	(2,370)	27,324
Total financial assets measured at amortized cost	282,331	303,964	178,481	(110,458)	654,318
Financial assets at fair value held for trading	83,227	195	17,219	(2,486)	98,155
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>	<i>42,186</i>	<i>0</i>	<i>7,914</i>	<i>(11,595)</i>	<i>38,505</i>
Derivative financial instruments	145,995	5,482	44,302	(43,769)	152,010
Brokerage receivables	13,134		6,716	(1)	19,848
Financial assets at fair value not held for trading	53,515	12,720	47,101	(19,326)	94,010
Total financial assets measured at fair value through profit or loss	295,872	18,396	115,338	(65,582)	364,023
Financial assets measured at fair value through other comprehensive income	162		8,462		8,624
Investments in subsidiaries and associates	52,355	30	46	(51,377)	1,054
Property, equipment and software	7,113	1,252	3,841	(316)	11,889
Goodwill and intangible assets	220		6,160	35	6,414
Deferred tax assets	588		8,676		9,263
Other non-financial assets	5,159	2,016	836	(162)	7,849
Total assets	643,798	325,658	321,839	(227,860)	1,063,435
Liabilities					
Amounts due to banks	50,545	31,811	43,107	(113,053)	12,410
Payables from securities financing transactions	15,041	687	23,023	(26,732)	12,019
Cash collateral payables on derivative instruments	35,569	136	12,011	(10,833)	36,883
Customer deposits	86,983	260,966	97,899	31,296	477,145
Funding from UBS Group AG and its subsidiaries ³	49,701				49,701
Debt issued measured at amortized cost	68,459	8,801	4	(78)	77,186
Other financial liabilities measured at amortized cost	5,148	2,807	5,013	(2,865)	10,103
Total financial liabilities measured at amortized cost	311,446	305,208	181,057	(122,265)	675,446
Financial liabilities at fair value held for trading	29,709	648	6,373	(2,303)	34,426
Derivative financial instruments	146,606	5,058	44,373	(43,757)	152,280
Brokerage payables designated at fair value	24,854		15,401	(7)	40,248
Debt issued designated at fair value	56,866		817	(40)	57,644
Other financial liabilities designated at fair value	14,430		32,789	(8,088)	39,131
Total financial liabilities measured at fair value through profit or loss	272,464	5,706	99,753	(54,194)	323,729
Provisions	1,145	270	1,166	(17)	2,564
Other non-financial liabilities	1,877	906	3,217	106	6,106
Total liabilities	586,933	312,090	285,194	(176,370)	1,007,847
Equity attributable to shareholders	56,865	13,568	36,473	(51,490)	55,416
Equity attributable to non-controlling interests			173		173
Total equity	56,865	13,568	36,645	(51,490)	55,589
Total liabilities and equity	643,798	325,658	321,839	(227,860)	1,063,435

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at www.ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries. ³ Represents funding from UBS Group AG to UBS AG.

Note 18 Supplemental guarantor information required under SEC regulations (continued)**Supplemental guarantor consolidated statement of cash flows**

USD million

For the six months ended 30 June 2020

	UBS AG ¹	UBS Switzerland AG ¹	Other subsidiaries ¹	UBS AG (consolidated)
Net cash flow from / (used in) operating activities	7,484	16,765	16,811	41,060
Cash flow from / (used in) investing activities				
Purchase of subsidiaries, associates and intangible assets	0	(1)	0	(1)
Disposal of subsidiaries, associates and intangible assets	14	0	0	14
Purchase of property, equipment and software	(277)	(139)	(309)	(725)
Disposal of property, equipment and software	1	0	3	4
Purchase of financial assets measured at fair value through other comprehensive income	(77)	0	(4,055)	(4,132)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	27	0	1,917	1,944
Net (purchase) / redemption of debt securities measured at amortized cost	(3,126)	(373)	(1,318)	(4,817)
Net cash flow from / (used in) investing activities	(3,437)	(513)	(3,762)	(7,713)
Cash flow from / (used in) financing activities				
Net short-term debt issued / (repaid)	14,916	(3)	(1)	14,912
Distributions paid on UBS shares	(2,550)	0	0	(2,550)
Repayment of lease liabilities	(133)	0	(129)	(262)
Issuance of long-term debt, including debt issued designated at fair value	43,013	336	68	43,417
Repayment of long-term debt, including debt issued designated at fair value	(44,520)	(306)	(62)	(44,887)
Funding from UBS Group AG and its subsidiaries ²	1,334	0	0	1,334
Net changes in non-controlling interests	0	0	(4)	(4)
Net activity related to group internal capital transactions and dividends	1,513	(749)	(763)	0
Net cash flow from / (used in) financing activities	13,573	(723)	(890)	11,960
Total cash flow				
Cash and cash equivalents at the beginning of the year	39,598	62,551	17,655	119,804
Net cash flow from / (used in) operating, investing and financing activities	17,620	15,529	12,160	45,308
Effects of exchange rate differences on cash and cash equivalents	48	1,549	(30)	1,567
Cash and cash equivalents at the end of the year³	57,266	79,629	29,784	166,679
<i>of which: cash and balances at central banks</i>	<i>51,139</i>	<i>77,212</i>	<i>21,078</i>	<i>149,430</i>
<i>of which: loans and advances to banks</i>	<i>4,492</i>	<i>1,979</i>	<i>7,867</i>	<i>14,339</i>
<i>of which: money market paper</i>	<i>1,635</i>	<i>437</i>	<i>839</i>	<i>2,911</i>

