



31 December 2023 Pillar 3 Report

UBS Europe SE

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# Introduction and basis for preparation

## Scope of Pillar 3 disclosures

UBS Europe SE is a fully authorized credit institution registered at the commercial register in Frankfurt and supervised by the European Central Bank (ECB). This report provides the disclosure information for UBS Europe SE as at 31 December 2023.

The capital adequacy framework consists of three pillars each of which focuses on a different aspect of adequacy. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market, operational and non-counterparty related risks faced by banks. Pillar 2 addresses the principles of the supervisory review process emphasizing the need for a qualitative approach to supervising banks. Pillar 3 aims to encourage market discipline by requiring banks to publish a range of disclosures, mainly on risk and capital.

This document is based upon the Regulation (EU) 575/2013, Regulation (EU) 648/2012 and Directive (EU) 2013/36, the associated delegated and implementing acts and the related Implementing Technical Standards (ITS), as implemented within the Federal Republic of Germany by the Bundesbank. Further, these disclosures have been prepared in accordance with the respective applicable European Banking Authority (EBA) guidelines.

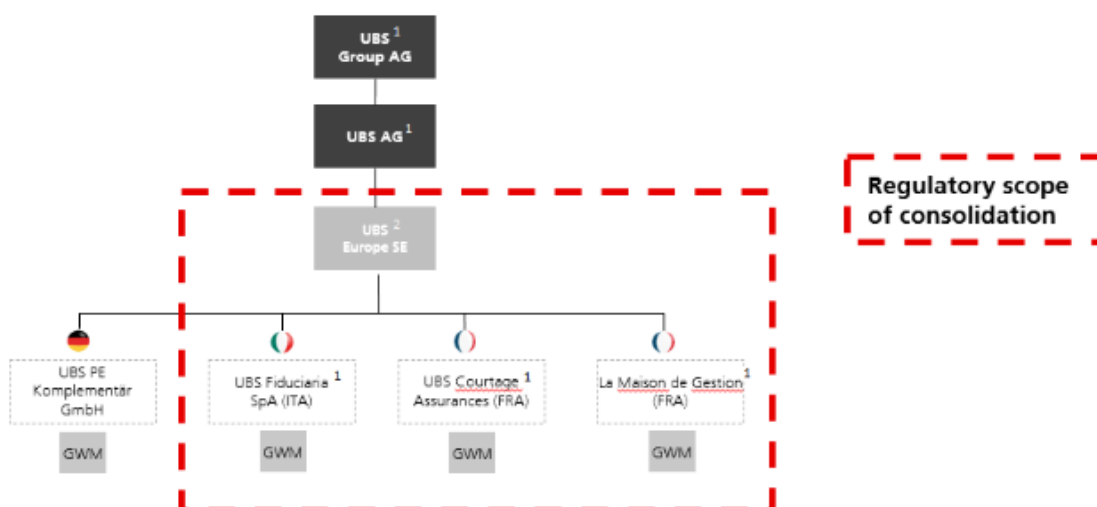
For disclosures according to Section 26a German Banking Act ("Kreditwesengesetz" or "KWG") please see the respective section in our Annual Financial Statements as of 31 December 2023. For our firm's sustainability approach and activities please see UBS Group AG Sustainability Report 2023 at [ubs.com/investors](https://ubs.com/investors).

## Regulatory consolidation

UBS Europe SE is part of the UBS Group AG consolidated group and a direct, wholly owned subsidiary of UBS AG. The scope of regulatory reporting for UBS Europe SE includes the Italian subsidiary UBS Fiduciaria SpA and French subsidiaries, UBS La Maison de Gestion SAS and UBS Courtage Assurances SAS. As the relevant limits according to Article 19 of the CRR are not exceeded, the German subsidiary UBS Private Equity Komplementär GmbH is not included in the regulatory scope of consolidation.

In accordance with the principle of materiality specified in Article 432 of the CRR, this report provides Pillar 3 disclosures for UBS Europe SE on the consolidated basis, including all relevant subsidiaries. In this report, "UBS Europe SE" refers to UBS Europe SE and its consolidated subsidiaries, unless stated otherwise.

### Scope of regulatory consolidation



1. Not located in Germany

2. Includes foreign branches – Luxembourg, Sweden, Denmark, Italy, Spain, Netherlands, Switzerland, Poland and France

### Governance over Pillar 3 disclosures

The Management Board and senior management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar 3 disclosures. In line with Article 431 of the CRR, UBS Europe SE has a board-approved Pillar 3 disclosure governance policy in place. This Pillar 3 Report has been approved by the Management Board of Europe SE, in line with this policy.

The UBS Europe SE Head of Regulatory Reporting formally attests that the disclosures provided in this document meet the requirements of the Part 8 of the CRR in accordance with formal UBS Europe SE policy and company's internal processes, systems and controls.

### Format of Pillar 3 disclosures

The format of disclosures is based upon the respective applicable ITS. The comparative figures represent the latest disclosed period where applicable. Disclosures classified as non-material in accordance with Article 432 of the CRR and BaFin Circular 05/2015 in this report have been indicated accordingly in the respective sections. The table on the following page provides an overview of the Pillar 3 disclosures.

<b>CRR Article</b>	<b>Pillar 3 Requirement (Part Eight CRR)</b>	<b>EU Table &amp; Template Reference</b>	<b>Location of Pillar 3 disclosure in this supplementary disclosure document</b>
435 (1)	Risk management objectives and policies	EU OVA, EU LIQA, EU CRA, EU MRA, EU ORA	Risk management objectives and policies
435 (2)	Governance arrangements	EU OVB	Management body
436	Scope of application	EU LIA, EU LI1, EU LI2, EU PV1	Scope of application of the regulatory framework
437	Own Funds	EU CC1, EU CC2, EU CCA	Own funds and eligible liabilities
437a	Own funds and eligible liabilities	EU ILAC, EU TLAC2A, EU CCA	Own funds and eligible liabilities
438	Own funds requirements and risk-weighted exposure amounts	EU OVC, EU OV1 EU CCR7	Own funds requirements and risk-weighted exposure amounts Counterparty credit risk
439	Exposures to counterparty credit risk	EU CCRA, EU CCR1, EU CCR2, EU CCR3, EU CCR5, EU CCR6, EU CCR8	Counterparty credit risk
440	Countercyclical capital buffers	EU CCyB1, EU CCyB2	Countercyclical capital buffer
442	Exposures to credit risk and dilution risk	EU CRB, EU CR2	Credit risk adjustments
443	Encumbered and unencumbered assets	EU AE1, EU AE2, EU AE3, EU AE4	Asset encumbrance
444	Use of the Standardised Approach	EU CRD, EU CR4, EU CR5	Credit risk exposure in the standardized approach
445	Exposure to market risk	EU MR1	Own funds requirements and risk-weighted exposure amounts
446	Operational risk management	EU ORA EU OR1	Risk management objectives and policies Own funds requirements and risk-weighted exposure amounts
447	Key metrics	EU KM1	Key Metrics
448	Exposures to interest rate risk on positions not held in the trading book	EU IRRBBA, EU IRRBB1	Interest rate risk in the banking book
449	Exposures to securitisation positions		Securitization positions
450	Remuneration policy	Refer to the remuneration report on the homepage of UBS Europe SE	<a href="https://ubs.com/de/en/ubs-germany/financial-reports.html">ubs.com/de/en/ubs-germany/financial-reports.html</a>
451	Leverage Ratio	EU LRA, EU LR1, EU LR2, EU LR3	Leverage ratio
451a	Liquidity requirements	EU LIQB, EU LIQ1, EU LIQ2	Liquidity Net stable funding ratio
453	Credit risk mitigation techniques	EU CRC, EU CR3, EU CR4 EBA/GL/2020/07	Credit risk mitigation

# Risk management objectives and policies

## Risk management principles

Creating shareholder value is the overarching objective of UBS Europe SE. The focus on the shareholder implies a long-term perspective. Consistently with any other corporate activity, UBS Europe SE derives the approach to risk management and control from a shareholder value creation perspective. It recognizes that taking risk is core to its business. The aim is to achieve an appropriate balance between risk and return. In order to reach this goal, UBS Europe SE has embedded the following five UBS Group Risk Management and Control Principles describing the foundation for a sound risk culture and robust risk management:

- Protection of financial strength
- Protection of reputation
- Business management accountability
- Independent controls
- Risk disclosure

Protection of UBS Europe SE's financial strength is ensured by controlling its risk exposure and avoiding potential risk concentration at individual exposure levels, at specific portfolio levels and at an aggregate firm-wide level across all risk types. Protection of UBS Europe SE's reputation is ensured through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles, particularly our Code of Conduct and Ethics. Management of business divisions is accountable for the risk assumed throughout the firm and is responsible for continuous and active management of all risk exposures to ensure that risk and return are balanced. Control processes are implemented independently from business functions and to monitor the effectiveness of the businesses' risk management and oversee risk-taking activities. Finally, risk disclosure aims to provide senior management, investors and regulators with a holistic overview of UBS Europe SE's risk management and profile with an appropriate level of comprehensiveness and transparency.

## Risk management organization and governance structure

The members of the UBS Europe SE's Management Board are ultimately responsible for adequate risk management and establishment of an integrated and institution-wide risk culture. This includes determining the firm's risk principles, risk appetite, major portfolio limits and their allocation to the business divisions and Treasury. The Management Board implements the risk framework, oversees the bank's risk profile and approves key UBS Europe SE risk policies. The oversight and controls include all business conducted in the entity including its branches, the risks associated with the branch business and ensuring compliance with local legal and regulatory requirements. Notwithstanding the joint responsibility of the Management Board, each member of the Management Board is responsible for establishing adequate controls and monitoring processes in their respective area of responsibility.

The Supervisory Board is responsible to oversee and challenge the Management Board, which informs the Supervisory Board about risk relevant topics, including risk strategy and risk appetite. The Supervisory Board has established a Supervisory Board Risk Committee, which monitors and oversees the firm's risk profile and the implementation of the risk frameworks as approved by the Management Board, as well as reviewing the firm's key risk measurement methodologies.

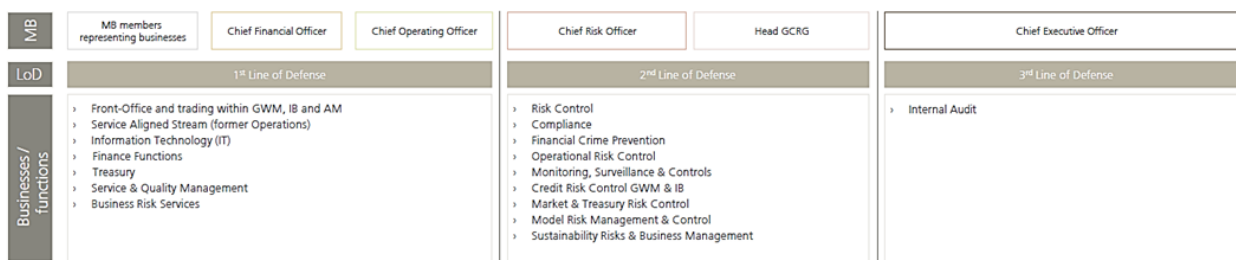
## Three lines of defense model

UBS Europe SE's risk management organization is embedded into the broader risk governance framework of the UBS Group and operates along three lines of defense model as outlined in the following organization chart, fulfilling the general risk management requirements according to "Mindestanforderungen an das Risikomanagement (MaRisk) AT 4" (Minimum Requirements for Risk Management).

The objective of the control functions on all three lines of defense is to support the Management Board in implementing a comprehensive and sound risk management and risk control framework across UBS Europe SE and to continuously improve it.

Beside the three lines of defense, UBS Europe SE appoints Mandatory Roles holders in line with regulatory requirements, which are described in the Governance Framework of UBS Europe SE.

### 3 Lines of Defense (LoD) Model



The first line of defense comprises the business teams in Front-Office and trading within Global Wealth Management (GWM), Investment Bank (IB) and Asset Management (AM) reporting to the business representatives of the UBS Europe SE Management Board as well as the supporting functions reporting to the COO and CFO. The first line of defense owns its risk exposures and is accountable to maintain effective processes and systems to manage their risks, including robust and comprehensive internal controls and documented procedures, in compliance with applicable laws as well as external and internal regulations. Business Heads must also have in place appropriate supervisory controls and review processes to highlight control weaknesses, inadequate processes and unexpected events.

The following functions have been established to ensure a proper and sound control framework within the first line of defense:

**Business Risk Services (BRS):** BRS supports the UBS Europe SE Management in managing all of the non-financial risks assumed throughout the firm. The unit is also responsible for investigating, monitoring and escalating all non-financial risk events where residual risk exceeds the risk appetite. In addition, New Business Enablement (NBE) team covers the process execution and oversight of a streamlined and effective risk management for new business initiatives initiated by or impacting UBS Europe SE.

**Service & Quality Management (SQM):** SQM supports the UBS Europe SE Management in maintaining and improving a comprehensive and sound Outsourcing, Data Management and Correspondent Banking Framework in UBS Europe SE.

**Central Outsourcing Management:** The central outsourcing management is responsible for ensuring regulatory requirements are met and implemented in the global outsourcing framework. Also, Central Outsourcing Management is responsible for overseeing the classification of contracts and for performing reviews of risk analyses performed by the Local Responsible Officers (LROs) based on the Regulatory Outsourcing Control Check (ROCC) process pipeline.

**Provider Management:** The function is responsible for service, quality, cost and demand management for all inter-entity service providers that are supporting the consuming business divisions in UBS Europe SE. Within this mandate, Provider Management is hosting the Service Operating Committee (SOC) as underlying governance body for management, exchange and reporting.

**Data Management:** The Data Management Office (DMO) provides jurisdictional level data governance for UBS Europe SE and is responsible for driving the implementation of the Data Management Framework (DMF). This includes setting the scope of data for UBS Europe SE, monitoring data quality (DQ) key performance indicators (KPI) and DQ related initiatives, providing decisions for escalations related to the management of DQ and addressing escalations from local regulators via the Risk Control Committee (RCC) and the Management Board. The DMO is also sponsoring UBS Europe SE-wide data initiatives at relevant Investment Governance Forums.

**Treasury** is responsible for balance sheet, capital, liquidity and funding (L&F) management, which includes the activities of governance, planning and financial resource advisory as well as the transactional execution mandate for the risk management of the entities Asset Liability Management portfolios, in line with the risk appetite of the bank (as approved by the Management Board). Treasury is responsible for the management and control of L&F risk and the firm's capital ratios.

The Risk Control functions act as the second line of defense, providing independent oversight of financial and non-financial risks, implementation of an appropriate independent control framework, risk appetite framework, risk measurement and reporting. This includes setting risk limits and protecting against non-compliance with applicable laws and regulations. The Chief Risk Officer (CRO) together with the Head Group Compliance, Regulatory & Governance (GCRG) are responsible for providing an objective assessment on UBS Europe SE's risk-taking activities as part of the overall responsibility for the implementation and enforcement of the UBS Risk Management and Control Principles. The CRO has the authority to approve transactions, positions, exposures, limits, risk measurements, provisions, and to further delegate these responsibilities. The CRO and Head GCRG are not only independent from the business heads but also from the COO and CFO. The Risk department supporting the CRO and Head GCRG comprises the following functions:

Risk Control (RC) is an independent function that supports the management regarding enterprise-wide risk topics. The function performs the risk inventory process and ongoing monitoring of the risk situation and potential changes to the risk profile. Further, RC plays a key role in the entity's overarching ICAAP topics as well as being responsible for stress testing (internal and external) on enterprise level. Furthermore, RC supports the Management Board with the implementation and development of risk steering and risk controlling processes and provides essential information to the Management Board via risk reports. RC is involved in important risk decisions of the Management Board via the relevant risk committees and RCC and ALCO.

Sustainability and Climate Risk (SCR): SCR develops and implements UBS Europe SE's risk framework, including risk appetite, for sustainability and climate risk topics. SCR monitors SCR regulations, emerging issues and reviews UBS Europe SE's exposure to SCR. SCR function ensures the SCR framework is embedded in UBS Europe SE's culture, management practices and control principles across the firm. Further, SCR conducts SCR specific assessments of products, transactions, client and supplier onboarding; ensures the integration of SCR into financial risk management frameworks addressing regulatory requirements, developing solutions and building capacity for new SCR tools, data and analytics; ensures the application of UBS's group data management framework for ESG data in GRC; delivers SCR risk reporting and external disclosures; and interacts with and supports regional management, business and other external stakeholders. According to UBS Europe SE's Schedule of Responsibilities the responsibility for Sustainability Risk at Management Board level is allocated to the CRO, with the Head of GCRG acting as deputy.

Compliance: Compliance's primary responsibility as a control function within UBS is to manage Compliance Risks as well as support and advise the management regarding compliance regulations and to perform second line of defense activities in relation to Compliance Risks. Failure to appropriately manage Compliance Risk can impact UBS Europe SE's ability to meet strategic objectives, may lead to litigation, poses a risk of censure or penalty, and/or put our reputation at risk. Financial penalties, reputational damage, costs associated with legal proceedings, and/or unfavorable judicial or regulatory determinations may also adversely affect our business, results of operations and/or financial condition. Compliance reports to the Head GCRG and regularly into the relevant risk committees and if required directly into the Management Board or the Supervisory Board.

Financial Crime Prevention (FCP): The responsibility of FCP is to protect UBS Europe SE and its reputation by ensuring financial crime controls are appropriately designed, owned by the correct stakeholders and appropriately applied, and that policies, procedures, guidelines and manuals reflect legal and regulatory requirements and industry practices. FCP advises and informs the Management Board, business functions, regulators and other key stakeholders about risk identification, mitigation and all necessary financial crime prevention measures. The function detects money laundering, terrorism financing, internal and external fraud as well as other financial crime relevant predicate offences in a timely manner and ensure compliance with sanctions regulations and internal requirements. The Head of FCP covers the regulatory role as Money Laundering Reporting officer for UBS Europe SE and is registered with BaFin.

Operational Risk Control (ORC): ORC ensures that operational risk (as sub-category of Non-Financial Risks) is understood, owned and managed to the UBS Europe SE's risk appetite and regulatory guidance. ORC provides independent oversight and control over the operational risks arising from UBS's business activities in the legal entity.

Credit Risk Control (CRC): CRC is responsible for ensuring that credit risks are appropriately identified, measured, monitored, controlled and reported. This includes setting and monitoring of credit limits as well as reviewing and monitoring of credit requests.

Market & Treasury Risk Control (MTRC): MTRC independently controls the market and treasury risks, i.e. the risk of loss resulting from adverse movements in market variables such as interest rates, credit spreads, foreign exchange rates, and equity prices, as well as the risks arising from structural balance sheet exposures, including the risk of insufficient funding or liquidity. The function is responsible to propose and enforce limits and indicators for market, treasury, L&F risks, including limits & indicators breaches and agreeing action plans to remediate. MTRC is also assessing assumptions in internal L&F models, contributing to the UBS Europe SE ILAAP as an independent reviewer and ensuring that Market & Treasury risks are reported to senior management on a timely basis. It is also responsible for ensuring the control of market, treasury, L&F risks adheres to firm-wide practices and policies, the



development and execution of local control frameworks and policies, where required taking into account relevant local regulatory requirements.

Model Risk Management & Control (MRMC): MRMC operates as the independent model validation unit within UBS Europe SE and is responsible for initial validations and regular revalidations of models. By performing validations, MRMC identifies model validation issues which the model owner is required to remediate. MRMC also ensures that model risk is monitored at the level of the institution according to the model risk appetite framework.

From a third line of defense perspective Internal Audit (IA) is an independent and objective function that supports both the firm in achieving its defined strategic, operational, financial and compliance objectives, and the UBS Europe SE Management Board, respective legal entity senior management, and UBS Europe SE committees in discharging their governance responsibilities. This responsibility cannot be delegated.

Effective risk management, control and governance processes are the responsibility of the respective business management and risk control functions, i.e. the first two lines of defense. As the third line of defense, IA independently assesses whether risk management, control and governance processes are designed and operate sustainably and effectively. IA also evaluates the independence of the risk control functions.

#### Committees and information flow on risk to the management body

In line with the Schedule of Responsibilities risk topics are reported to the Management Board. The Management Board has established the following permanent committees to ensure direct oversight over and challenge of the overall risk management process:

The Risk Control Committee (RCC) is responsible for the overall risk governance and the effectiveness of risk management and control, i.e. to assess and monitor the implementation and adherence of the risk strategy, controls and limits. The committee meets monthly, is co-chaired by the CEO and CRO and the voting members are all Management Board members of UBS Europe SE, whereby the CRO cannot be outvoted for credit decisions. Additional members with voting rights limited to compliance and financial crime risks under the remit of Compliance and Financial Crime are the Head of Compliance and the Head of Financial Crime Prevention UBS Europe SE. Permanent guest of the risk committee is Head of Internal Audit.

The Asset & Liability Committee (ALCO) is mandated by the Management Board and provides a forum for consultation and decision making for legal entity related Treasury matters, such as the optimal legal entity balance sheet, liquidity & funding and capital whilst ensuring adherence to regulatory requirements. The committee meets monthly, is chaired by the CFO and the voting members are the members of the Management Board and the Head of Regional Treasury UBS Europe SE. Permanent guests are the Head of Market & Treasury Risk Control, Head of Risk Control and Head of Regulatory Reporting. Representation from the business is covered through the respective Management Board members.

The Model Governance Committee (MGC) is the senior oversight and escalation body for all models used at UBS Europe SE. The committee meets at least quarterly or more frequently as determined by the co-chairs, including possible ad-hoc meetings. The committee is chaired by the CRO and CFO and the permanent voting members are the CRO, CFO and the Head of Model Risk Management and Control. Depending on the topic additionally required voting members are, among others, the Heads of the Risk Control functions, Head of Regulatory Reporting, Head of UBS Europe SE Treasury, Head of UBS Europe SE Investment Banking or other voting members as appointed by the chairs. Internal audit representatives are permanent attendees.

The Recovery and Resolution Planning Committee (RRPC) is the decision-making body with oversight and accountability for Recovery and Resolution Planning (RRP) matters at UBS Europe SE including the review of the annual submission of the Recovery Plan and Resolution Reports as well as periodic Resolution Planning Information and recommends RRP deliverables for sign-off to the Management Board. The committee meets at least six times per year and is co-chaired by the UBS Europe SE CRO and Head of Group Compliance, Regulatory and Governance (GCRG). Required members of the committee are: Head of GCRG, CRO, CFO, Head RRP execution, Head RRP international, Head RRP EMEA, Head of Regional Treasury, Head of Operations, Head of Risk Control, Head Regulatory Reporting, Head Legal and IB Operating Officer.

In addition, UBS Europe SE has established an escalation framework. The framework, owned by the UBS Europe SE COO on behalf of the Management Board, applies to all businesses and functions for any matters adversely impacting UBS Europe SE. The process ensures timely information flow of risk issues to the management body. Depending on the topic and urgency, dedicated task forces are established on an ad-hoc basis. The Supervisory Board is informed via the Risk Committee of the Supervisory Board that is described in section "Management body".

### Outsourcing arrangements

As part of UBS Group AG, UBS Europe SE has inter-entity outsourcing arrangements for certain topics with UBS Business Solutions AG, UBS AG and UBS Switzerland AG. The outsourcing areas with UBS Business Solutions AG are mainly covering risk control, GWM and IB operations, Compliance, Finance and Group Technology. The main areas with UBS AG are GIA and IB business services. UBS Switzerland AG is mainly delivering Advisory & Sales, Chief Investment Office and digital client services.

UBS Business Solutions AG is the service company created as subsidiary of UBS Group AG in 2015 to safeguard critical shared services and to ensure their operational continuity in case of resolution. In the Risk Control area for example part of the outsourcing arrangement is to leverage UBS' strategic risk platforms, capabilities for the development and maintenance of majority of UBS Europe SE's risk models as well as the reporting for specific risk reports. The overall responsibility remains with UBS Europe SE.

The outsourcing arrangements are subject to robust risk assessment and control processes under UBS Group's global outsourcing policy and framework. Furthermore, UBS Europe SE has implemented a local policy and control framework to cover specific local standards. These include operating level agreements with specific UBS Business Solution AG service lines and UBS Europe SE specific key performance indicators for the service provided that are tracked by UBS Europe SE. To ensure an efficient escalation, UBS Europe SE has established an outsourcing department that coordinates the outsourcing arrangement and reports into UBS Europe SE's COO.

Additionally, in order to ensure a common understanding and knowledge of all outsourcings and related activities for all UBS Europe SE branches and subsidiaries on regular basis (monthly), the Management Board has mandated the Working Circle Outsourcing (WCO). WCO is an information platform and decision preparation chaired by the Outsourcing Officer of UBS Europe SE. The WCO members are nominated as UBS Europe SE representatives for their respective functions.

## Risk profile

UBS Europe SE is a cross-divisional entity providing services across GWM, IB and AM.

UBS Europe SE's GWM business provides services such as investment management solutions (discretionary as well as advisory), sophisticated consulting services and wealth planning, as well as Financial Intermediaries services. Further, UBS Europe SE offers Asset Servicing out of the Luxembourg branch which encompasses depository bank services for regular investment funds, custody service for other structures, execution services and auxiliary services out of one hand. The credit business in form of Lombard and mortgage loans is an integral part of this offering.

In the IB business, UBS Europe SE is UBS' hub for European Economic Area (EEA) pass-ported business, servicing non-exempt EEA clients and providing access to financial market infrastructure in EEA countries. Business is conducted in a broad range of IB products and services, including providing corporate and institutional clients with advice, financial solutions and capital markets access.

Asset Management offers private clients, financial intermediaries and institutional investors traditional and alternative investment solutions. The activities are limited to providing clients with information about available investment products.

Group Functions (GF) combine the central shared service and monitoring functions for the Business Divisions and further includes the Group Finance function including Treasury and Asset Liability Management (ALM).

These business and functional activities form the basis for the UBS Europe SE Risk Profile.

The Risk Control function is amongst others responsible to organize a process to continuously identify material risks on enterprise level, the so-called Risk Inventory Process. The process includes the involvement of the first and second line of defense and the documentation of results in the Risk Profile document which is reviewed, challenged and signed-off by the Management Board. Updates as well as a confirmation of the Risk Profile by the Management Board are provided on a quarterly basis.

The Risk Profile systematically provides an overview of risks by a view on current activities as well as incorporating a forward-looking perspective. Based on the risk inventory process, the materiality of identified risks is assessed taking into account their severity and likelihood under "normal business conditions" as well as severe stress situations.

Risks, which may significantly affect the financial position (including capital), the financial performance or the liquidity position of the institution, are classified as material. UBS Europe SE assesses materiality on:

- Gross basis before consideration of any mitigating measures
- Residual basis taking into account the effectiveness of all non-capital mitigants

Both materiality assessments rely primarily on qualitative considerations due to the diversity of risk types and the particular perspective before consideration of any mitigating measures, which are often contractually embedded in the business and risk management practice. Where appropriate, quantitative measures are used to underpin the qualitative materiality assessment. In general, the risks that are considered material on a residual basis on entity level are to be capitalized in ICAAP (except for liquidity risk which is part of the ILAAP), subject to final decision by the Management Board.

## Risk identification

The entity-wide risk inventory process per December 2023 identified the following main risk categories as material for the firm.

### *Credit risk*

Credit risk is the risk of loss as a result of failure by a counterparty (including issuers) to meet its contractual obligations. Credit risk comprises counterparty credit risk, lending risk, issuer risk, settlement risk, credit concentration and correlation risk / wrong way risk. It arises from the credit exposure inherent in lending, trading and contingent liabilities, from accepting collateral and from other risk mitigation activities.

### *Country risk*

Country Risk is the risk of losses resulting from country-specific events that occur within a jurisdiction and that may lead to an impairment of UBS's exposures. It includes transfer risk, whereby a country's authorities prevent or restrict the payment of an obligation, as well as systemic risk events arising from country-specific political or macroeconomic developments.

### *Group risk*

Group risk describes the risk that the financial position of UBS Europe SE may be adversely affected by its relationships (financial or non-financial) with other entities in the UBS group, or by risk which may affect the financial position of the whole group including financial contagion.

### *Market risk*

Market risk is the risk of loss resulting from adverse movements in market variables. Market variables include observable variables such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity (including precious metal) prices, and variables which may be unobservable or only indirectly observable, such as volatilities and correlations.

Further, UBS Europe SE is exposed to interest rate risk in the Banking Book (IRRBB) in connection with lending & deposit taking in the WM business and from intercompany funding transactions (including AT1 and MREL), from asset portfolio such as HQLA and from management of excess cash in Treasury. IRRBB is part of market risk and described in section "Interest rate risk in the banking book".

### *Non-Financial risks*

Non-Financial Risk (NFR) is the risk of undue monetary loss and/or non-monetary adverse consequences resulting from inadequate or failed internal processes, people, and systems, failure to comply with laws and regulations and internal policies and procedures, or external events (deliberate, accidental, or natural) which have an impact to UBS, its clients or the markets in which it operates. The resultant risks are clustered as Compliance, Financial Crime and Operational Risk

Operational risk is defined as the risk resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural) which have an impact (either financial or non-financial) to UBS ESE, its clients or the markets in which it operates. Events may be direct financial losses or indirect in the form of revenue forgone as a result of business suspension. They may also result in damage to the firm's reputation and franchise, which have longer term financial consequences.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities, as long as such risk is not financial crime related.

Financial Crime risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities, as long as such risk relates to theft, fraud, unauthorized activities, money laundering, know your customer, sanctions, embargoes, bribery or corruption.

### *Legal risk*

Legal risk is the risk of being held liable for a breach of applicable laws, rules, regulations as well as contractual or other legal obligations. Further, legal risks can arise from an inability or failure to enforce or protect contractual rights or non-contractual rights sufficiently to protect UBS Europe SE's interests.

### *Reputational risk*

Reputational risk is the risk of unfavorable perception of the firm or decline of the UBS Europe SE's reputation from the point of view of clients / industries, shareholders, regulators, employees or the general public which may lead to potential financial losses and/or market share.

### *Liquidity and Funding risks*

Liquidity risk is the risk that UBS Europe SE will not be able to meet business-as-usual or stress cash and/or collateral flows.

Funding risk is the risk of UBS Europe SE being unable to borrow funds to support the firm's current business and desired strategy.

UBS Europe SE distinguishes between capital/ICAAP-related funding risk and liquidity/LAAP related funding risk.

### *Business risk*

Business risk is the potential negative impact on earnings from lower than expected business volumes and / or margins during stress periods, to the extent not offset by a decrease in expenses.

### *Pension risk*

Pension risk is the risk of a negative impact on UBS Europe SE's capital as a result of deteriorating funded status from decreases in fair value of assets held in the defined benefit pension funds and / or changes in the value of defined pension obligations, due to changes in the actuarial assumptions (e.g. discount rate, life expectancy, rate of pension increase) and / or changes to plan designs.

### *Model risk*

UBS Europe SE uses models in the conduct of its business, for purposes including own-funds calculation, capital adequacy & liquidity risk assessments, stress testing, valuation of positions, and the assessment and management of primary and consequential risks. Model risk is the risk of adverse consequences (e.g. financial loss, loss due to legal matters, operational loss, biased business decisions or reputational damage), resulting from decisions based on incorrect or misused model outputs and reports. Model risk may result from several sources: inputs, methodology, implementation, use.

### *Sustainability and Climate Risk*

Sustainability and Climate Risk (SCR) is defined as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other environmental, social, governance (ESG) matters. SCR may manifest as credit, market, liquidity, business and non-financial risks for UBS, resulting in potential adverse financial, liability and reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate). Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Nature-related risks refer to how organizations and people depend on and impact natural capital, which is defined as natural resources that combine to yield a flow of benefits to people. Another risk referred to SCR is greenwashing risk. Greenwashing refers to a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants and/or cases in which investors and clients will be consciously or unconsciously misled about the sustainable characteristics of financial products and services.

UBS Europe SE considers SCR as part of the regular risk identification process that feeds into the risk appetite statement. This covers an evaluation whether SCR does have a material impact on other risk categories. Based on these evaluations, SCR is currently assessed as material driven by non – financial risks and reputational risk after consideration of effective risk mitigating measures.

For further details please see the - [2023 UBS Sustainability Report](#) and its [Supplement](#) document, in particular the section "Additional UBS Europe SE Considerations for sustainability and climate management".

### *Risk concentrations*

In addition to the sub-category credit concentration risk which is covered under credit risk, UBS Europe SE considers further intra- and inter-risk concentrations as part of the risk inventory process. Material concentration risks have not been identified as part of the risk inventory process. However, risk concentrations are subject to increased monitoring by the Risk Control functions and are assessed to determine whether they should be reduced or mitigated depending on the available means to do so. For further details please refer to section "Risk Monitoring".

### *Risk performance*

The table below shows UBS Europe SE's overall risk position as of year-end 2023 measured by the economic risk exposure for all material risks. Residual material risk types not explicitly listed in the table are implicitly included in other risk types and are adequately covered with internal capital. Liquidity risk is covered through the ILAAP.