¹ Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. ² Represents funding from UBS Group AG to UBS AG. ³ Comprises balances with an original maturity of three months or less. USD 5,393 million of cash and cash equivalents were restricted.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated income statement

<i>USD million</i>	UBS AG (standalone) ^{1,2}	UBS Switzerland AG (standalone) ¹	Other subsidiaries ³	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2019					
Operating income					
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	2,517	2,098	1,923	(1,109)	5,429
Interest expense from financial instruments measured at amortized cost	(3,542)	(396)	(1,263)	1,303	(3,898)
Net interest income from financial instruments measured at fair value through profit or loss	676	(155)	225	(172)	573
Net interest income	(349)	1,547	885	21	2,104
Other net income from financial instruments measured at fair value through profit or loss	2,936	500	630	(195)	3,872
Credit loss (expense) / recovery	(63)	21	(8)	18	(33)
Fee and commission income	1,693	2,176	6,118	(515)	9,474
Fee and commission expense	(357)	(419)	(574)	508	(842)
Net fee and commission income	1,337 ⁴	1,758 ⁴	5,544	(7)	8,631
Other income	3,550	117	902	(4,169)	400
Total operating income	7,411	3,942	7,954	(4,331)	14,975
Operating expenses					
Personnel expenses	1,724	1,000	4,309	6	7,040
General and administrative expenses	1,644	1,590	2,153	(1,357)	4,030
Depreciation and impairment of property, equipment and software	418	109	287	(52)	761
Amortization and impairment of goodwill and intangible assets	3	0	31	0	33
Total operating expenses	3,789	2,698	6,780	(1,402)	11,864
Operating profit / (loss) before tax	3,622	1,244	1,174	(2,929)	3,110
Tax expense / (benefit)	171	264	316	(15)	736
Net profit / (loss)	3,451	980	858	(2,914)	2,374
Net profit / (loss) attributable to non-controlling interests	0	0	(1)	0	(1)
Net profit / (loss) attributable to shareholders	3,451	980	859	(2,914)	2,375

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at www.ubs.com/investors for information prepared in accordance with Swiss GAAP. ² Effective from the second quarter of 2020, UBS AG accounts for its investments in associates under the equity method of accounting and no longer at cost less impairment. The new measurement policy will result in more relevant information regarding the value of UBS AG's investments in associates. The change was applied retrospectively to all prior periods presented, resulting in a decrease in Net profit attributable to shareholders for the six months ended 30 June 2019 of USD 72 million, almost entirely reflected within Other income. ³ The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries. ⁴ Includes the effects of the transfer in 2019 of beneficial ownership of a portion of Global Wealth Management International business booked in Switzerland from UBS Switzerland AG to UBS AG. Refer to "Note 25 Changes in organization and other events affecting comparability" in the "UBS AG standalone financial statements" section of the UBS AG Standalone financial statements and regulatory information for the year ended 31 December 2019.

Note 18 Supplemental guarantor information required under SEC regulations (continued)**Supplemental guarantor consolidated statement of comprehensive income**

<i>USD million</i>	UBS AG (standalone) ^{1,2}	UBS Switzerland AG (standalone) ¹	Other subsidiaries ³	Elimination entries	UBS AG (consolidated)
For the six months ended 30 June 2019					
Comprehensive income attributable to shareholders					
Net profit / (loss)	3,451	980	859	(2,914)	2,375
Other comprehensive income					
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation, net of tax	(7)	33	14	(1)	39
Financial assets measured at fair value through other comprehensive income, net of tax	5	0	123	0	128
Cash flow hedges, net of tax	855	229	156	(7)	1,232
Total other comprehensive income that may be reclassified to the income statement, net of tax	852	261	293	(8)	1,398
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans, net of tax	(104)	(11)	(50)	0	(165)
Own credit on financial liabilities designated at fair value, net of tax	(246)				(246)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(350)	(11)	(50)	0	(411)
Total other comprehensive income	503	251	243	(8)	988
Total comprehensive income attributable to shareholders	3,953	1,231	1,102	(2,922)	3,363
Total comprehensive income attributable to non-controlling interests			(3)		(3)
Total comprehensive income	3,953	1,231	1,099	(2,922)	3,360

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at www.ubs.com/investors for information prepared in accordance with Swiss GAAP. ² Effective from the second quarter of 2020, UBS AG accounts for its investments in associates under the equity method of accounting and no longer at cost less impairment. The new measurement policy will result in more relevant information regarding the value of UBS AG's investments in associates. The change was applied retrospectively to all prior periods presented, resulting in a decrease in Total comprehensive income attributable to shareholders for the six months ended 30 June 2019 of USD 74 million, reflecting a decrease of USD 72 million in Net profit attributable to shareholders and a USD 2 million decrease in Total other comprehensive income attributable to shareholders. ³ The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 18 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated balance sheet

<i>USD million</i>					
As of 31 December 2019	UBS AG (standalone) ^{1,2}	UBS Switzerland AG (standalone) ¹	Other subsidiaries ³	Elimination entries	UBS AG (consolidated)
Assets					
Cash and balances at central banks	36,386	60,926	9,756		107,068
Loans and advances to banks	32,888	7,992	17,430	(45,931)	12,379
Receivables from securities financing transactions	56,946	12,536	42,534	(27,771)	84,245
Cash collateral receivables on derivative instruments	22,830	990	8,508	(9,038)	23,289
Loans and advances to customers	88,386	193,543	63,676	(17,612)	327,992
Other financial assets measured at amortized cost	5,723	8,168	11,448	(2,327)	23,012
Total financial assets measured at amortized cost	243,159	284,154	153,351	(102,679)	577,985
Financial assets at fair value held for trading	113,802	53	15,320	(1,479)	127,695
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>	<i>58,599</i>	<i>0</i>	<i>5,386</i>	<i>(22,701)</i>	<i>41,285</i>
Derivative financial instruments	118,708	4,251	29,782	(30,899)	121,843
Brokerage receivables	11,453		6,556	(1)	18,007
Financial assets at fair value not held for trading	49,525	6,701	41,908	(14,498)	83,636
Total financial assets measured at fair value through profit or loss	293,488	11,004	93,565	(46,877)	351,181
Financial assets measured at fair value through other comprehensive income	176		6,169		6,345
Investments in subsidiaries and associates	52,140	28	39	(51,156)	1,051
Property, equipment and software	7,318	1,144	3,749	(385)	11,826
Goodwill and intangible assets	222		6,212	35	6,469
Deferred tax assets	618	0	8,895		9,513
Other non-financial assets	5,060	1,770	857	(140)	7,547
Total assets	602,181	298,101	272,837	(201,202)	971,916
Liabilities					
Amounts due to banks	55,738	28,240	35,773	(113,181)	6,570
Payables from securities financing transactions	21,326	565	13,583	(27,696)	7,778
Cash collateral payables on derivative instruments	30,571	98	9,773	(9,027)	31,416
Customer deposits	85,954	239,226	86,550	38,861	450,591
Funding from UBS Group AG and its subsidiaries ⁴	47,866				47,866
Debt issued measured at amortized cost	54,317	8,583	5	(70)	62,835
Other financial liabilities measured at amortized cost	5,347	2,666	5,204	(2,844)	10,373
Total financial liabilities measured at amortized cost	301,119	279,379	150,888	(113,956)	617,429
Financial liabilities at fair value held for trading	25,292	383	6,233	(1,317)	30,591
Derivative financial instruments	117,597	4,046	30,089	(30,852)	120,880
Brokerage payables designated at fair value	25,358		11,877	(3)	37,233
Debt issued designated at fair value	65,677		952	(38)	66,592
Other financial liabilities designated at fair value	8,571		31,031	(3,445)	36,157
Total financial liabilities measured at fair value through profit or loss	242,495	4,429	80,184	(35,655)	291,452
Provisions	1,101	196	1,641		2,938
Other non-financial liabilities	1,657	931	3,559	21	6,168
Total liabilities	546,372	284,936	236,271	(149,591)	917,988
Equity attributable to shareholders	55,808	13,165	36,391	(51,611)	53,754
Equity attributable to non-controlling interests			174		174
Total equity	55,808	13,165	36,566	(51,611)	53,928
Total liabilities and equity	602,181	298,101	272,837	(201,202)	971,916

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at www.ubs.com/investors for information prepared in accordance with Swiss GAAP. ² Effective from the second quarter of 2020, UBS AG accounts for its investments in associates under the equity method of accounting and no longer at cost less impairment. The new measurement policy will result in more relevant information regarding the value of UBS AG's investments in associates. The change was applied retrospectively to all prior periods presented, resulting in an increase in Investments in subsidiaries and associates as of 31 December 2019 of USD 929 million and an increase in Equity attributable to shareholders as of 31 December 2019 of USD 914 million. ³ The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries. ⁴ Represents funding from UBS Group AG to UBS AG.