#### Overview of economic risk exposure for UBS Europe SE

EUR m	31.12.2023	30.06.2023
Credit/Issuer Risk incl. Country Risk	388	535
Market and Pension Risk	174	210
Non- Financial Risk	582	568
Funding Cost Risk incl. FVA	129	138
Business Risk	181	135
<b>Aggregated Risk Exposure</b>	<b>1,455</b>	<b>1,586</b>

Due to UBS Europe SE's business model, its risk profile is mainly exposed to non-financial, credit and business risks. UBS Europe SE is aware of the existence of inter-risk diversification effects, but chooses a conservative approach by disregarding these effects when aggregating the individual risk amounts across risk types. A management buffer for the economic view is established in order to ensure the continuity of the business model even in times of stress. The management buffer is confirmed and calibrated at least annually. As of 31.12.2023 UBS Europe SE's total excess capital amounted to 884 EUR m.

Key ratios for the normative perspective are reported in the sections "Key ratios" and "Own funds and eligible liabilities".

Liquidity risk and funding risk are governed and managed as part of the L&F risk management framework and UBS Europe SE's ILAAP. The Liquidity Coverage Ratio (LCR) and Net Stable Funding ratio (NSFR) are calculated and reported in accordance with the regulatory requirements. The LCR assesses whether UBS Europe SE has sufficient HQLA to survive a significant stress scenario over a period of 30 days. The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

Both, UBS Europe SE's LCR and NSFR exceeded 100% per reporting throughout 2023. Key liquidity and funding ratios are reported in the sections "Liquidity" and "Net stable funding ratio".

All individual risks as well as UBS Europe SE's overall risk and capital position are properly managed, mitigated and monitored as outlined in the following chapters.

#### Risk strategy and risk appetite

UBS Europe SE's Risk Strategy consists of the Risk Governance (see section "Risk management organization and governance structure") and Risk Appetite Statement (RAS). The Management Board is responsible for the development of the Risk Strategy and regular updates. The yearly update of the risk appetite is based on the Risk Profile in order to reflect the most current risk profile of the entity. In case, there are any changes of relevance to the content of Risk Strategy (e.g. changing risk profile or limits) during the year, the document is updated on ad-hoc basis and approved by the Management Board. Thereafter, the Risk Strategy is brought to the attention of and discussed with the Supervisory Board, at least on an annual basis or ad-hoc in case of major changes.

UBS Europe SE's Risk Appetite Statement is designed to ensure that risk-taking is in line with the entity's strategic priorities, values, business activities, capital and liquidity plans, as well as its pillars, principles and behaviors. This is achieved by:

- Embedding a sound risk culture in the entity, that is supported by appropriate risk governance, risk management and control principles, a comprehensive code of conduct and ethics, and a set of organization regulations.
- Establishing explicit risk appetite objectives to relate risk exposure to the risk capacity.

In the Risk Appetite Statement, the Management Board expresses the risks it is willing to take with the business activities by formulating qualitative and quantitative risk appetite statements. In pursuit of its aspiration to provide sustainable capital-efficient services and solutions to its clients, UBS Europe SE is exposed to certain risks that cannot be directly quantified in terms of potential losses. These risks are managed through ongoing focus and investment in governance processes, risk management, technology, training and controls. With the qualitative risk statements the desired risk culture is formulated for the risk categories where a qualitative formulation is meaningful, supported by policies and control frameworks. The quantitative risk statements are designed

to ensure the entity's resilience against the impact of potential severe adverse economic or geopolitical events by imposing numerical limits and indicators on stressed and non-stressed metrics, which show existing or potential direct impact on capital or liquidity.

The objectives aim to ensure that the company maintains sufficient capital, liquidity and funding such that it can continue to meet both internal and regulatory requirements and operate as a going concern following severe adverse economic or geopolitical events. The framework is comprehensive in aggregating all material risks across the entity. Further details on the relevant risk types monitoring are outlined in section "Risk Monitoring".

### Risk measurement, monitoring and management for ICAAP

UBS Europe SE has a well-established framework for the ICAAP comprising the key elements: risk identification, risk strategy and appetite, the current and future risk quantification in the normative and economic view as well as additional stress testing activities. The ICAAP framework is complemented by the ILAAP framework outlined in chapter "Risk Measurement, Monitoring and Management for ILAAP". The governance is consistent between the ICAAP and ILAAP framework with clearly defined roles and responsibilities. The following chapters describe in more detail the scope and nature of the applied risk management objectives and policies for the ICAAP.

### Risk quantification and stress testing

Within the ICAAP UBS Europe SE ensures that all material risks that need to be capitalized according to the Risk Profile (see section "Risk Profile") are adequately quantified within the economic and normative perspective. The two approaches are complementary and mutually inform each other to ensure that all relevant information and risks stemming from business activities of all divisions and branches of UBS Europe SE are appropriately covered.

The economic perspective emphasizes the objective to capture the economic situation that is explicitly not based on accounting or regulatory provisions but taking into account fair value considerations for current assets, liabilities and risks. UBS Europe SE's capital adequacy under the economic perspective is assessed by contrasting the internal capital with the aggregated risk exposure to calculate the excess capital (see section "Risk Performance"). The internal capital is of sound quality and determined in a prudent and conservative manner within the 1Y horizon. This is achieved by using the regulatory own funds as anchor point and ensuring that prudential adjustments are made. In addition, consistent with the economic capital adequacy concept and to ensure prudence, any planned capital transactions that are considered likely to take place within the planning horizon and would reduce internal capital are deducted within the calculation of internal capital. Any planned capital transactions that would increase internal capital are conservatively not recognized until they are completed.

The aggregated risk exposure is defined as stress losses derived from internal statistical models per risk type with a confidence level of 99.9% and over a 1Y horizon. UBS Europe SE has developed the following statistical models for the different risk types:

### Overview of quantification methods for the economic perspective

Credit Risk and Issuer Risk	Merton-style structural Credit Risk models
Market Risk (standalone)	VaR model and Monte Carlo simulation
Pension Risk (standalone)	Loss estimation arising from different scenarios on discount rates and their impact on the present value of pension liabilities
Non-Financial Risk	Advanced Measurement Approach (AMA)
Funding cost Risk and FVA	Incremental impact of spread increases based on historical simulations
Business Risk	Loss income distribution derived from simulations and applied haircuts

The individual economic risks are aggregated to an overall risk exposure amount.

The objective of the normative perspective is the assessment of the institution's ability to fulfil all its capital-related regulatory and supervisory requirements on an ongoing basis over the medium term. The normative view is quantified with the capital plan (development of own funds and pillar 1 capital requirements) over a 3-year horizon derived from the strategic business plan. Approaches for pillar 1 capital requirements are described in section "Own funds requirements and risk-weighted exposure amounts". The sustainability of the capital plan is challenged by specific adverse stress test scenarios over the same time horizon. Stress testing is used to estimate the loss that could result from extreme yet plausible macroeconomic and geopolitical stress events, enabling identification, better understanding and management of potential vulnerabilities and risk concentrations. The chosen scenarios include prolonged periods of adverse developments that imply a significant capital depletion considering all material risks affecting own funds and risk-weighted assets (RWA) over the planning period. The relevant scenarios are chosen and approved by the Management Board at least annually and confirmed quarterly. The scenarios are designed and selected based on UBS Europe SE's risk profile and cover the key vulnerabilities of the firm on a variety of adverse but realistic developments.

Furthermore as part of its overall Stress Testing Framework, UBS Europe SE performs additional stress testing activities including comprehensive sensitivity, portfolio, and scenario analyses as well as reverse stress testing. Sensitivity analyses measure the impact of a specific single risk factor or simple multi-risk factors, affecting capital or liquidity. Portfolio specific stress tests analyze the risks of specific portfolios associated with a single or multiple risk factor shocks. Further, scenario analyses assess the resilience of the UBS Europe SE to a given scenario that comprises a set of risk factors. Reverse stress testing starts from a defined stress outcome and works backwards to identify the economic or financial scenarios that could result in such an outcome. As such, reverse stress testing is intended to complement forward stress tests by assuming "what if" outcomes that extend beyond the range normally considered, and thereby potentially challenge assumptions regarding severity and plausibility. The aim of the additional stress testing activities is to identify systematic as well as idiosyncratic vulnerabilities and assess impacts of extremely severe and improbable events. The results of the additional stress testing activities are further used to inform or trigger the adaptation of the ICAAP calculation in case any implausibility is identified.

#### *Risk monitoring*

The risk appetite as described in section "Risk Strategy and Risk Appetite" is translated into comprehensive risk appetite objectives as well as limits and other indicators and operating instructions in form of policies and guidelines. Limits set a defined risk/concentration appetite, and are a hard boundary, within which Europe SE must operate. Additional Indicators serve to identify any negative trends which would instigate an assessment and potential response by management to mitigate the Europe SE's exposure to the emerging risk. Recovery Risk Indicators take into account the existing metrics applied within the firm-wide liquidity, capital and risk management frameworks. All indicators are designed for the early identification of potential severe crisis situations that can result in a significant negative impact on the Europe SE's capital and / or liquidity situation.

The status of key risk limits is reported on a frequency appropriate for each individual metric, and utilization against portfolio limits is formally reported to the RCC monthly. The risk appetite objectives and limits are reviewed at least annually by the Management Board or the appropriate authority and adjusted where necessary to be consistent with business plans and confirmed risk appetite. Generally, the taking of risks that are not covered by an approved limit or are beyond risk appetite is not permitted, unless otherwise pre-approved by Risk Control functions (e.g. on the grounds of materiality).

The Business (i.e. Front Office) is required to escalate any limit or risk appetite breaches. All excesses must be reported in accordance with the Instructions to Risk Authorities. Reckless or flagrant disregard for risk limits or risk appetite may result in disciplinary action, including dismissal.

The UBS Europe SE CRO must be advised of all written warnings issued and of any dismissals as the result of risk limit and appetite breaches and policy violations.

In addition, UBS Europe SE monitors and reports risk concentrations across various dimensions including single name/counterparty, industry/sector, country and region.

#### *Risk management*

The risks are managed within the business and monitored by the control functions according to the risk appetite. Besides continuous monitoring, limit framework and escalation the following sections describes the risk mitigation techniques for the most relevant risk types.



### *Credit risk*

Credit risk is actively mitigated in a number of ways depending on the type of risk: collateralization of Lombard, mortgages and derivatives, sub-participation of IB banking book loans, volume limitation, continuous monitoring and comprehensive limit framework.

Credit risk in the WM business activities is dominated by the client Lombard and to a much lesser extent mortgage business. Collateralization is an inseparable element of this credit business outlined as follows:

- UBS Europe SE's Lombard activities are subject to strict collateralization rules requiring pledged available collateral for which haircuts to the market values are applied. The haircuts depend on liquidity, intra-portfolio concentration and stability/volatility of the collateral. Single concentration risk of clients' exposure is closely monitored on a daily basis.
- UBS Europe SE's mortgage lending is linked (via mortgage deed) to individual real estate properties for which clients receive dedicated loans. UBS Europe SE reduces risks by applying a set of comprehensive criteria (underwriting standards) that have to be fulfilled by clients in order to be eligible for a loan including debt service capacity.
- Additional credit risk arises from nostro and intra-bank accounts used for facilitating client services including the settlement of client transactions. Third party banks act as sub-custodians or as clearers for the assets of clients. The associated settlement risk is mitigated by various methods including payment netting, continuous net cash settlement, and covered settlement like account-account settlement or Delivery Versus Payment (DVP).

Credit risk from the IB business activities is largely driven by the derivatives and SFT business. Mitigants such as collateralization or margining are a structural element of many IB credit activities such as securities financing (repos), and OTC derivatives. Settlement risk is mitigated by strict control framework, limits, netting as part of bilateral and multilateral (e.g. CLS) agreements. Counterparty derivative risk exposure from IB is subject to UBS Europe SE's limit framework which sets counterparty-specific and portfolio limits based on risk appetite, counterparty creditworthiness and the scope of business. The management of counterparty credit risk is further described in section "Counterparty credit risk".

All lending commitments out of the banking book, which are entered into by UBS Europe SE, are fully sub-participated to UBS AG once drawn under the terms of a Master Sub Participation Agreement (MSPA).

### *Market risk*

UBS Europe SE primary portfolio measures of market risk are liquidity adjusted stress (LAS) loss and value at risk (VaR), subject to limits on entity and divisional level. These measures are complemented by position limits for general and specific market risk factors. In addition, Market and Treasury Risk Control applies a holistic risk framework which controls the appetite for treasury and wealth management-related risk-taking activities across the entity. A key element of this framework is an overarching economic value sensitivity (EVS) limit. In addition, the sensitivity of net interest income (NII) to changes in interest rates is monitored in order to analyze the outlook and volatility of net interest income based on market-expected interest rates. Lastly, within IRRBB the economic value of equity (EVE) and its change under different scenarios is used to complement the income perspective provided by NII sensitivity.

Market risk is actively mitigated by utilizing automated micro-hedges with UBS AG or employing hedging capabilities with external counterparties to reduce the remaining risk for the portfolio. These hedging activities significantly mitigate market risk. The effectiveness of such hedges is monitored daily as part of the trader signoff process and by means of risk limits. Daily monitoring of market risk against limits ensures that remaining market risk stays within the articulated risk appetite. The specific management and mitigating strategies for interest rate risk in the banking book is described in section "Interest rate risk in the banking book".

### *Non-financial risk*

Non-financial risk (NFR) is the risk of undue monetary loss and/or non-monetary adverse consequences to UBS, its clients or markets, resulting from:

- Compliance risk: failure to comply with laws, rules and regulations, internal policies and procedures, and the firm's code of conduct and ethics.
- Financial crime risk: failure to prevent financial crime.
- Operational risk: inadequate or failed internal processes, people, systems, or from external events.

NFR can have a variety of drivers, including external and internal (people, process and control, and systems) as defined and listed in the NFR Root Cause Library. NFR impacts comprise regulatory risk (e.g. increased inspection scrutiny), reputational risk (e.g. loss of

client confidence) and financial risk (e.g. legal settlements).

The NFR management, including assessment, monitoring and reporting, primarily remains under the responsibility of the 1st LoD, while the NFR control responsibility is taken over by appropriate control functions (2nd LoD). NFR management is performed within the boundaries set by the Non-Financial Risk Framework. There are various process through which the NFR is identified and assessed, including but not limited to:

- 1) Quarterly Non-Financial Risk Appetite Assessment (NFR RAA): On a quarterly basis the NFR taxonomies are assessed in consideration of the metrics and limits set by the Non-Financial Risk Appetite Statement (NFR RAS). Results are reported to the RCC.
- 2) Quarterly Integrated Risk Assessment (NFR IRA): taxonomies identified on the basis of identified "signals to act" are assessed in the IRA, forming conclusions on the level of inherent risk, effectiveness of the Control Environment and final level of residual risk.

Additionally, the Europe SE's non-financial risk status is reported to the RCC on monthly basis.

#### *Business risk*

Business risk is derived from a negative impact on earnings from lower than expected business volumes or margins, which are not offset by a decrease in expenses. Business risk is mitigated by frequent monitoring of key indicators against objectives to ensure the possibility to take short-term actions if necessary. UBS Europe SE regularly monitors and reports the income and expenses by divisions in order to track earnings generated by fees and interest margins. To mitigate risk further the business strategy does not focus on providing specific niche products, but rather exhibits a broad diversification of revenue sources among UBS Europe SE Business and Treasury functions.

#### *Model risk*

Model risk is mitigated by a comprehensive model governance framework. A single model inventory registers all models used in the institution. Further, UBS Europe SE has set up a quantifiable Model Risk Appetite Framework with specific metrics and thresholds. The Europe SE Model Governance Committee (MGC) reviews the metrics defined for the monitoring of model risk on a quarterly basis and the outcome of the review is submitted to RCC.

#### *Funding cost risk*

This section only presents the capital/ICAAP-related funding cost risk. The ILAAP related liquidity and funding risk is reported in section "Risk Measurement, Monitoring and Management for ILAAP".

Funding cost risk is measured via a set of internal and regulatory models and metrics and monitored via a set of limits and other indicators.

To mitigate funding cost risk, UBS Europe SE adheres to the Group Treasury Framework including the following elements:

- Modelled IR duration: Limit applied at business unit levels, monitored by Treasury on a monthly basis. It covers interest rate modelled duration of non-contractual maturity client liabilities (replication portfolios).
- measuring, monitoring and managing liquidity and funding positions on a day-to-day basis using internal and regulatory models and tools.
- hedging of the risk arising from uncollateralized OTC derivatives based on differences between UBS Europe SE's own funding curve and the risk-free curve.

#### *Risk measurement, monitoring and management for ILAAP*

The bank's liquidity and funding risk is monitored, structured and managed on an entity specific basis and as an integral part of the Group's liquidity and funding strategy.

UBS Europe SE measures and monitors liquidity risk using a set of internal and regulatory models/metrics and tools, which cover different scenarios. Stress scenarios consider existing balance sheet positions, off-balance sheet and contingent funding requirements. The key internal models address both near term liquidity risk as well as longer term structural liquidity and funding risk.