Note 18 Supplemental guarantor information required under SEC regulations (continued)**Supplemental guarantor consolidated statement of cash flows**

<i>USD million</i>		UBS	Other	UBS AG
For the six months ended 30 June 2019	UBS AG ¹	Switzerland AG ¹	subsidiaries ¹	(consolidated)
Net cash flow from / (used in) operating activities²	11,822	(2,064)	(8,546)	1,213
Cash flow from / (used in) investing activities				
Purchase of subsidiaries, associates and intangible assets	(5)	0	0	(5)
Disposal of subsidiaries, associates and intangible assets	100	0	0	100
Purchase of property, equipment and software	(319)	(91)	(280)	(690)
Disposal of property, equipment and software	8	0	0	8
Purchase of financial assets measured at fair value through other comprehensive income	3	0	(1,760)	(1,757)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	0	0	1,160	1,160
Net (purchase) / redemption of debt securities measured at amortized cost	1	596	55	653
Net cash flow from / (used in) investing activities	(212)	505	(823)	(531)
Cash flow from / (used in) financing activities				
Net short-term debt issued / (repaid)	(14,244)	(3)	(1)	(14,248)
Distributions paid on UBS shares	(3,250)	0	0	(3,250)
Issuance of long-term debt, including debt issued designated at fair value	27,968	467	57	28,491
Repayment of long-term debt, including debt issued designated at fair value	(25,552)	(378)	(1)	(25,931)
Funding from UBS Group AG and its subsidiaries ³	2,980	0	0	2,980
Net changes in non-controlling interests	0	0	(6)	(6)
Net activity related to group internal capital transactions and dividends	2,437	(2,055)	(382)	0
Net cash flow from / (used in) financing activities	(9,663)	(1,969)	(333)	(11,964)
Total cash flow				
Cash and cash equivalents at the beginning of the year	42,895	54,757	28,201	125,853
Net cash flow from / (used in) operating, investing and financing activities	1,947	(3,528)	(9,702)	(11,283)
Effects of exchange rate differences on cash and cash equivalents	531	218	(137)	613
Cash and cash equivalents at the end of the year⁴	45,373	51,448	18,362	115,183
<i>of which: cash and balances at central banks</i>	40,235	49,707	11,399	101,341
<i>of which: loans and advances to banks</i>	3,892	1,589	6,394	11,874
<i>of which: money market paper</i>	1,246	152	570	1,968

¹ Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. ² In 2019, cash payments for the principal portion of the lease liability were classified within operating activities under Financial assets at fair value not held for trading, other financial assets and liabilities. ³ Represents funding from UBS Group Funding (Switzerland) AG to UBS AG. ⁴ Comprises balances with an original maturity of three months or less. USD 3,161 million of cash and cash equivalents were restricted.

UBS AG standalone financial information

Unaudited

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UBS AG standalone financial information

Income statement

	USD million					CHF million				
	For the quarter ended			Year-to-date		For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Interest and discount income ¹	1,137	1,482	1,977	2,619	3,971	1,091	1,427	1,974	2,518	3,960
Interest and dividend income from trading portfolio	522	670	702	1,192	1,332	499	646	698	1,145	1,327
Interest and dividend income from financial investments	76	93	119	169	243	72	90	119	162	242
Interest expense ²	(1,658)	(1,820)	(3,349)	(3,478)	(5,953)	(1,591)	(1,753)	(3,352)	(3,344)	(5,946)
Gross interest income	76	425	(551)	501	(407)	71	410	(561)	481	(417)
Credit loss (expense) / recovery	(23)	(97)	(46)	(121)	(53)	(22)	(94)	(45)	(116)	(52)
Net interest income	53	328	(598)	381	(460)	49	316	(607)	365	(468)
Fee and commission income from securities and investment business and other fee and commission income	844	947	890	1,791	1,636	808	912	893	1,720	1,636
Credit-related fees and commissions	47	76	35	122	64	45	73	35	118	64
Fee and commission expense	(145)	(162)	(158)	(307)	(357)	(139)	(156)	(158)	(295)	(356)
Net fee and commission income	746	860	767	1,606	1,344	714	829	770	1,542	1,345
Net trading income	1,279	1,160	1,583	2,439	2,587	1,225	1,118	1,600	2,343	2,597
Dividend income from investments in subsidiaries and other participations	1,317	285	2,660	1,602	2,731	1,266	275	2,700	1,541	2,771
Income from real estate holdings	130	126	134	256	279	124	122	134	246	279
Sundry ordinary income	323	357	422	681	838	310	344	421	654	836
Sundry ordinary expenses	(90)	(103)	(129)	(193)	(242)	(86)	(99)	(129)	(185)	(242)
Other income from ordinary activities	1,680	666	3,087	2,346	3,605	1,614	642	3,127	2,256	3,643
Total operating income	3,757	3,014	4,839	6,771	7,076	3,601	2,905	4,890	6,506	7,116
Personnel expenses	1,297	565	812	1,862	1,823	1,244	545	811	1,789	1,818
General and administrative expenses	833	893	868	1,726	1,779	798	861	867	1,659	1,775
Subtotal operating expenses	2,130	1,459	1,679	3,588	3,601	2,042	1,405	1,678	3,448	3,593
Impairment of investments in subsidiaries and other participations	(26)	112	18	86	96	(23)	108	18	84	95
Depreciation, amortization and impairment of property, equipment, software and intangible assets	175	175	182	350	352	168	168	182	336	351
Changes in provisions and other allowances and losses	7	9	(65)	15	(34)	6	8	(66)	15	(34)
Total operating expenses	2,286	1,754	1,815	4,040	4,015	2,193	1,690	1,812	3,883	4,004
Operating profit	1,471	1,260	3,025	2,731	3,062	1,408	1,214	3,077	2,623	3,112
Extraordinary income	65	32	29	98	116	63	31	28	94	115
Tax expense / (benefit)	112	70	56	182	125	107	67	56	174	125
Net profit / (loss) for the period	1,424	1,223	2,997	2,647	3,052	1,364	1,178	3,049	2,542	3,102

¹ Interest and discount income includes negative interest income on financial assets of USD 89 million (CHF 85 million), USD 68 million (CHF 65 million) and USD 108 million (CHF 108 million) for the quarters ended 30 June 2020, 31 March 2020 and 30 June 2019, respectively. ² Includes negative interest expense on financial liabilities of USD 64 million (CHF 62 million), USD 59 million (CHF 57 million) and USD 74 million (CHF 74 million) for the quarters ended 30 June 2020, 31 March 2020 and 30 June 2019, respectively.

Balance sheet

	USD million			CHF million		
	30.6.20	31.3.20	31.12.19	30.6.20	31.3.20	31.12.19
Assets						
Cash and balances at central banks	50,995	46,430	36,258	48,298	44,737	35,102
Due from banks	34,000	34,527	27,474	32,202	33,268	26,598
Receivables from securities financing transactions	69,680	62,714	62,844	65,994	60,428	60,841
Due from customers	118,238	127,369	110,334	111,984	122,726	106,818
Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity	24,531	24,238	24,203	23,234	23,355	23,432
Mortgage loans	4,358	4,444	4,664	4,127	4,282	4,515
Trading portfolio assets	86,442	80,906	116,843	81,870	77,957	113,119
Derivative financial instruments	15,891	24,298	12,436	15,050	23,412	12,039
Financial investments	29,435	21,165	23,463	27,878	20,393	22,715
Accrued income and prepaid expenses	1,300	1,322	1,400	1,231	1,274	1,356
Investments in subsidiaries and other participations	49,784	49,486	49,631	47,151	47,682	48,049
Property, equipment and software	6,093	6,184	6,227	5,771	5,958	6,029
Goodwill and other intangible assets	10	11	12	9	10	12
Other assets	3,102	4,442	3,158	2,936	4,278	3,056
Total assets	493,858	487,536	478,946	467,736	469,760	463,681
<i>of which: subordinated assets</i>	<i>18,280</i>	<i>17,985</i>	<i>6,688</i>	<i>17,313</i>	<i>17,329</i>	<i>6,475</i>
<i>of which: subject to mandatory conversion and/or debt waiver</i>	<i>16,486</i>	<i>16,243</i>	<i>4,885</i>	<i>15,614</i>	<i>15,650</i>	<i>4,729</i>
Liabilities						
Due to banks	58,587	61,824	61,860	55,489	59,570	59,889
Payables from securities financing transactions	24,786	28,254	27,022	23,475	27,224	26,160
Due to customers	121,869	122,070	120,417	115,423	117,620	116,580
Funding received from UBS Group AG eligible as total loss-absorbing capacity at UBS AG level	48,933	47,792	47,553	46,345	46,050	46,037
Trading portfolio liabilities	29,720	27,495	25,292	28,148	26,493	24,486
Derivative financial instruments	20,704	24,886	16,326	19,609	23,978	15,805
Financial liabilities designated at fair value	57,082	53,384	65,647	54,063	51,438	63,555
<i>of which: debt issued designated at fair value</i>	<i>55,049</i>	<i>51,797</i>	<i>64,260</i>	<i>52,137</i>	<i>49,908</i>	<i>62,212</i>
<i>of which: other financial liabilities designated at fair value</i>	<i>2,034</i>	<i>1,587</i>	<i>1,386</i>	<i>1,926</i>	<i>1,529</i>	<i>1,342</i>
Bonds issued	69,140	58,241	55,014	65,483	56,118	53,261
<i>of which: total loss-absorbing capacity eligible at UBS AG level</i>	<i>7,265</i>	<i>7,225</i>	<i>7,266</i>	<i>6,881</i>	<i>6,962</i>	<i>7,034</i>
Accrued expenses and deferred income	2,706	2,319	3,362	2,563	2,234	3,255
Other liabilities	7,359	7,169	3,551	6,970	6,902	3,439
Provisions	1,170	1,174	1,198	1,108	1,131	1,160
Total liabilities	442,056	434,609	427,242	418,675	418,759	413,626
Equity						
Share capital	393	393	393	386	386	386
General reserve	36,326	36,326	36,326	35,649	35,649	35,649
<i>of which: statutory capital reserve</i>	<i>36,326</i>	<i>36,326</i>	<i>36,326</i>	<i>35,649</i>	<i>35,649</i>	<i>35,649</i>
<i>of which: capital contribution reserve</i>	<i>36,326</i>	<i>36,326</i>	<i>36,326</i>	<i>35,649</i>	<i>35,649</i>	<i>35,649</i>
Voluntary earnings reserve ¹	12,435	11,138	11,138	10,484	9,898	10,130
Profit / (loss) carried forward ¹	0	3,848	0	0	3,890	0
Net profit / (loss) for the period	2,647	1,223	3,848	2,542	1,178	3,890
Total equity	51,802	52,927	51,705	49,061	51,001	50,055
Total liabilities and equity	493,858	487,536	478,946	467,736	469,760	463,681
<i>of which: subordinated liabilities</i>	<i>56,961</i>	<i>55,576</i>	<i>22,236</i>	<i>53,948</i>	<i>53,550</i>	<i>21,528</i>
<i>of which: subject to mandatory conversion and/or debt waiver</i>	<i>56,399</i>	<i>55,027</i>	<i>21,674</i>	<i>53,416</i>	<i>53,020</i>	<i>20,984</i>