UBS Europe SE's liquidity risk appetite objective is to ensure that the firm has sufficient liquidity, to survive a severe 3-months idiosyncratic and market-wide liquidity stress event without government support allowing for discrete management actions.

UBS Europe SE's funding risk appetite objective is to ensure that the firm has sufficient long-term funding to maintain franchise assets at a constant level under stressed market conditions for up to one year, without government support, allowing for discrete

management actions.

The strategy, as set out in UBS Europe SE's Risk Strategy, is supported through the UBS Europe SE liquidity and funding framework.

The risk appetite and assumptions of the internal liquidity and funding models are reviewed and approved by the Management Board and the ALCO and shared with the Supervisory Board at least annually as part of the ILAAP.

UBS Europe SE is further subject to prudential regulations to maintain appropriate liquidity metrics such as LCR and NSFR. Throughout 2023, UBS Europe SE's internal L&F metrics including LCR and NSFR were above the internal limits set by the Management Board. UBS Europe SE's year-end LCR stands at 157% and NSFR was at 132%. Future changes in the regulatory regime will be adopted as the requirements evolve.

As part of UBS Europe SE's 3-year strategic planning, Treasury plans and manages the size of the firm's Liquidity Portfolio and Funding Plan. UBS Europe SE is funded on a diversified manner, with customer deposits and its stable going & gone concern capital as main funding sources. UBS Europe SE is a deposit taking bank with WM clients; this diversified deposit base represents a sticky funding source for the bank. UBS Europe SE has implemented an unsecured wholesale Funding Program to further diversify its funding base.

UBS Europe SE further maintains a Contingency Funding Plan (CFP) as a preparation and action plan to ensure the firm can maintain sufficient liquidity to meet payment obligations in a liquidity & funding (L&F) stress. The CFP specifies the processes, tools and responsibilities that UBS Europe SE has available to effectively manage through these periods.

#### Risk Reporting, systems and control framework

Risk management objectives and policies described in previous chapters are linked to the established reporting and control framework. UBS Europe SE ensures that risks are reported for internal control purposes at a frequency and to a level of detail commensurate with the extent and variability of the risk and needs of senior management. UBS Europe SE's risk management framework contains a regular and comprehensive reporting landscape to ensure monitoring of adequate liquidity, capital and risk exposure levels. The internal reporting is used for the escalation of risk indicators and the initiation of appropriate mitigating actions. The external reporting is used to comply with risk reporting requirements by the regulators.

The risk reporting for internal and external requirements is supported by UBS Europe SE's risk measurement systems as described in the previous chapters. The system infrastructure incorporates the relevant legal entities and business divisions and provides the basis for reporting on risk positions and limit utilization to the relevant functions on a regular and ad-hoc basis. UBS Europe SE's risk management systems are reviewed by Internal Audit following a risk-based audit approach.

To ensure accurate, complete and timely reporting of data, UBS Europe SE has defined and implemented a data management and control framework. The data management governance applies to internal and regulatory models built and follows the principle to use single data sources for the same information, reconciled data with an audit trail as well as data sourcing process workflows. UBS Europe SE's control framework is designed in line with the UBS Group Non-Financial Risk Framework ensuring a strong control process is in place to identify and manage identified weaknesses, while also ensuring compensating measures like additional controls or conservative assumptions are in place.

The internal reporting is used for the escalation of risk indicators and the initiation of appropriate mitigating actions. Apart from the key internal risk reports listed below, the CRO maintains ongoing communication with the delegated risk units responsible for monitoring all relevant risks on a daily basis. Thereby an independent information and ad-hoc risk reporting is possible at any time via the usual communication channels to monitor and escalate any significant risk development.

The following overview presents the most important internal risk reports to monitor UBS Europe SE's risk management process:

- Daily Summary Report: The report is owned by Regulatory Reporting and distributed to the CFO, CRO and respective functions. The report contains collateral calls per product category, excess / deficits to collateral held, RWA including limit utilization, capital held and capital ratios compared to regulatory limits and internal triggers. The reports are escalated to additional Management Board members, when significant developments within the limits and indicators are observable.
- Daily Liquidity Monitoring Report: The report is owned by Treasury and distributed to the CFO, CRO and respective functions. The report contains an overview of liquidity and funding metrics including internal and external L&F stress tests/metrics, L&F limits and other indicators
- Monthly Risk Report: The report is owned by Risk Control and distributed to the Supervisory Board, the Management Board, further RCC members and regulators. The report is the independent second line of defense report and receives approval from the CRO and is presented and discussed in the RCC meetings. It gives a consolidated risk overview of all exposures and

metrics across risk categories (financial and non-financial) and all divisions. The report includes firm wide risk metrics, stress test results, recovery indicators as well as liquidity metrics, large exposures and an operational risk, market & treasury risk as well as credit risk overview. In addition, a separate and detailed Credit Risk Report and Treasury Risk Report are part of the overall Monthly Risk Reporting Package.

- ICAAP Report: The report is owned by Finance and distributed to the Supervisory Board, the Management Board, the ALCO and regulators. The purpose of the ICAAP report is to inform about the results of the internal assessment of risks and related capital impact at UBS Europe SE including its material subsidiaries and branches. The report and related assessment are done and produced on a quarterly basis and ad-hoc if required. Annually a comprehensive ICAAP package including a comprehensive documentation and Capital Adequacy Statement is provided to the regulator.

- ILAAP Report: The ILAAP incl. Liquidity & Funding reports are owned by Treasury and distributed to the Supervisory Board, the Management Board, the ALCO and regulators. Annually, a comprehensive ILAAP package including a comprehensive documentation and Liquidity Adequacy Statement is provided to the regulator. The key liquidity and funding results are reported daily and more extensively as part of the monthly Treasury report.

- Monthly Outsourcing Monitoring Report: The report is owned by Provider Management and distributed to respective line manager, responsible officers for material outsourcings, working circle outsourcing and the Service Operating Committee. The purpose of the report is to inform about the quality and completeness of material outsourcings. It contains the status of the material outsourcings, the number of service deviations, critical areas and KPIs.

- Annual Outsourcing Report: The report is owned by Central Outsourcing Management and distributed to the Supervisory Board, the Management Board and the regulator. The report provides an overview about the inter-entity and third-party inventory of all outsourcings as well as planned initiatives throughout the year. The risk inherent in all outsourcings is assessed both on macro as well as on micro level, including concentration analysis. Furthermore, important past and planned activities are described. The report provides a status and an outlook for the management of all risk exposures related to outsourcing.

- Audit Report: The report is owned by Internal Audit and distributed to the Supervisory Board and Management Board. The report is distributed at appropriate intervals but at least quarterly and includes an overview of the audit mandates executed during the quarter and financial year, including the material deficiencies identified, the measures taken to remedy them and the issue remediation status. It also explains the status of and performance against the audit plan.

- Annual Strategic Capital Plan: The report is owned by Treasury and distributed to the Supervisory Board and ALCO. The report provides an overview about the 3-year strategic capital plan including balance sheet and RWA / Leverage forecast, proposed capital measures, the management buffer and the 3-year funding plan.

- Annual Compliance Report: The report is owned by the Compliance function and distributed to the Management Board and Supervisory Board. In line with the BT 1.2.2 Mindestanforderungen an die Compliance Funktion (Ma-Comp) and Article 22 (2) lit. Delegated Regulation (EU) 2017/565, the report provides the Compliance view on the adequacy and effectiveness of the applied framework, measures and procedures. The Report outlines key risks, key developments including activities and key regulatory changes and furthermore key interactions with regulators and audits for each of the Taxonomies under the remit of Compliance.

- Annual Money Laundering Reporting Officer (MLRO) Report and UBS Europe SE Risk Analysis on Money Laundering, Terrorist Financing & other criminal offences: Both documents are owned by the UBS Europe SE Financial Crime Prevention (FCP) function. According to regulatory requirements, the Money Laundering Reporting Officer (MLRO) for UBS Europe SE must provide the competent member of the management board (UBS ESE Head GCRG) with a regular report, at least once a year, on his activities, on UBS Europe SE's risk situation and on the measures implemented and envisaged for fulfilment of anti-money laundering obligations. The MLRO may do so within the scope of the annual risk assessment which is required pursuant to sections 4 (2) and 5 of the German Money Laundering Act (Geldwäschegesetz – GwG). The report is reflective of the guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849. It thus serves to fulfil the requirements set by the European Banking Authority (EBA), namely in the production of an activity report proportionate to the scale and nature of the activities of the credit or financial institution on at least an annual basis. The report is subject to the approval by the UBS ESE Head GCRG. In addition, the report is submitted to the attention of the UBS ESE management board and the supervisory board.

As an obliged entity and pursuant to section 5 and 9 (1) GwG and the corresponding requirements pursuant to interpretative guidance issued by BaFin (BaFin Circular 8/2005), UBS Europe SE is obliged to perform a risk analysis on a legal entity level. The annual UBS Europe SE Money Laundering, Terrorism Financing Risk Analysis is subject to a review during the annual audit, the results

of which are presented to BaFin as the competent regulator. The risk analysis is approved by the UBS ESE Head GCRG as the responsible board member as per section 4 GwG. Additionally, the Management Board and Supervisory Board are informed about the results of the performed analysis.

Functions, divisions and branches have tailored risk reports in place to enable the functional, divisional and market heads to perform their supervision duties. In addition to the regular reports, independent ad-hoc reports are triggered based on the risk appetite monitoring. The report owner and corresponding Head is responsible to escalate any significant risk development and/or event to the RCC directly or to the Risk Control function depending on the urgency of the relevant topic.

# Key ratios

The following is a summary of the key ratios of UBS Europe SE in accordance with Article 447 of the CRR.

## EU KM1 - Key metrics

EUR m	31.12.23	30.06.23	31.12.22	30.06.22
<b>Available own funds (amounts)</b>				
Common Equity Tier 1 (CET1) capital	2,625	2,438	2,441	2,427
Tier 1 capital	3,225	3,038	3,041	3,027
Total capital	3,225	3,038	3,041	3,027
<b>Risk-weighted exposure amounts</b>				
Total risk exposure amount	12,382	11,118	10,726	11,412
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>				
Common Equity Tier 1 ratio (%)	21.20%	21.93%	22.76%	21.26%
Tier 1 ratio (%)	26.05%	27.33%	28.35%	26.52%
Total capital ratio (%)	26.05%	27.33%	28.35%	26.52%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>				
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00%	2.00%	2.25%	2.25%
<i>of which: to be made up of CET1 capital (percentage points)</i>	1.13%	1.13%	1.27%	1.27%
<i>of which: to be made up of Tier 1 capital (percentage points)</i>	1.50%	1.50%	1.69%	1.69%
Total SREP own funds requirements (%)	10.00%	10.00%	10.25%	10.25%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>				
Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%
<i>Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)</i>				
<i>Institution specific countercyclical capital buffer (%)</i>	0.59%	0.51%	0.28%	0.09%
<i>Systemic risk buffer (%)</i>				
<i>Combined buffer requirement (%)</i>	3.09%	3.01%	2.78%	2.59%
<i>Overall capital requirements (%)</i>	13.09%	13.01%	13.03%	12.84%
CET1 available after meeting the total SREP own funds requirements(%)	15.58%	16.30%	16.99%	15.50%
<b>Leverage ratio</b>				
Total exposure measure	45,079	49,351	41,818	47,364
Leverage ratio (%) <sup>1</sup>	7.16%	6.16%	7.27%	6.39%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>				
Additional own funds requirements to address the risk of excessive leverage (%)				
<i>of which: to be made up of CET1 capital (percentage points)</i>				
Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>				
Leverage ratio buffer requirement (%)				
Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%
<b>Liquidity Coverage Ratio</b>				
Total high-quality liquid assets (HQLA) (Weighted value - average)	18,944	20,026	20,596	19,060
Cash outflows - Total weighted value	29,037	29,804	33,241	33,403
Cash inflows - Total weighted value	16,243	16,593	20,159	21,805
Total net cash outflows (adjusted value)	12,794	13,210	13,082	11,640
Liquidity coverage ratio (%)	149%	152%	159%	166%
<b>Net Stable Funding Ratio</b>				
Total available stable funding	13,942	13,148	13,711	13,853
Total required stable funding	10,606	9,072	7,935	9,343
NSFR ratio (%)	131%	145%	173%	148%

<sup>1</sup> Referred to as 'Tier 1 leverage ratio' and 'Basel III leverage ratio' in UBS Group report as well as in UBS Group Pillar 3 Report, respectively.

The common equity tier 1 (CET1) capital increased by EUR 0.18 bn to EUR 2.62 bn, mainly as a result of the merger of UBS France SA.

# Explanations of the Management Board on the risk profile and risk management process

UBS Europe SE has a well-established risk management governance and framework. At least annually, UBS Europe SE performs a risk inventory process and determines a risk profile on enterprise level based on the current and planned business activities. The most significant risks are non-financial risk, credit risk as well as business risk. UBS Europe SE's risk strategy and risk appetite is derived from the risk identification process in alignment with the strategic business plan. The risk appetite is operationalized in the risk management process by defining limits and other indicators as well as comprehensive risk appetite objectives. In general, all material risk categories are capitalized and covered in the ICAAP normative and economic view. Liquidity risk is not capitalized as holding capital is not an effective mitigant. Liquidity risk is efficiently steered and monitored in the ILAAP framework. An adequate quarterly management reporting process ensures timely monitoring of the key capital and liquidity risk metrics. UBS Europe SE's capital and liquidity adequacy was ensured throughout the year. Key ratios are outlined in chapters "Risk Performance", "Key ratios", "Liquidity" and "Net stable funding ratio".

The Management Board has assessed the adequacy of UBS Europe SE's risk management process. Based on this assessment, the Management Board confirms that the risk management systems put in place are adequate with regard to the profile and strategy of UBS Europe SE. The Management Board of UBS Europe SE has approved the following statement in accordance with Article 435(1) (e) of the CRR:

The risk management processes of UBS Europe SE comply with the common standards and they proportionally reflect the respective extent, complexity and risk exposure of business activities and operations. The described processes, measures and monitoring tools are suitable to sustainably ensure the capital and liquidity adequacy of UBS Europe SE. The risk strategy goals are measurable, transparent and steerable based on the utilized processes. The risk management processes are in line with the risk profile and strategy of UBS Europe SE.

# Management body

## Number of directorships held by members of the management body

In line with legal requirements of a financial institution with the headquarter in Germany, UBS Europe SE's management body is organized in a two-tier board structure consisting of the Management Board and the Supervisory Board (in consistence with German corporate law). The table below provides the number of directorships held by members of the management body according to Article 435 (2) of the CRR as of 31 December 2023, including the mandates at UBS Europe SE.

## Recruitment of members of the management body

The recruitment of the members of the management body takes into account a shortlist of internal and external candidates containing a preselection of suitable candidates taking into account the selection criteria on their (i) sufficiently good reputation, (ii) possession of sufficient knowledge, skills and experience to perform their duties; (iii) ability to act with honesty, integrity and independence of mind as well as (iv) ability to commit sufficient time to perform their functions in the institution and, where the institution is significant, whether or not the limitation of directorships under Article 91 (3) of the Directive (EU) 2013/36 is being complied with.

The Supervisory Board (assisted by its Nomination Committee) is responsible for the recruitment process of the Management Board as part of the management body taking into account the requirements according to Section 25c KWG. Supervisory Board members are elected by the Annual General Meeting taking into account the requirements according to Section 25d KWG, six of them without being bound to election proposals, and three members (employee representatives) are to be elected and appointed upon proposals from the employee-side.

## UBS Europe SE management body – number of mandates (including mandate at UBS Europe SE)

	Total number of mandates held at 31 Dec 2023	Mandates under Sec. 25d (3) German Banking Act (KWG) that count for the limits under Sec. 25d (3), s.1, no.3 KWG	Additional Mandates <sup>1</sup>
<b>Supervisory Board</b>			
Reto Francioni	4	4	–
Caroline Stewart	2	2	–
Iqbal Khan (until 30.06.2023)	4	2	2
Jonathan (Bobby) Magee	3	3	–
Beatriz Martin-Jimenez (as of 01.07.2023)	6	3	3
Natasha Meaney	1	1	–
Gregor Pottmeyer	4	2	2
Silke Alberts	1	1	–
Jean-Marc Lehnertz	1	1	–
Francesco Stumpo	1	1	–
<b>Total</b>	<b>27</b>	<b>20</b>	<b>7</b>

	Total number of mandates held at 31 Dec 2023	Mandates under sec. 25c (2) KWG that count for the limits under sec. 25c (2), no.2 KWG	Additional Mandates <sup>1</sup>
<b>Management Board</b>			
Christine Novakovic (until 30.06.2023)	8	1	7
Heinrich Baer	2	1	1
Pierre Chavenon	1	1	–
Denise Bauer-Weiler	7	1	6
Georgia Paphiti	5	1	4
Tobias Vogel	12	2	10
Miriam Godoy-Suarez (as of 01.10.2023)	4	1	3
Filippo Bianco (as of 01.10.2023)	5	2	3
<b>Total</b>	<b>44</b>	<b>10</b>	<b>34</b>

<sup>1</sup> Additional mandates are those which are not subject to the limitations stipulated by the KWG.