¹ During the second quarter of 2020, UBS AG paid a cash dividend of USD 2,550 million (CHF 2,462 million) to UBS Group AG from Profit / (loss) carried forward, as approved at the Annual General Meeting of Shareholders held on 27 April 2020. The remainder of the balance under Profit / (loss) carried forward was appropriated to the Voluntary earnings reserve.

Basis of accounting

UBS AG standalone financial statements are prepared in accordance with Swiss GAAP (FINMA Accounting Ordinance, FINMA Circular 2020/1 and the Banking Ordinance).

The accounting policies are principally the same as the IFRS-based accounting policies for the consolidated financial statements outlined in Note 1 to the consolidated financial statements of UBS AG included in the Annual Report 2019. Major differences between Swiss GAAP and IFRS are described in Note 38 to the consolidated financial statements of UBS AG. Further information on the accounting policies applied for the standalone financial statements of UBS AG is provided in Note 2

to the UBS AG standalone financial statements as of 31 December 2019.

In preparing the interim financial information for UBS AG, the same accounting policies and methods of computation have been applied as in the annual standalone financial statements as of 31 December 2019.

This interim financial information is unaudited and should be read in conjunction with the audited 2019 standalone financial statements of UBS AG, available under "Holding company and significant regulated subsidiaries and sub-groups" under complementary financial information at www.ubs.com/investors.

Alternative performance measures

Alternative performance measures

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

APM label	Definition	Information content
Invested assets	Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts.	This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.
Recurring income – GWM	Calculated as the total of net interest income and recurring net fee income.	This measure provides information about the amount of recurring net interest and fee income.
Recurring net fee income – GWM, P&C	Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts (as well as credit card fees for GWM).	This measure provides information about the amount of recurring net fee income.
Transaction-based income – GWM, P&C	Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, as well as fees for payment and foreign exchange transactions (and credit card fees for P&C), together with other net income from financial instruments measured at fair value through profit or loss.	This measure provides information about the amount of the non-recurring portion of net fee and commission income.
Cost / income ratio (%)	Calculated as operating expenses divided by operating income before credit loss expense or recovery.	This measure provides information about the efficiency of the business by comparing operating expenses with gross income.
Gross margin on invested assets (bps) – GWM, AM	Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average invested assets.	This measure provides information about the operating income before credit loss expense or recovery of the business in relation to invested assets.
Net interest margin (bps) – P&C	Calculated as net interest income (annualized as applicable) divided by average loans.	This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value.
Net margin on invested assets (bps) – GWM, AM	Calculated as operating profit before tax (annualized as applicable) divided by average invested assets.	This measure provides information about the operating profit before tax of the business in relation to invested assets.
Net new business volume growth (%) – P&C	Calculated as total net inflows and outflows of client assets and loans during the period (annualized as applicable) divided by total business volume / client assets at the beginning of the period.	This measure provides information about the growth of the business volume as a result of net new business volume flows during a specific period.

APM label	Calculation	Information content
Net profit growth (%)	Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period.	This measure provides information about profit growth in comparison with the prior period.
Recurring income as a % of income – GWM	Calculated as net interest income and recurring net fee income divided by operating income before credit loss expense or recovery.	This measure provides information about the proportion of recurring income in operating income.
Return on common equity tier 1 capital (%)	Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital.	This measure provides information about the profitability of the business in relation to common equity tier 1 capital.
Return on equity (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders.	This measure provides information about the profitability of the business in relation to equity.
Return on leverage ratio denominator, gross (%)	Calculated as annualized operating income before credit loss expense or recovery divided by average leverage ratio denominator.	This measure provides information about the revenues of the business in relation to leverage ratio denominator.
Return on risk-weighted assets, gross (%)	Calculated as annualized operating income before credit loss expense or recovery divided by average risk-weighted assets.	This measure provides information about the revenues of the business in relation to risk-weighted assets.
Return on tangible equity (%)	Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets.	This measure provides information about the profitability of the business in relation to tangible equity.
Total book value per share (USD and CHF¹)	Calculated as equity attributable to shareholders divided by the number of shares outstanding.	This measure provides information about net assets on a per-share basis.
Total tangible book value per share (USD and CHF¹)	Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding.	This measure provides information about tangible net assets on a per-share basis.
Loan penetration (%)	Calculated as loans divided by invested assets.	This measure provides information about the loan volume in relation to invested assets.
Mandate penetration (%)	Calculated as mandate volume divided by invested assets.	This measure provides information about mandate volume in relation to invested assets.

¹ Total book value per share and total tangible book value per share in Swiss francs are calculated based on a translation of equity under our US dollar presentation currency.

Abbreviations frequently used in our financial reports

A		CEM	current exposure method	EPS	earnings per share
ABS	asset-backed securities	CEO	Chief Executive Officer	ESG	environmental, social and governance
AEI	automatic exchange of information	CET1	common equity tier 1		
AGM	Annual General Meeting of shareholders	CFO	Chief Financial Officer	ETD	exchange-traded derivatives
A-IRB	advanced internal ratings-based	CFTC	US Commodity Futures Trading Commission	ETF	exchange-traded fund
AIV	alternative investment vehicle	CHF	Swiss franc	EU	European Union
ALCO	Asset and Liability Committee	CIC	Corporate & Institutional Clients	EUR	euro
AMA	advanced measurement approach	CIO	Chief Investment Office	EURIBOR	Euro Interbank Offered Rate
AML	anti-money laundering	CLS	Continuous Linked Settlement	EVE	economic value of equity
AoA	Articles of Association	CMBS	commercial mortgage-backed security	EY	Ernst & Young (Ltd)
APAC	Asia Pacific	C&ORC	Compliance & Operational Risk Control	F	
APM	alternative performance measure	CRD IV	EU Capital Requirements Directive of 2013	FA	financial advisor
ARR	alternative reference rate	CRM	credit risk mitigation (credit risk) or comprehensive risk measure (market risk)	FCA	UK Financial Conduct Authority
ARS	auction rate securities	CRR	Capital Requirements Regulation	FCT	foreign currency translation
ASF	available stable funding	CST	combined stress test	FINMA	Swiss Financial Market Supervisory Authority
AT1	additional tier 1	CVA	credit valuation adjustment	FMIA	Swiss Financial Market Infrastructure Act
AuM	assets under management			FSB	Financial Stability Board
B				FTA	Swiss Federal Tax Administration
BCBS	Basel Committee on Banking Supervision	D		FVA	funding valuation adjustment
BEAT	base erosion and anti-abuse tax	DBO	defined benefit obligation	FVOCI	fair value through other comprehensive income
BIS	Bank for International Settlements	DCCP	Deferred Contingent Capital Plan	FVTPL	fair value through profit or loss
BoD	Board of Directors	DJSI	Dow Jones Sustainability Indices	FX	foreign exchange
BVG	Swiss occupational pension plan	DM	discount margin	G	
C		DOJ	US Department of Justice	GAAP	generally accepted accounting principles
CAO	Capital Adequacy Ordinance	D-SIB	domestic systemically important bank	GBP	pound sterling
CCAR	Comprehensive Capital Analysis and Review	DTA	deferred tax asset	GDP	gross domestic product
CCF	credit conversion factor	DVA	debit valuation adjustment	GEB	Group Executive Board
CCP	central counterparty	E		GIA	Group Internal Audit
CCR	counterparty credit risk	EAD	exposure at default	GIIPS	Greece, Italy, Ireland, Portugal and Spain
CCRC	Corporate Culture and Responsibility Committee	EB	Executive Board	GMD	Group Managing Director
CCyB	countercyclical buffer	EBA	European Banking Authority	GRI	Global Reporting Initiative
CDO	collateralized debt obligation	EC	European Commission	GSE	government sponsored entities
CDS	credit default swap	ECB	European Central Bank	G-SIB	global systemically important bank
CEA	Commodity Exchange Act	ECL	expected credit loss	H	
		EIR	effective interest rate	HQLA	high-quality liquid assets
		EL	expected loss	HR	human resources
		EMEA	Europe, Middle East and Africa		
		EOP	Equity Ownership Plan		
		EPE	expected positive exposure		