### Diversity in relation to selection of the management body

A diverse workforce is a competitive advantage. Our strategy is to continuously shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients, offers equal opportunities for all and is a great place to work for everyone. Also, people from different backgrounds and experiences help us make better decisions and drive innovation.

These principles also apply for the composition of the members of the management body. The Nomination Committee discusses and agrees at least annually all objectives for achieving diversity in the management bodies and recommends relevant adoption. Furthermore, the Nomination Committee is responsible for facilitating and monitoring progress towards the achievement of the objectives.

Gender diversity is a key priority for UBS Europe SE, and we continue to be committed to improve in this area. In 2020, to make our commitment in gender diversity more tangible and demonstrate our ambitions, a new Group aspirational goal was set: under this, UBS aims to have 30% of all Director and above roles held by women by 2025. The Management Board of UBS Europe SE has confirmed this for UBS Europe SE as well.

Furthermore, the Management Board of UBS Europe SE set new gender aspirational goals for 2021 – 2025 of 27% of women in the first level below Management Board and of 28% for the second management level.

As of 31 December 2023, the representation of women on the first management level stood at 26.3% (against an aspirational goal of 27%) and, for the second management level, women represented 35.4% (vs. an aspirational goal of 28%).

As of 31 December 2023, the representation of women on the UBS Europe SE Supervisory Board was 44%, exceeding the minimum female representation threshold of 30% for Supervisory Board. As of the same date, the representation of women on the Management Board stood at 43%.

### Risk Committee of the Supervisory Board

According to its Rules of Procedure, the Supervisory Board has established a permanent Risk Committee addressing the specific concerns of risk management. In 2023, five ordinary committee meetings took place, thereof four jointly with the Audit Committee.

# Scope of application of the regulatory framework

This section outlines the scope of the application of the regulatory regime to UBS Europe SE in accordance with Article 436 of the CRR. As opposed to the consolidation scope under International Financial Reporting Standards (IFRS), the scope of consolidation for the purpose of calculating regulatory capital does not include the German subsidiary UBS Private Equity Komplementär GmbH. The financial figures presented below are disclosed as part of the group quarterly publications.

## EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

EUR m	Carrying values of items					Not subject to own funds requirements or subject to deduction from own funds
	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	
<b>Assets</b>						
Cash and balances with central banks	10,716	10,716				
Due from banks	1,942	1,942				
Receivables from Securities financing transactions	3,008		3,008		3,008	
Cash collateral receivable on derivative instruments	3,589		3,589			
Loans & advances to customers	5,543	5,543				
Other financial assets measured at amortized cost	2,632	2,632				
Trading portfolio assets	3,937				3,937	
Positive replacement values	12,578		12,578		12,578	
Brokerage receivables	1	1				
Financial assets designated at fair value	2,054	1,793	261		63	
Properties, equipment and software	231	150				81
Goodwill and intangible assets	593					593
Deferred tax assets	52	48				4
Other assets	104	104				
<b>Total assets</b>	<b>46,981</b>	<b>22,930</b>	<b>19,436</b>		<b>19,586</b>	<b>678</b>
<b>Liabilities</b>						
Amounts due to banks	5,378					5,378
Payables from securities financing transactions	698		698		698	
Cash collateral payables on derivative instruments	4,243		4,243			
Amounts due to customers	17,342					17,342
Other financial liabilities measured at amortized cost	474					474
Financial liabilities at fair value held for trading	992				992	
Negative replacement values	12,797		12,797		12,797	
Brokerage payables	87					87
Debt issued designated at fair value	18					18
Short term debts issued at amortized cost	11					11
Other financial liabilities designated at fair value	251		251		251	
Provisions	69					69
Other Liabilities	533					533
<b>Total liabilities</b>	<b>42,894</b>		<b>17,989</b>		<b>14,738</b>	<b>23,914</b>

The following table provides an overview of the main sources of differences between the financial disclosure carrying value amounts and the exposure amounts used for regulatory purposes.

### EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

31.12.23	Items subject to				
	Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
<i>EUR m</i>					
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	46,303	22,930		19,436	19,586
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	18,981			17,989	14,738
Total net amount under the scope of prudential consolidation	27,322	22,930		1,447	4,848
Off-balance-sheet amounts	12,023	12,023			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2	(421)	(421)			
Differences due to consideration of provisions					
Differences due to the use of credit risk mitigation techniques (CRMs)	(5,055)	(2,737)		(2,318)	
Differences due to credit conversion factors	(11,197)	(11,197)			
Differences due to Securitisation with risk transfer					
Other differences <sup>1</sup>	4,377	(219)		7,542	
<b>Exposure amounts considered for regulatory purposes<sup>2</sup></b>	<b>27,050</b>	<b>20,378</b>		<b>6,672</b>	<b>0<sup>2</sup></b>

<sup>1</sup> Other differences is largely due to SA-CCR/IMM calculation of derivative instruments.

<sup>2</sup> No value is shown for market risk because its focus is around exposure value for credit risk and counterparty credit risk.

Table EU LI3 has not been included due to the immaterial difference between the financial and regulatory scope and the only difference is in the German subsidiary UBS Private Equity Komplementär GmbH that is excluded from the regulatory scope.

The following table outlines the breakdown of the constituent elements of prudent valuation adjustment in accordance with Article 436 (e) of the CRR.

### EU PV1: Prudent valuation adjustments (PVA)

31.12.23	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA			
<i>EUR m</i>										
<b>Category level AVA</b>										
Market price uncertainty		3				1	1	2	2	1
Close-out cost		1				0	0	1	1	0
Concentrated positions		1		0				1	0	1
Early termination										
Model risk						4	2	3	3	0
Operational risk		0		0				0	0	0
Future administrative costs	22	1		1	0			24	24	0
<b>Total Additional Valuation Adjustments (AVAs)</b>	<b>22</b>	<b>6</b>		<b>2</b>	<b>0</b>	<b>5</b>	<b>4</b>	<b>32</b>	<b>30</b>	<b>2</b>

### EU PV1: Prudent valuation adjustments (PVA)

31.12.22	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA			
<i>EUR m</i>										
<b>Category level AVA</b>										
Market price uncertainty	0	5		0		1	1	3	2	1
Close-out cost		1				0	0	1	1	0
Concentrated positions		1		0				2	0	1
Early termination										
Model risk						6	2	4	4	0
Operational risk		0		0				0	0	0
Future administrative costs	20	0		1	0			22	22	0
<b>Total Additional Valuation Adjustments (AVAs)</b>	<b>20</b>	<b>8</b>		<b>1</b>	<b>0</b>	<b>7</b>	<b>3</b>	<b>32</b>	<b>29</b>	<b>3</b>

# Own funds and eligible liabilities

The following table provides an overview of nature and amounts of capital deductions from the own funds for UBS Europe SE.

## EU CC1 - Composition of regulatory own funds

	31.12.23		31.12.22	
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>
<i>EUR m</i>				
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>				
Capital instruments and the related share premium accounts	770	1	770	1
<i>of which share capital incl. share premium</i>	770		770	
Retained earnings	689	1	570	1
Accumulated other comprehensive income (and other reserves)	1,814	1	1,415	1
Funds for general banking risk				
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1				
Minority interests (amount allowed in consolidated CET1)				
Independently reviewed interim profits net of any foreseeable charge or dividend				
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>3,274</b>		<b>2,755</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
Additional value adjustments (negative amount)	(32)		(32)	
Intangible assets (net of related tax liability) (negative amount)	(647)	2	(398)	2
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(4)	3	(18)	3
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	87		153	
Negative amounts resulting from the calculation of expected loss amounts				
Any increase in equity that results from securitised assets (negative amount)				
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing				
Defined-benefit pension fund assets (negative amount)				
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)				
Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)				
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)				
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative				
<i>of which: qualifying holdings outside the financial sector (negative amount)</i>				
<i>of which: securitisation positions (negative amount)</i>				
<i>of which: free deliveries (negative amount)</i>				
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)				
Amount exceeding the 17,65% threshold (negative amount)				

**EU CC1 - Composition of regulatory own funds (continued)**

	31.12.23		31.12.22	
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>
<i>EUR m</i>				
<i>of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>				
<i>of which: deferred tax assets arising from temporary differences</i>				
Losses for the current financial year (negative amount)				
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)				
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)				
Other regulatory adjustments	(52)		(19)	
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(648)</b>		<b>(315)</b>	
<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,625</b>		<b>2,441</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>				
Capital instruments and the related share premium accounts	600	1	600	1
<i>of which: classified as equity under applicable accounting standards</i>	600		600	
<i>of which: classified as liabilities under applicable accounting standards</i>				
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1				
Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1				
Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1				
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties				
<i>of which: instruments issued by subsidiaries subject to phase out</i>				
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>600</b>		<b>600</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>				
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)				
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)				
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)				
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)				
Other regulatory adjustments to AT1 capital				
<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>				
<b>Additional Tier 1 (AT1) capital</b>	<b>600</b>		<b>600</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>3,225</b>		<b>3,041</b>	
<b>Tier 2 (T2) capital: instruments</b>				
Capital instruments and the related share premium accounts				
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR				
Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2				
Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2				
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties				

## EU CC1 - Composition of regulatory own funds (continued)

	31.12.23	31.12.22
Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>	Amounts
Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation <sup>1</sup>
<i>EUR m</i>		
<i>of which: instruments issued by subsidiaries subject to phase out</i>		
<b>Tier 2 (T2) capital before regulatory adjustments</b>		
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
Credit risk adjustments		
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
Other regulatory adjustments to T2 capital		
<b>Total regulatory adjustments to Tier 2 (T2) capital</b>		
<b>Tier 2 (T2) capital</b>		
<b>Total capital (TC = T1 + T2)</b>	<b>3,225</b>	3,041
<b>Total risk exposure amount</b>	<b>12,382</b>	10,726
<b>Capital ratios and requirements including buffers</b>		
Common Equity Tier 1	21.20	22.76
Tier 1	26.05	28.35
Total capital	26.05	28.35
Institution CET1 overall capital requirements	8.72	8.54
<i>of which: capital conservation buffer requirement</i>	2.50	2.50
<i>of which: countercyclical capital buffer requirement</i>	0.59	0.28
<i>of which: systemic risk buffer requirement</i>		
<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement</i>		
<i>of which: additional own funds requirements to address the risks other than the risk of excessive leverage</i>	1.13	1.27 <sup>2)</sup>
<b>Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements</b>	<b>15.58</b>	16.99
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
Cap on inclusion of credit risk adjustments in T2 under standardised approach	109	90
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		

**EU CC1 - Composition of regulatory own funds (continued)**

	<b>31.12.23</b>	31.12.22
<b>Amounts</b>	<b>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation<sup>1</sup></b>	<b>Amounts</b>
		<b>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation<sup>1</sup></b>
<i>EUR m</i>		
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
Current cap on CET1 instruments subject to phase out arrangements		
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
Current cap on AT1 instruments subject to phase out arrangements		
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
Current cap on T2 instruments subject to phase out arrangements		
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

<sup>1</sup> References link the lines of this table to the respective reference numbers provided in the "References" column in the "EU CC2 - reconciliation of regulatory own funds to balance sheet" table in this section.

<sup>2</sup> The comparative figure was restated.



The following table provides a reconciliation of regulatory own funds to balance sheet in accordance with 437 of the CRR. The financial figures presented below are disclosed as part of the group quarterly publications.

## EU CC2 - reconciliation of regulatory own funds to balance sheet

<i>EUR m</i>	31.12.23		31.12.22	
	Under regulatory scope of consolidation <sup>1</sup>	References <sup>2</sup>	Under regulatory scope of consolidation <sup>1</sup>	References <sup>2</sup>
<b>Assets</b>				
Cash and balances with central banks	10,716		11,212	
Due from banks	1,942		1,293	
Receivables from Securities financing transactions	3,008		2,961	
Cash collateral receivable on derivative instruments	3,589		4,005	
Loans & advances to customers	5,543		4,353	
Other financial assets measured at amortized cost	2,632		2,887	
Trading portfolio assets	3,937		2,629	
Positive replacement values	12,578		14,305	
Brokerage receivables	1		5	
Financial assets designated at fair value	2,054		3,527	
Properties, equipment and software	231	2	208	2
Goodwill and intangible assets	593	2	329	2
Deferred tax assets	52	3	100	3
Other assets	104		164	
<b>Total assets</b>	<b>46,981</b>		<b>47,978</b>	
<b>Liabilities</b>				
Amounts due to banks	5,378		4,213	
Payables from securities financing transactions	698		721	
Cash collateral payables on derivative instruments	4,243		3,699	
Amounts due to customers	17,342		17,576	
Other financial liabilities measured at amortized cost	474		482	
Financial liabilities at fair value held for trading	992		962	
Negative replacement values	12,797		14,447	
Brokerage payables	87		169	
Debt issued designated at fair value	18		21	
Short term debts issued at amortized cost	11			
Other financial liabilities designated at fair value	251		1,505	
Provisions	69		60	
Other Liabilities	533		504	
<b>Total liabilities</b>	<b>42,894</b>		<b>44,360</b>	
<b>Total equity</b>	<b>4,087</b>	<b>1</b>	<b>3,618</b>	<b>1</b>

<sup>1</sup> The difference between the financial and regulatory scope is immaterial. Only the German subsidiary UBS Private Equity Komplementär GmbH is excluded from the regulatory scope of consolidation.

<sup>2</sup> References link the lines of this table to the respective reference numbers provided in the "Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation" column in the "EU CC1 - Composition of regulatory own funds" table in this section.

The table below depicts the main features and terms and conditions of capital instruments issued by UBS Europe SE in accordance with Article 437 of the CRR.

**EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments**

Issuer	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Internal total loss-absorbing capacity (TLAC) eligible liabilities					
	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public or private placement	Private	Private	Private	Private	Private	Private	Private	Private	Private
Governing law(s) of the instrument	German	German	German	German	German	German	German	German	German
Contractual recognition of write down and conversion powers of resolution authorities	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment									
Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
Instrument type (types to be specified by each jurisdiction)	CET1 Instrument	Additional Tier 1	Additional Tier 1	72b CRR - internal TLAC	72b CRR - internal TLAC	72b CRR - internal TLAC	72b CRR - internal TLAC	72b CRR - internal TLAC	72b CRR - internal TLAC
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 770 million	EUR 290 million	EUR 310 million	EUR 975 million	EUR 200 million	EUR 275 million	EUR 400 million	USD 300 million	EUR 400 million
Nominal amount of instrument	EUR 446 million	EUR 290 million	EUR 310 million	EUR 975 million	EUR 200 million	EUR 275 million	EUR 400 million	USD 300 million	EUR 400 million
Issue price	Various	1	1	1	1	1	1	1	1
Redemption price	Par	Par	Par	Par	Par	Par	Par	Par	Par
Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	Various	11.06.2018	23.05.2022	27.02.2023	13.06.2022	14.05.2019	05.02.2021	03.11.2021	20.06.2023
Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	No Maturity	No Maturity	No Maturity	27.02.2028	14.06.2027	14.05.2029	05.02.2031	03.11.2032	20.06.2025
Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	N/A	Anytime after 12.06.2023 with regulatory consent at par value	23.05.2027, or earlier upon occurrence of tax or regulatory event at par value	1 year before contractual maturity, the Borrower, in its sole discretion, has the right to repay the outstanding principal amount of the Loan+ any accrued and unpaid interest thereon, provided that the competent authority has approved such early repayment of the Loan (if such approval is then required under applicable law and regulations)	1 year before contractual maturity, the Borrower, in its sole discretion, has the right to repay the outstanding principal amount of the Loan+ any accrued and unpaid interest thereon, provided that the competent authority has approved such early repayment of the Loan (if such approval is then required under applicable law and regulations)	1 year before contractual maturity, the Borrower, in its sole discretion, has the right to repay the outstanding principal amount of the Loan+ any accrued and unpaid interest thereon, provided that the competent authority has approved such early repayment of the Loan (if such approval is then required under applicable law and regulations)	1 year before contractual maturity, the Borrower, in its sole discretion, has the right to repay the outstanding principal amount of the Loan+ any accrued and unpaid interest thereon, provided that the competent authority has approved such early repayment of the Loan (if such approval is then required under applicable law and regulations)	1 year before contractual maturity, the Borrower, in its sole discretion, has the right to repay the outstanding principal amount of the Loan+ any accrued and unpaid interest thereon, provided that the competent authority has approved such early repayment of the Loan (if such approval is then required under applicable law and regulations)	1 year before contractual maturity, the Borrower, in its sole discretion, has the right to repay the outstanding principal amount of the Loan+ any accrued and unpaid interest thereon, provided that the competent authority has approved such early repayment of the Loan (if such approval is then required under applicable law and regulations)
Subsequent call dates, if applicable	N/A	Anytime after 12.06.2023 with regulatory consent at par value	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments (continued)**