Abbreviations frequently used in our financial reports (continued)

I		NII	net interest income	SAR	stock appreciation right or Special Administrative Region
IAA	internal assessment approach	NRV	negative replacement value		
IAS	International Accounting Standards	NSFR	net stable funding ratio	SBC	Swiss Bank Corporation
IASB	International Accounting Standards Board	NYSE	New York Stock Exchange	SDG	Sustainable Development Goal
IBOR	interbank offered rate	O		SE	structured entity
IFRIC	International Financial Reporting Interpretations Committee	OCA	own credit adjustment	SEC	US Securities and Exchange Commission
		OCI	other comprehensive income	SEEOP	Senior Executive Equity Ownership Plan
IFRS	International Financial Reporting Standards	OTC	over-the-counter	SFT	securities financing transaction
IHC	intermediate holding company	P		SI	sustainable investing
IMA	internal models approach	PD	probability of default	SICR	significant increase in credit risk
IMM	internal model method	PFE	potential future exposure	SIX	SIX Swiss Exchange
IRB	internal ratings-based	PIT	point in time	SME	small and medium-sized entity
IRC	incremental risk charge	P&L	profit or loss	SMF	Senior Management Function
IRRBB	interest rate risk in the banking book	POCI	purchased or originated credit-impaired	SNB	Swiss National Bank
ISDA	International Swaps and Derivatives Association	PRA	UK Prudential Regulation Authority	SPPI	solely payments of principal and interest
		PRV	positive replacement value	SRB	systemically relevant bank
K		Q		SRM	specific risk measure
KRT	Key Risk Taker	QCCP	qualifying central counterparty	SVaR	stressed value-at-risk
		QRRE	qualifying revolving retail exposures		
L		R		T	
LAS	liquidity-adjusted stress	RBA	role-based allowances	TBTF	too big to fail
LCR	liquidity coverage ratio	RBC	risk-based capital	TCJA	US Tax Cuts and Jobs Act
LGD	loss given default	RbM	risk-based monitoring	TLAC	total loss-absorbing capacity
LIBOR	London Interbank Offered Rate	RMBS	residential mortgage-backed securities	TTC	through-the-cycle
LLC	limited liability company	RniV	risks not in VaR	U	
LRD	leverage ratio denominator	RoAE	return on attributed equity	UBS RESI	UBS Real Estate Securities Inc.
LTIP	Long-Term Incentive Plan	RoCET1	return on CET1 capital	UoM	units of measure
LTV	loan-to-value	RoTE	return on tangible equity	USD	US dollar
M		RoU	right-of-use	V	
M&A	mergers and acquisitions	RV	replacement value	VaR	value-at-risk
MiFID II	Markets in Financial Instruments Directive II	RW	risk weight	VAT	value added tax
MRT	Material Risk Taker	RWA	risk-weighted assets		
		S		W	
N		SA	standardized approach	WEKO	Swiss Competition Commission
NAV	net asset value	SA-CCR	standardized approach for counterparty credit risk		
NCL	Non-core and Legacy Portfolio				

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

Information sources

Reporting publications

Annual publications

Annual Report (SAP No. 80531): Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Group Functions; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.

Geschäftsbericht (SAP No. 80531): This publication provides the translation into German of our Annual Report.

Annual Review (SAP No. 80530): This booklet contains key information about our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian.

Compensation Report (SAP No. 82307): This report discusses our compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

Quarterly publications

The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

How to order publications

The annual and quarterly publications are available in .pdf format at www.ubs.com/investors, under "UBS Group AG and UBS AG financial information," and printed copies can be requested from UBS free of charge. For annual publications, refer to the "Investor services" section at www.ubs.com/investors. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK–AUL, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

Website

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

Results presentations

Our quarterly results presentations are webcast live. Playbacks of most presentations can be downloaded from www.ubs.com/presentations.

Messaging service

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

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

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

Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. The outbreak of COVID-19 and the measures being taken globally to reduce the peak of the resulting pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase expected credit loss expense and credit impairments. The unprecedented scale of the measures to control the COVID-19 outbreak creates significantly greater uncertainty about forward-looking statements in addition to the factors that generally affect our businesses, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility and other changes related to the COVID-19 pandemic; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (vii) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (viii) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (ix) the uncertainty arising from the UK’s exit from the EU; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xiv) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; and (xxi) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2019 and UBS’s First Quarter 2020 Report on Form 6K. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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

Tables | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.

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