	Common Equity Tier 1	Additional Tier 1			Internal total loss-absorbing capacity (TLAC) eligible liabilities					
Coupons / dividends										
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	N/A	EURIBOR floored to zero + 466bps	3-month EURIBOR + 403bps	3-month EURIBOR floored to zero + 127bps	3-month EURIBOR floored to zero + 128bps	3-month EURIBOR floored to zero + 103bps	3-month EURIBOR floored to zero + 74bps	SOFR + 134bps	3-month EURIBOR floored to zero + 198bps	
Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Partial discretionary	Partial discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Partial discretionary	Partial discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority
If convertible, fully or partially	N/A	N/A	N/A	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
If convertible, conversion rate	N/A	N/A	N/A	At discretion of resolution authority	At discretion of resolution authority	At discretion of resolution authority	At discretion of resolution authority	At discretion of resolution authority	At discretion of resolution authority	At discretion of resolution authority
If convertible, mandatory or optional conversion	N/A	N/A	N/A	Mandatory after instruction of resolution authority	Mandatory after instruction of resolution authority	Mandatory after instruction of resolution authority	Mandatory after instruction of resolution authority	Mandatory after instruction of resolution authority	Mandatory after instruction of resolution authority	Mandatory after instruction of resolution authority
If convertible, specify instrument type convertible into	N/A	N/A	N/A	CET1	CET1	CET1	CET1	CET1	CET1	CET1
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE	UBS Europe SE
Write-down features	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
If write-down, write-down trigger(s)	N/A	CET1 ratio falls below 5.125%	CET1 ratio falls below 5.125%	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority	Instruction of resolution authority
If write-down, full or partial	N/A	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
If write-down, permanent or temporary	N/A	Temporary	Temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
If temporary write-down, description of write-up mechanism	N/A	Contractual conversion rate of annual balance sheet profit	Contractual conversion rate of annual balance sheet profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Type of subordination (only for eligible liabilities)	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory
Ranking of the instrument in normal insolvency proceedings	1	2	2	5	5	5	5	5	5	5
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	AT1	Shareholder loans	Shareholder loans	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
Non-compliant transitioned features	No	No	No	No	No	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The following table provides an overview of key metrics and the internal loss-absorbing capacity in accordance with Article 437a of the CRR.

**EU iLAC - Internal loss absorbing capacity: internal TLAC and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs**

	31.12.23		30.09.23	
	Non-EU G-SII Requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information	Non-EU G-SII Requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information
<i>EUR m</i>				
<b>Applicable requirement and level of application</b>				
Is the entity subject to a Non-EU G-SII Requirement for own funds and eligible liabilities? (Y/N)		Y		Y
If EU 1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)		C		C
Is the entity subject to an internal MREL requirement? (Y/N)		Y		Y
If EU 2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)		C		C
<b>Own funds and eligible liabilities</b>				
Common Equity Tier 1 capital (CET1)	2,625		2,651	
Eligible Additional Tier 1 instruments	600		600	
Eligible Tier 2 instruments				
Eligible own funds	3,225		3,251	
Eligible liabilities	2,522		2,534	
<i>of which permitted guarantees</i>				
(Adjustments)				
Own funds and eligible liabilities items after adjustments	5,747		5,785	
<b>Total risk exposure amount and total exposure measure</b>				
Total risk exposure amount	12,382		12,247	
Total exposure measure	45,079		47,314	
<b>Ratio of own funds and eligible liabilities</b>				
Own funds and eligible liabilities (as a percentage of TREA)	46.42%		47.24%	
<i>of which permitted guarantees</i>				
Own funds and eligible liabilities (as a percentage of leverage exposure)	12.75%		12.23%	
<i>of which permitted guarantees</i>				
CET1 (as a percentage of TREA) available after meeting the entity's requirements	15.58%		16.02%	
Institution-specific combined buffer requirement	3.09%		3.05%	
<b>Requirements</b>				
Requirement expressed as a percentage of the total risk exposure amount	16.20%		16.20%	
<i>of which may be met with guarantees</i>				
Internal TLAC expressed as percentage of the total exposure measure	6.08%		6.08%	
<i>of which may be met with guarantees</i>				
<b>Memorandum items</b>				
Total amount of excluded liabilities referred to in Article 72a(2) CRR	26,455		27,781	

The following table depicts creditor ranking of instruments in accordance with Article 437a of the CRR.

### EU TLAC2a: Creditor ranking - Entity that is not a resolution entity

31.12.23

EUR m	Insolvency ranking				Other	Total
	1	2	5	11		
	(most junior)					
Empty set in the EU	Resoluti- on entity	Resoluti- on entity	Resoluti- on entity			
Description of insolvency rank	Common equity Tier 1 instruments	Additional Tier 1 instruments	Claims for repayment of shareholder loans and accrued interest thereon	Non-preferred creditor claims arising from non-subordinated, unsecured non-structured debt instruments which (i) are issued before 21 July 2018 and are neither deposits within the positions of no. 13 and 14 nor money market instruments (ii) are issued from 21 July 2018 onwards, have an original contractual maturity of at least one year, do not qualify as deposits within the position of no. 13 and 14 and the contractual documentation and, where applicable, the prospectus explicitly refer to the lower ranking		
Liabilities and own funds including derivative liabilities	2,635	600	2,535	20	5,790	
<i>of which excluded liabilities</i>			14	5	18	
Liabilities and own funds less excluded liabilities	2,635	600	2,522	15	5,771	
Subset of liabilities and own funds less excluded liabilities that are own funds and eligible liabilities for the purpose of internal TLAC	2,635	600	2,522		5,756	
<i>of which residual maturity ≥ 1 year &lt; 2 years</i>			400		400	
<i>of which residual maturity ≥ 2 year &lt; 5 years</i>			1,175		1,175	
<i>of which residual maturity ≥ 5 years &lt; 10 years</i>			947		947	
<i>of which residual maturity ≥ 10 years, but excluding perpetual securities</i>						
<i>of which perpetual securities</i>	2,635	600			3,235	

30.06.23

EUR m	Insolvency ranking				Other	Total
	1	2	5	11		
	(most junior)					
Empty set in the EU	Resoluti- on entity	Resoluti- on entity	Resoluti- on entity			
Description of insolvency rank	Common equity Tier 1 instruments	Additional Tier 1 instruments	Claims for repayment of shareholder loans and accrued interest thereon	Non-preferred creditor claims arising from non-subordinated, unsecured non-structured debt instruments which (i) are issued before 21 July 2018 and are neither deposits within the positions of no. 13 and 14 nor money market instruments (ii) are issued from 21 July 2018 onwards, have an original contractual maturity of at least one year, do not qualify as deposits within the position of no. 13 and 14 and the contractual documentation and, where applicable, the prospectus explicitly refer to the lower ranking		
Liabilities and own funds including derivative liabilities	2,437	600	2,537	20	5,594	
<i>of which excluded liabilities</i>			12	5	17	
Liabilities and own funds less excluded liabilities	2,437	600	2,525	15	5,577	
Subset of liabilities and own funds less excluded liabilities that are own funds and eligible liabilities for the purpose of internal TLAC	2,437	600	2,525		5,562	
<i>of which residual maturity ≥ 1 year &lt; 2 years</i>			400		400	
<i>of which residual maturity ≥ 2 year &lt; 5 years</i>			1,175		1,175	
<i>of which residual maturity ≥ 5 years &lt; 10 years</i>			950		950	
<i>of which residual maturity ≥ 10 years, but excluding perpetual securities</i>						
<i>of which perpetual securities</i>	2,437	600			3,037	

# Own funds requirements and risk-weighted exposure amounts

## Pillar 1 capital requirements

For Pillar 1, regulatory capital exposures are calculated using supervisory standardised approaches except for:

### Credit risk determined by internal credit model

- Exposures arising from OTC derivatives are calculated using an IMM credit model. Exposures on OTC transactions that are not approved to be calculated in this model are determined using the supervisory Standardized approach for counterparty credit risk (SA-CCR).
- Exposures arising from securities financing transactions (SFT) are calculated using an IMA credit model. Exposures on SFT transactions not approved to be calculated in this model are determined using the supervisory volatility adjustments approach for master netting agreements.

### Market risk

- Exposures relating to interest rate swaps are calculated using sensitivity models except for trades booked within Group Treasury which follow standardised approaches.

### Operational risk

- The own funds requirement for operational risk is calculated using the Basic indicator approach.

UBS Europe SE applies standardised risk weightings where applicable using external credit ratings of the rating agencies Moody's, Standard & Poor's, and Fitch.

## Assessing capital requirements

UBS Europe SE assesses the adequacy of its capital resources in terms of both amount and type through a number of processes governed by the Management Board, the UBS Europe SE Risk Committee and ALCO.

A Capital Management Framework has been established with the objective of ensuring that UBS Europe SE complies at all times with relevant regulation and its internal capital risk appetite.

As part of the business planning process, each operating business forecasts its capital needs over a three-year horizon. The resulting plan is subject to stress testing to determine whether the bank's capital resources are sufficient should severe market conditions or other events arise. Furthermore, UBS Europe SE considers whether the regulatory capital measures specified in the CRR are sufficient given the risk profile of the bank.

The capital planning process is integrated into UBS Europe SE's ICAAP framework, in which UBS Europe SE's capital adequacy is assessed under the Normative Baseline & Adverse perspectives over a three year-horizon and under the Economic View to ensure sufficient level of capitalization.

The results of these processes form part of the UBS Europe SE ICAAP document which is submitted annually to the ECB. The ICAAP is then assessed by the ECB and used as part of their Supervisory Review and Evaluation Process (SREP) to set a minimum capital requirement for the bank. The Board considers all these factors in establishing the total amount of capital required and the nature of the capital instruments that should be issued.

The Board sets capital limits, Early Warning indicators and targets as well as a management buffer which allows UBS Europe SE to sustainably follow its business model. Procedures are in place to monitor the businesses capital consumption against these metrics and escalate any issues arising through the governance fora.

Quarterly stress testing is undertaken to ensure that capital remains sufficient to enable the firm to continue to meet the Board's metrics should a stress event occur. The results are discussed by the ALCO and reported to the Management Board.

UBS Europe SE's business plan forms part of the overall UBS Group planning process which is approved by the UBS Group AG Executive Board.

The following table outlines an overview of the risk-weighted assets and capital requirement for UBS Europe SE.

### EU OV1 – Overview of total risk exposure amounts

EUR m	31.12.23		31.12.22	
	Risk weighted exposure amounts (RWEAs)	Total own funds requirements	Risk weighted exposure amounts (RWEAs)	Total own funds requirements
<b>Credit risk (excluding CCR)</b>	<b>4,888</b>	<b>391</b>	3,212	257
<i>Of which the standardised approach</i>	<i>4,888</i>	<i>391</i>	<i>3,212</i>	<i>257</i>
<i>Of which the Foundation IRB (F-IRB) approach</i>				
<i>Of which: slotting approach</i>				
<i>Of which: equities under the simple riskweighted approach</i>				
<i>Of which the Advanced IRB (A-IRB) approach</i>				
<b>Counterparty credit risk - CCR</b>	<b>4,606</b>	<b>368</b>	4,860	389
<i>Of which the standardised approach<sup>1</sup></i>	<i>1,332</i>	<i>107</i>	<i>1,657</i>	<i>133</i>
<i>Of which internal model method (IMM)<sup>2</sup></i>	<i>2,477</i>	<i>198</i>	<i>2,296</i>	<i>184</i>
<i>Of which exposures to a CCP</i>	<i>112</i>	<i>9</i>	<i>85</i>	<i>7</i>
<i>Of which credit valuation adjustment - CVA</i>	<i>686</i>	<i>55</i>	<i>823</i>	<i>66</i>
<i>Of which other CCR</i>				
<b>Settlement risk</b>	<b>25</b>	<b>2</b>	69	6
<b>Securitisation exposures in the non-trading book (after the cap)</b>				
<i>Of which SEC-IRBA approach</i>				
<i>Of which SEC-ERBA (including IAA)</i>				
<i>Of which SEC-SA approach</i>				
<i>Of which 1250%/ deduction</i>				
<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>700</b>	<b>56</b>	655	52
<i>Of which the standardised approach</i>	<i>700</i>	<i>56</i>	<i>655</i>	<i>52</i>
<i>Of which IMA</i>				
<b>Large exposures</b>				
<b>Operational risk</b>	<b>2,163</b>	<b>173</b>	1,930	154
<i>Of which basic indicator approach</i>	<i>2,163</i>	<i>173</i>	<i>1,930</i>	<i>154</i>
<i>Of which standardised approach</i>				
<i>Of which advanced measurement approach</i>				
<b>Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)</b>	<b>75</b>	<b>6</b>		
<b>Total</b>	<b>12,382</b>	<b>991</b>	10,726	858

<sup>1</sup> Where not eligible for inclusion in a modelled approach, SA-CCR is used for over the counter (OTC) and exchange traded derivatives (ETD), and the financial collateral comprehensive method is used for securities financing transactions (SFT).

<sup>2</sup> Includes derivatives under IMM and SFTs under IMA.



The following table outlines the breakdown of market risk within UBS Europe SE by the main categories, showing RWEAs and capital requirements. As UBS Europe SE does not utilize advanced approaches these disclosures are derived under the standardised approach.

#### EU MR1 - Market Risk under the standardised approach

	31.12.23	31.12.22
<i>EUR m</i>	RWEAs	RWAs
<b>Outright products</b>		
Interest rate risk (general and specific)	481	437
Equity risk (general and specific)	4	2
Foreign exchange risk	207	198
Commodity risk		
<b>Options</b>		
Simplified approach		
Delta-plus approach	8	19
Scenario approach		
<b>Securitisation (specific risk)</b>		
<b>Total</b>	<b>700</b>	<b>655</b>

The following table depicts exposure amounts calculation for operational risk based upon Basic indicator approach.

### EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

31.12.23 <i>EUR m</i>	Relevant indicator			Own funds requirements	Risk exposure amount
	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	1,160	1,178	1,123	173	2,163
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
<i>Subject to TSA:</i>					
<i>Subject to ASA:</i>					
Banking activities subject to advanced measurement approaches AMA					

### EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

31.12.22 <i>EUR m</i>	Relevant indicator			Own funds requirements	Risk exposure amount
	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	997	1,054	1,038	154	1,930
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
<i>Subject to TSA:</i>					
<i>Subject to ASA:</i>					
Banking activities subject to advanced measurement approaches AMA					

# Counterparty credit risk

## Methodology used to assign internal capital and credit limits for counterparty credit exposures

UBS Europe SE's credit limits reflect UBS Europe SE's risk capacity, risk appetite and large exposure requirements.

In IB Limits are established for individual counterparties and their counterparty groups covering banking and traded products, as well as settlement amounts. Limits apply to the current outstanding and contingent commitments based on notional but also to the potential future exposure of traded products. Limits are subject to tenor restrictions. The following key counterparty limit types may be established:

- Risk and volume limits for securities financing transactions
- Potential Future Exposure limit for uncollateralized non-cleared derivatives trading
- Close-out Exposure limit for collateralized non-cleared derivatives trading
- Exchange Traded Derivatives limit for cleared OTC and exchange traded derivatives
- Take and Hold and Temporary Exposure limits for Commercial Lending and Leverage Lending transactions
- Settlement Risk limits

In GWM limits are established in the main for private individuals, private investment companies and for Funds. Facility offering comes mainly in the way of Lombard Lending, and there is a limited mortgage offering in France and Italy. Clients must have sufficient Lending Value in their assets portfolio to cover the exposure and in some legal jurisdictions, to also cover the limits. GWM limits include:

- Lombard credit facilities, normally uncommitted and valid until further notice. Loan facilities can be used for overdrafts or fixed term advances within the parameters defined for Lombard exposures
- UBS's maximum risk appetite for a client is defined by the lower of the total (explicit) lending value of a client's collateral portfolio or the approved credit limits. Origination must obtain prior approval for any transaction that exceeds a client's total lending value or credit limit.

Limits are approved in accordance with delegated credit authority.

## Policies related to guarantees and other credit risk mitigants

For OTC traded products the majority of IB-originated credit exposures are collateralized under industry standard agreements with positive mark-to-market of outstanding trades collateralized with cash and/or highly liquid securities on a daily basis.

Counterparty exposure arising from clearing listed securities on exchanges on behalf of clients is collateralized via initial as well as variation margin, in line with exchange requirements and applying counterparty-specific multipliers as deemed appropriate to mitigate risk in line with the level of appetite.

Mitigation in Structured Financing portfolio is achieved by ensuring an adequate diversification of assets and counterparties with concentration in each collateral types or jurisdictions limited by the corresponding appetite.

In GWM Transactions must be covered by Lombard eligible collateral duly pledged to allow liquidation in a close out.

Collateral with liquidity and/or concentration risk are subject to respective credit approval and monitoring and lending values must reflect the risk of the collateral and the assumed close-out period.

## Policies with respect to Wrong-Way risk exposures

UBS Europe SE has a framework in place for identification, monitoring and reporting of Wrong Way Risks. All outstanding positions of Specific and General WWR are reviewed at least monthly.

### Capital allocation / Allocation of loan limits to counterparties

UBS Europe SE does not provide for any separate capital allocation as well as limitation of default risks towards counterparties with derivative items. Both are effected within the framework of the uniformly applicable limitation process for counterparty risks. The methods of the regulatory as well as internal control of large credits apply.

The following tables provide a view of the methods utilized to calculate CCR regulatory requirements together with the main parameters utilized for each methodology including replacement cost (RC), potential future exposure (PFE), effective expected positive exposure (EEPE), and credit risk mitigation (CRM) effects.

#### EU CCR1 - Analysis of CCR exposure by approach

31.12.23	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
<i>EUR m</i>								
EU - Original Exposure Method (for derivatives)				1.4				
EU - Simplified SA-CCR (for derivatives)				1.4				
SA-CCR (for derivatives)	714	1,168		1.4	2,790	1,550	1,545	1,196
IMM (for derivatives and SFTs)			2,014	1.5	2,920	2,920	2,621	1,710
<i>of which securities financing transactions netting sets</i>								
<i>of which derivatives and long settlement transactions netting sets</i>			2,014		2,920	2,920	2,621	1,710
<i>of which from contractual cross-product netting sets</i>								
Financial collateral simple method (for SFTs)								
Financial collateral comprehensive method (for SFTs)					366	324	324	136
VaR for SFTs					2,050	1,132	1,132	768
<b>Total</b>					<b>8,127</b>	<b>5,927</b>	<b>5,624</b>	<b>3,809</b>

31.12.22	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
<i>EUR m</i>								
EU - Original Exposure Method (for derivatives)				1.4				
EU - Simplified SA-CCR (for derivatives)				1.4				
SA-CCR (for derivatives)	747	1,392		1.4	3,374	2,461	2,456	1,473
IMM (for derivatives and SFTs)			2,029	1.5	2,938	2,617	2,617	1,511
<i>of which securities financing transactions netting sets</i>								
<i>of which derivatives and long settlement transactions netting sets</i>			2,029		2,938	2,617	2,617	1,511
<i>of which from contractual cross-product netting sets</i>								
Financial collateral simple method (for SFTs)								
Financial collateral comprehensive method (for SFTs)					260	254	254	184
VaR for SFTs					1,448	1,112	1,112	785
<b>Total</b>					<b>8,020</b>	<b>6,444</b>	<b>6,439</b>	<b>3,953</b>

The following table provides the breakdown of the CVA capital charge by approach. UBS Europe SE currently only utilizes the standardized method for CVA charge calculation.

**EU CCR2 – Transactions subject to own funds requirements for CVA risk**

<i>EUR m</i>	31.12.23		31.12.22	
	Exposure value	RWEA	Exposure value	RWEA
Total transactions subject to the Advanced method				
(i) VaR component (including the 3× multiplier)				
(ii) stressed VaR component (including the 3× multiplier)				
Transactions subject to the Standardised method	1,931	686	2,541	823
Transactions subject to the Alternative approach (Based on the Original Exposure Method)				
<b>Total transactions subject to own funds requirements for CVA risk</b>	<b>1,931</b>	<b>686</b>	<b>2,541</b>	<b>823</b>

The following table provides a breakdown of CCR exposures by regulatory exposure class and risk weights.

**EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights<sup>1</sup>**

31.12.23 EUR m	Risk Weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
<b>Exposure classes</b>												
Central governments or central banks	326				56	13						394
Regional government or local authorities	0				31				15			46
Public sector entities	5				2	5			10			22
Multilateral development banks												
International organisations												
Institutions		1,014			395	1,868			79			3,357
Corporates					193	53			2,607	0		2,853
Retail												
Institutions and corporates with a short-term credit assessment												
Other items												
<b>Total exposure value</b>	<b>331</b>	<b>1,014</b>			<b>677</b>	<b>1,939</b>			<b>2,711</b>	<b>0</b>		<b>6,672</b>

31.12.22 EUR m	Risk Weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	
<b>Exposure classes</b>												
Central governments or central banks	189				42	10						240
Regional government or local authorities	1				5				20			26
Public sector entities	65				0	10			9			84
Multilateral development banks												
International organisations												
Institutions		806			1,474	1,649			222			4,151
Corporates					240	64			2,495	0		2,799
Retail												
Institutions and corporates with a short-term credit assessment												
Other items												
<b>Total exposure value</b>	<b>255</b>	<b>806</b>			<b>1,759</b>	<b>1,733</b>			<b>2,746</b>	<b>0</b>		<b>7,300</b>

<sup>1</sup> Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures.

The following table provides a breakdown of types of collateral posted or received to support CCR exposures on derivatives and SFTs.

### EU CCR5 – Composition of collateral for CCR exposures

31.12.23	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received		Fair value of collateral posted	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
<i>EUR m</i>								
Cash – domestic currency		3,778		1,863				
Cash – other currencies		3,109		295				
Domestic sovereign debt	0	127		87	3,630			3,561
Other sovereign debt	250	6,740		475	43,849			43,366
Government agency debt								
Corporate bonds	283	19,862		60	1,900			854
Equity securities		11,084			3,839			3,314
Other collateral		4,565			0			0
<b>Total</b>	<b>533</b>	<b>49,265</b>		<b>2,780</b>	<b>53,217</b>			<b>51,096</b>

31.12.22	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received		Fair value of collateral posted	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
<i>EUR m</i>								
Cash – domestic currency		2,972		1,879				
Cash – other currencies		2,728		310				
Domestic sovereign debt	223	811		370	24,538			24,090
Other sovereign debt	7	2,894			68			31
Government agency debt								
Corporate bonds	173	14,872			1,461			419
Equity securities		5,298			2,255			2,059
Other collateral		2,890			160			0
<b>Total</b>	<b>403</b>	<b>32,466</b>		<b>2,559</b>	<b>28,483</b>			<b>26,600</b>

The following table provides an overview of the credit derivative portfolio of UBS Europe SE by product group using notional amounts. UBS Europe SE does not utilize credit derivatives within its banking book.

### EU CCR6 – Credit derivatives exposures

31.12.23	Protection bought	Protection sold
<i>EUR m</i>		
<b>Notionals</b>		
Single-name credit default swaps	1,712	1,439
Index credit default swaps	137	137
Total return swaps		5
Credit options		
Other credit derivatives		
<b>Total notionals</b>	<b>1,849</b>	<b>1,581</b>
<b>Fair values</b>		
Positive fair value (asset)	4	9
Negative fair value (liability)	(17)	(8)

31.12.22	Protection bought	Protection sold
<i>EUR m</i>		
<b>Notionals</b>		
Single-name credit default swaps	1,111	835
Index credit default swaps	193	184
Total return swaps		3
Credit options		
Other credit derivatives		
<b>Total Notionals</b>	<b>1,305</b>	<b>1,021</b>
<b>Fair values</b>		
Positive fair value (asset)	5	8
Negative fair value (liability)	(14)	(6)



The following table provides a view of the drivers behind the change in the RWEA relating to OTC derivatives under the IMM over the period.

### EU CCR7 – RWEA flow statements of CCR exposures under the IMM

31.12.23

<i>EUR m</i>	<b>RWEA</b>
RWEA as at the end of the previous reporting period	<b>1,511</b>
Asset size	<b>156</b>
Credit quality of counterparties	<b>64</b>
Model updates (IMM only)	
Methodology and policy (IMM only)	
Acquisitions and disposals	
Foreign exchange movements	<b>(21)</b>
Other	
<b>RWEA as at the end of the current reporting period</b>	<b>1,710</b>

31.12.22

<i>EUR m</i>	<b>RWEA</b>
RWEA as at the end of the previous reporting period	<b>1,522</b>
Asset size	<b>(103)</b>
Credit quality of counterparties	<b>(0)</b>
Model updates (IMM only)	<b>48</b>
Methodology and policy (IMM only)	
Acquisitions and disposals	
Foreign exchange movements	<b>43</b>
Other	
<b>RWAs as at the end of the current reporting period</b>	<b>1,511</b>

The following table provides an overview of the CCR charge resulting from exposures to Central Clearing Counterparties (CCP). It sets out the types of exposures as well as their related capital charges.

### EU CCR8 – Exposures to CCPs

EUR m	31.12.23		31.12.22	
	Exposure value	RWEA	Exposure value	RWEA
<b>Exposures to QCCPs (total)</b>		<b>112</b>		<b>85</b>
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	<b>1,048</b>	<b>27</b>	861	27
(i) OTC derivatives	<b>343</b>	<b>13</b>	550	15
(ii) Exchange-traded derivatives	<b>101</b>	<b>2</b>	20	0
(iii) SFTs	<b>604</b>	<b>12</b>	290	12
(iv) Netting sets where cross-product netting has been approved				
Segregated initial margin				
Non-segregated initial margin	<b>66</b>	<b>1</b>	34	1
Prefunded default fund contributions	<b>227</b>	<b>60</b>	217	41
Unfunded default fund contributions	<b>2</b>	<b>23</b>	1	16
<b>Exposures to non-QCCPs (total)</b>				
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which				
(i) OTC derivatives				
(ii) Exchange-traded derivatives				
(iii) SFTs				
(iv) Netting sets where cross-product netting has been approved				
Segregated initial margin				
Non-segregated initial margin				
Prefunded default fund contributions				
Unfunded default fund contributions				

# Countercyclical capital buffer

The following table sets out credit exposures as at 31 December 2023, split by geographical distribution, utilized in the calculation of the countercyclical capital buffer.

## EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

31.12.23	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Own fund requirements				
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models		Total exposure value	Relevant credit risk exposures - Credit risk	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)
<i>EUR m</i>										
<b>Breakdown by country:</b>										
<i>Anguilla</i>	0					0	0	0		0.00
<i>Antigua and Barbuda</i>	0					0	0	0	0	0.00
<i>Arab Republic of Egypt</i>	0					0	0	0		0.00
<i>Argentine Republic</i>	1					1	0	0	1	0.02
<i>Aruba</i>	0						0	0		0.00
<i>Australia</i>	68		0			68	1	1	17	0.22
<i>Bermuda</i>	5					5	0	0	2	0.02
<i>Canada</i>	766					766	13	13	166	2.16
<i>Cayman Islands</i>	38		0			38	3	3	38	0.50
<i>Commonwealth of the Bahamas</i>	25					25	2	2	25	0.32
<i>Czech Republic</i>	0						0	0		0.00
<i>Dominican Republic</i>	1					1	0	0	1	0.02
<i>Eastern Republic of Uruguay</i>	0					0	0	0	0	0.00
<i>Federal Republic of Germany</i>	1,751		0			1,751	121	121	1,517	19.78
<i>Federative Republic of Brazil</i>	0					0	0	0		0.00
<i>French Republic</i>	2,067		1			2,068	143	143	1,793	23.38
<i>Gibraltar</i>	1					1	0	0	2	0.02
<i>Grand Duchy of Luxembourg</i>	1,051					1,051	84	84	1,055	13.76
<i>Great Britain and Northern Ireland</i>	228					228	15	15	190	2.47
<i>Guernsey</i>	1					1	0	0	1	0.01
<i>Hellenic Republic</i>	1					1	0	0	1	0.01
<i>Hong Kong</i>	2					2	0	0	2	0.02
<i>Ireland</i>	27					27	2	2	27	0.35
<i>Isle of Man</i>	0					0	0	0	0	0.00
<i>Italian Republic</i>	734		0			735	59	59	739	9.64
<i>Japan</i>	0						0	0		0.00
<i>Jersey</i>	0						0	0		0.00
<i>Kingdom of Belgium</i>	18		0			18	1	1	18	0.24
<i>Kingdom of Denmark</i>	140		0			140	11	11	141	1.84
<i>Kingdom of Morocco</i>	0					0	0	0	0	0.00
<i>Kingdom of Netherlands</i>	115		0			115	8	8	94	1.23
<i>Kingdom of Norway</i>	277					277	3	3	37	0.48

**EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer  
(continued)**

31.12.23	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Own fund requirements				
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models		Total exposure value	Relevant credit risk exposures - Credit risk	Total	Risk- weighted exposure amounts	Own fund requirements weights (%)
EUR m										
<b>Breakdown by country:</b>										
<i>Kingdom of Saudi Arabia</i>	6					6	0	0	6	0.08
<i>Kingdom of Spain</i>	98					98	9	9	113	1.47
<i>Kingdom of Sweden</i>	664					664	40	40	506	6.60
<i>Kingdom of Thailand</i>	13					13	1	1	13	0.17
<i>Lebanese Republic</i>	4					4	0	0	6	0.08
<i>Malaysia</i>	9					9	1	1	9	0.12
<i>Netherlands Antilles</i>	2		0			3	0	0	3	0.03
<i>New Zealand</i>	34					34	1	1	7	0.09
<i>Portuguese Republic</i>	7		0			7	1	1	7	0.09
<i>Principality of Andorra</i>	0						0	0		0.00
<i>Principality of Liechtenstein</i>	0						0	0		0.00
<i>Republic of Austria</i>	9					9	1	1	9	0.11
<i>Republic of Bolivia</i>	0					0	0	0	0	0.01
<i>Republic of Chile</i>	125					125	10	10	125	1.64
<i>Republic of Columbia</i>	0					0	0	0	0	0.00
<i>Republic of Costa Rica</i>	2					2	0	0	2	0.03
<i>Republic of Croatia</i>	0					0	0	0		0.00
<i>Republic of Cyprus</i>	0					0	0	0	0	0.00
<i>Republic of Ecuador</i>	1					1	0	0	2	0.02
<i>Republic of El Salvador</i>	0						0	0		0.00
<i>Republic of Estonia</i>	1					1	0	0	1	0.01
<i>Republic of Finland</i>	70					70	6	6	70	0.92
<i>Republic of Guatemala</i>	0					0	0	0	0	0.00
<i>Republic of Iceland</i>	0					0	0	0	1	0.01
<i>Republic of Kenya</i>	0						0	0		0.00
<i>Republic of Lithuania</i>	1					1	0	0	1	0.01
<i>Republic of Malta</i>	44					44	3	3	44	0.57
<i>Republic of Mauritius</i>	6					6	0	0	6	0.08
<i>Republic of Namibia</i>	0					0	0	0		0.00
<i>Republic of Panama</i>	31					31	3	3	31	0.41
<i>Republic of Paraguay</i>	3					3	0	0	3	0.04
<i>Republic of Peru</i>	0						0	0		0.00
<i>Republic of Poland</i>	0					0	0	0	0	0.00
<i>Republic of Singapore</i>	22					22	2	2	22	0.28
<i>Republic of Turkey</i>	4					4	0	0	4	0.05
<i>Republic of Venezuela</i>	1					1	0	0	1	0.01
<i>Republic of the Marshall Islands</i>	1					1	0	0	1	0
<i>Romania</i>	3					3	0	0	3	0
										1

**EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (continued)**

31.12.23	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Own fund requirements					
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models		Total exposure value	Relevant credit risk exposures - Credit risk	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
<i>EUR m</i>											
<b>Breakdown by country:</b>											
<i>Russian Federation</i>	3					3	0	0	5	0	
<i>Saint Kitts and Nevis</i>	6					6	0	0	6	0	
<i>Saint Vincent and the Grenadines</i>	0					0	0	0		0	
<i>State of Bahrain</i>	0					0	0	0		0	
<i>State of Israel</i>	1					1	0	0	1	0	
<i>State of Kuwait</i>	0					0	0	0	0	0	
<i>State of Qatar</i>	0					0	0	0		0	
<i>Swiss Confederation</i>	74					74	6	6	74	1	
<i>Taiwan, Province of China</i>	212					212	17	17	212	3	
<i>Ukraine</i>	0						0	0		0	
<i>United Arab Emirates</i>	71					71	6	6	71	1	
<i>United Mexican States</i>	16					16	1	1	16	0	
<i>United States of America</i>	319		2			320	26	27	333	4	
<i>Virgin Islands (British)</i>	89					89	7	7	89	1.17	
	<b>9,271</b>		<b>3</b>			<b>9,274</b>	<b>613</b>	<b>613</b>	<b>7,666</b>	<b>100.00</b>	

The table below sets out the calculation of the countercyclical capital buffer.

**EU CCyB2 - Amount of institution-specific countercyclical capital buffer**

<i>EUR m</i>	31.12.23	31.12.22
Total risk exposure amount	12,382	10,726
Institution-specific countercyclical buffer rate	0.59%	0.28%
Institution-specific countercyclical capital buffer requirement	73	30

# Credit risk exposure in the standardized approach

The standardized approach requires banks to, where possible, use risk assessments prepared by external credit assessment institutions (ECAIs) or export credit agencies to determine the risk weightings applied to rated counterparties. UBS Europe SE applies standardised risk weightings where applicable using external credit ratings of the rating agencies Moody's Investors Service, Standard & Poor's and Fitch.

Debt instruments are risk-weighted in accordance with the specific issue ratings available for the asset classes Institutions, Corporates, Central Governments, Public Sector Entities, Regional Governments and Local Authorities, Multilateral Development Banks and International Organisations. If there is no specific issue rating published by an ECAI, then the risk-weight is determined according to the rules set out in the Regulation (EU) 575/2013 (CRR). For the asset classes Equity, Exposures in Default, Exposures associated with particularly high risk and Other Assets, we apply the regulatory prescribed risk weights independent of an external credit rating.

External ratings are consumed externally and loaded into the reporting software which is allocating the credit quality steps and the risk-weights accordingly.

The association of the external rating of each nominated ECAI with the risk weights are in line with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR.

The following table outlines the effects of CRM excluding derivative, long settlement transactions, margin lending and SFT transactions and outlines exposures pre and post CRM and credit conversion factors (CCF).

### EU CR4 – standardised approach – Credit risk exposure and CRM effects

31.12.23	Exposures before CCF and before CRM		Exposures post CCF and post CRM <sup>1</sup>		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
<i>EUR m</i>						
<b>Exposure classes</b>						
Central governments or central banks	11,679		11,751		37	0%
Regional government or local authorities	269		269		52	19%
Public sector entities	808	70	808		38	5%
Multilateral development banks	220		220			0%
International organisations	154		154			0%
Institutions	2,059	124	1,390	25	446	32%
Corporates	5,460	11,829	3,064	637	3,649	99%
Retail						
Secured by mortgages on immovable property						
Exposures in default	14	0	14		21	145%
Exposures associated with particularly high risk	25		25		38	150%
Covered bonds	1,654		1,654		263	16%
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity	1		1		2	250%
Other items	367		367		343	94%
<b>Total</b>	<b>22,710</b>	<b>12,023</b>	<b>19,716</b>	<b>662</b>	<b>4,888</b>	<b>24%</b>

31.12.22	Exposures before CCF and CRM		Exposures post CCF and post CRM <sup>1</sup>		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWEA density (%)
<i>EUR m</i>						
<b>Exposure class</b>						
Central governments or central banks	11,862		12,078			0%
Regional government or local authorities	383		397		12	3%
Public sector entities	1,350	63	1,330	5	37	3%
Multilateral development banks	271		271			0%
International organisations	234		234			0%
Institutions	1,587	665	941	661	548	34%
Corporates	4,359	10,124	1,639	405	2,103	103%
Retail						
Secured by mortgages on immovable property						
Exposures in default	6		6		8	135%
Exposures associated with particularly high risk	25		25		38	150%
Covered bonds	1,574		1,574		251	16%
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity	1		1		2	250%
Other items	214		214		214	100%
<b>Total</b>	<b>21,866</b>	<b>10,851</b>	<b>18,710</b>	<b>1,071</b>	<b>3,212</b>	<b>16%</b>

<sup>1</sup> The exposure value post CCF and post CRM includes substitution effects.



The following table provides a view of the breakdown of credit exposures by risk weight and asset class under the standardized approach.

### EU CR5 - Standardised approach<sup>1</sup>

31.12.23 <i>EUR m</i>	Risk weight													Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	1250%	Others			
Central governments or central banks	11,736										15				11,751	11,032
Regional government or local authorities	178				77							15			269	0
Public sector entities	620				188										808	48
Multilateral development banks	220														220	49
International organisations	154														154	
Institutions					997	353			64				1		1,415	113
Corporates						2	403		3,169	126			1		3,701	3,522
Retail																
Secured by mortgages on immovable property																
Exposures in default									1	13					14	14
Exposures associated with particularly high risk										25					25	25
Covered bonds				682	971										1,654	
Institutions and corporates with a short-term credit assessment																
Unit or shares in collective investment undertakings																
Equity												1			1	1
Other items						47			319						367	367
<b>Total</b>	<b>12,908</b>			<b>682</b>	<b>2,233</b>	<b>402</b>	<b>403</b>		<b>3,554</b>	<b>164</b>	<b>30</b>	<b>1</b>			<b>20,378</b>	<b>15,171</b>

31.12.22 <i>EUR m</i>	Risk Weight													Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	1250%	Others			
Central governments or central banks	12,078														12,078	11,330
Regional government or local authorities	337				60										397	
Public sector entities	1,172				158				5						1,335	305
Multilateral development banks	271														271	
International organisations	234														234	
Institutions					1,014	502			86				1		1,603	1,041
Corporates					0	3			1,945	94			1		2,044	1,894
Retail																
Secured by mortgages on immovable property																
Exposures in default									1	4					6	6
Exposures associated with particularly high risk										25					25	25
Covered bonds				639	935										1,574	
Institutions and corporates with a short-term credit assessment																
Unit or shares in collective investment undertakings																
Equity												1			1	1
Other items	0								214						214	214
<b>Total</b>	<b>14,092</b>			<b>639</b>	<b>2,167</b>	<b>505</b>			<b>2,252</b>	<b>124</b>	<b>1</b>	<b>2</b>			<b>19,781</b>	<b>14,816</b>

<sup>1</sup> Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures.

<sup>2</sup> Comparative has been restated.

# Credit risk adjustments

## Policies for past-due, non-performing and credit-impaired claims

In line with the regulatory definition, we report a claim as non-performing when: (i) it is more than 90 days past due; (ii) it is subject to restructuring proceedings, where preferential conditions concerning interest rates, subordination, tenor, etc. have been granted in order to avoid default of the counterparty (forbearance); or (iii) the counterparty is subject to bankruptcy / enforced liquidation proceedings in any form, even if there is sufficient collateral to cover the due payment; or (iv) there is other evidence that payment obligations will not be fully met without recourse to collateral.

UBS Europe SE applies a single definition of default for classifying assets and determining the probability of default (PD) of its obligors for risk modeling purposes. The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted at the latest when material payments of interest, principal or fees are overdue for more than 90 days. Counterparties are also classified as defaulted when: bankruptcy, insolvency proceedings or enforced liquidation have commenced; obligations have been restructured on preferential terms (forbearance); or there is other evidence that payment obligations will not be fully met without recourse to collateral. The latter may be the case even if, to date, all contractual payments have been made when due. If one claim against a counterparty is defaulted on, generally all claims against the counterparty are treated as defaulted.

An instrument is classified as credit-impaired if the counterparty is classified as defaulted, and/or the instrument is identified as purchased or originated credit-impaired (POCI). An instrument is POCI if it has been purchased at a deep discount to its carrying amount following a risk event of the issuer or originated with a defaulted counterparty. Once a financial asset is classified as defaulted/credit-impaired (except POCI), it is reported as a stage 3 instrument and remains as such unless all past due amounts have been rectified, additional payments have been made on time, the position is not classified as credit restructured, and there is general evidence of credit recovery. A three-month probation period is applied before a transfer back to stages 1 or 2 can be triggered. However, most instruments remain in stage 3 for a longer period. As of 31 December 2023, we had no instruments classified as POCI on our books.

## Definition of 'past due' and 'impaired' for the purpose of accounting

A financial asset must be classified as past due by Risk Control when the following occurs: (i) a counterparty fails to make a cash payment when contractually due on the financial asset; and (ii) the missing cash payment is not covered by an approved and advised limit.

An overdraft account must be generally classified as past due when the balance exceeds an approved and advised limit. An advised limit is a credit limit which is based on a contractual agreement with the client. This requires that the limit size, payment deadlines and all other relevant terms and conditions have been communicated to the client.

A legal counterparty is deemed to be impaired/in default if there is evidence that contractual payment obligations towards UBS Europe SE will not be met in full without enforcement of credit enhancements such as collateral or third party guarantees. This includes inability as well as unwillingness to pay.

The identification of default takes into account qualitative and quantitative aspects. Indications include:

### Unlikelihood-to-pay indicators

A legal counterparty must be classified as in default, if not classified as such already, in the following situations: (i) the legal counterparty is subject to legal bankruptcy proceedings which comprise UBS Europe SE exposures or is forced into liquidation (e.g. debt moratorium), even if there is sufficient collateral to cover payment obligations; (ii) for a financial asset of the legal counterparty causing material credit exposure and carried at amortized cost, the carrying amount exceeds the present value of the estimated future cash flows, i.e. interest payments, scheduled principal repayments, or other payments due, for example on guarantees, and including liquidation of collateral and third-party-guaranteed payments where available; (iii) the legal counterparty legally defaulted on a financial asset as a result of a covenant breach or a contractually specified termination event, and a close-out of the financial asset has been enforced for credit related reasons. This may exclude cases when a financial asset has been closed-out in the absence of a legal default event or in the regular course of the business with a timely payment of any arising claims.

### Conclusive past due backstops

A legal counterparty must be classified as in default when it exceeds 90 days past due pursuant to the applicable counting rule.

### Default with a third party

It is a rebuttable presumption that a legal counterparty is in default if (i) it has legally defaulted on credit positions granted by a third party as a result of a covenant breach or a contractually specified termination event and the financial asset has been irregularly closed-out; or (ii) distressed credit positions granted by a third party are under credit restructuring.

That is, a legal counterparty must be classified as in default if UBS Europe SE observes above circumstances unless evidence can be collected that UBS's credit exposure is not impacted.

### Additional Indications for Default

Default may not initially be evident and so an effective classification process for default must take into account potential indicators which may not necessarily signify default. This includes the following examples: (1) repeated or Long-Lasting Delinquency; (ii) repeated material past due amounts or financial assets which have been past due for a long period (relative to commercially accepted grace periods) may be an indication of default, irrespective of whether the conclusive or rebuttable delinquency backstop have been triggered or not.

Table CR2 shows the changes in stock of defaulted loans and debt securities belonging to the IFRS category 'amortised cost' and Off-Balance Sheet positions during financial year 2023. Numbers are based on IFRS and the regulatory scope of consolidation is taken into consideration.

### EU CR2: Changes in the stock of non-performing loans and advances

31.12.23

<i>EUR m</i>	<b>Gross carrying amount</b>
<b>Initial stock of non-performing loans and advances</b>	<b>15</b>
Inflows to non-performing portfolios	11
Outflows from non-performing portfolios	(1)
<i>Outflows due to write-offs</i>	
<i>Outflow due to other situations</i>	<i>(11)</i>
<b>Final stock of non-performing loans and advances</b>	<b>25</b>

A large majority of trades conducted on UBS Europe SE are fully collateralized and this is managed on a daily basis. Given the nature of the business conducted in UBS Europe SE, the templates EU CR1, EU CR1-A and CQ1-CQ7 have been excluded on the grounds of materiality as these do not disclose material information that would enhance the understanding of the Pillar 3 disclosures. For the assessment of materiality both qualitative and quantitative criteria have been taken into account in accordance with BaFin Circular 05/2015. The template CR2 has been included to provide an overview of the movements during the period.

# Credit risk mitigation

UBS Europe SE uses specific credit risk mitigation (CRM) techniques for exposures against UBS AG and UBS Switzerland AG. For loans to external counterparties, UBS Europe SE uses various credit risk mitigation techniques. The security provided by customers for Lombard loans is offset within the framework of Articles 107 and 108 of the CRR.

All financial security is taken into account using the comprehensive method according to Article 223 of the CRR. The largest exposure to credit institutions is with the parent UBS AG. This specific concentration risk is closely monitored by UBS Europe SE.

UBS Europe SE presents financial assets and liabilities on its balance sheet net if (i) it has a legally enforceable right to set off the recognized amounts and (ii) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Netted positions include, for example, certain derivatives and repurchase and reverse repurchase transactions with various counterparties, exchanges and clearing houses.

For Centrally and Non-Centrally Cleared Derivatives agreements where UBS Europe SE is exposed to counterparty credit risk, cash and/or securities that meet specific requirements are used to mitigate credit risk. Particular consideration is given to the effects of risk correlation between the Counterparty and the Collateral issuer.

UBS ESE applies strict discipline in the extension and the sizing of lending commitments. All Investment Banking lending commitments which are entered into by UBS ESE are sub-participated to UBS AG once drawn under the terms of a Master Sub Participation Agreement (MSPA).

Traded product exposures to Group entities are collateralized to a large extent. A large exposure collateral process allows UBS ESE to call collateral from UBS AG to mitigate the large exposure to UBS AG.

The following table outlines the extent of usage of CRM techniques. It shows the carrying values of all collateral, financial guarantees and credit derivatives used as CRM.

## EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

31.12.23	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
<i>EUR m</i>					
<b>Exposure carrying values under credit risk mitigation</b>					
Loans and advances	16,242	9,014	7,134	1,880	
Debt securities	3,963				
<b>Total</b>	<b>20,205</b>	<b>9,014</b>	<b>7,134</b>	<b>1,880</b>	
<i>Of which non-performing exposures</i>	<i>1</i>	<i>15</i>	<i>15</i>		
<i>Of which defaulted</i>	<i>1</i>	<i>15</i>	<i>15</i>		

31.12.22	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
<i>EUR m</i>					
<b>Exposure carrying values under credit risk mitigation</b>					
Loans and advances	16,140	9,254	8,393	861	
Debt securities	4,592				
<b>Total</b>	<b>20,732</b>	<b>9,254</b>	<b>8,393</b>	<b>861</b>	
<i>Of which non-performing exposures</i>	<i>1</i>	<i>5</i>	<i>5</i>		
<i>Of which defaulted</i>	<i>1</i>	<i>5</i>	<i>5</i>		

## Securitization positions

UBS Europe SE is not the originator or sponsor of securitization positions. As of December 2023, there were no securitization positions held by UBS Europe SE. On the grounds of materiality, disclosures of securitization positions in accordance with Article 449 of the CRR have been waived. For the assessment of materiality both qualitative and quantitative criteria have been taken into account in accordance with BaFin Circular 05/2015.

# Liquidity

The Liquidity Coverage Ratio (LCR) assesses whether the entity has sufficient High-Quality Liquid Assets (HQLA) to fund cash outflows in a significant stress scenario for 30 days.

Over 2023 the average LCR remains well above the regulatory requirements of 100% at 149% (vs 159% in December 2022) with excess HQLA decreasing by EUR 1.3bn to EUR 6.1bn, mainly driven by a more efficient management of liquidity and funding resources.

As of 31 December 2023, the average HQLA of EUR 18.9 bn primarily consists of Central Bank Reserves (62%) and L1 High Quality Securities (33%).

The following table shows the components of UBS Europe SE's monthly average LCR for 2023.

## EU LIQ1 - Quantitative information on LCR

Consolidated	Total unweighted value (average)				Total weighted value (average)			
<i>EUR m</i>								
Quarter ending on	31.03.23	30.06.23	30.09.23	31.12.23	31.03.23	30.06.23	30.09.23	31.12.23
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>High-Quality Liquid Assets</b>								
Total high-quality liquid assets (HQLA)					20,349	20,026	19,364	18,944
<b>Cash-Outflows</b>								
Retail deposits and deposits from small business customers, of which:	4,932	4,951	5,079	4,991	986	990	1,016	998
<i>Stable deposits</i>								
<i>Less stable deposits</i>	4,932	4,951	5,079	4,991	986	990	1,016	998
Unsecured wholesale funding	17,051	16,220	15,557	14,897	12,339	11,781	11,397	10,978
Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,961	4,693	4,310	3,881	1,240	1,173	1,077	970
Non-operational deposits (all counterparties)	12,090	11,527	11,247	11,016	11,099	10,608	10,320	10,008
Unsecured debt								
Secured wholesale funding					322	282	254	227
Additional requirements	2,607	2,643	2,786	2,952	1,852	1,900	1,899	1,953
Outflows related to derivative exposures and other collateral requirements	1,500	1,479	1,467	1,542	1,493	1,453	1,409	1,454
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	1,107	1,163	1,320	1,410	359	447	491	500
Other contractual funding obligations	16,823	15,720	15,464	15,801	15,210	14,043	13,777	14,041
Other contingent funding obligations	9,393	9,723	9,942	10,078	782	807	826	839
<b>Total Cash Outflows</b>					31,492	29,804	29,170	29,037
<b>Cash-Inflows</b>								
Secured lending (eg reverse repos)	13,965	14,242	15,278	16,658	1,000	534	320	293
Inflows from fully performing exposures	1,930	1,845	1,793	1,798	1,827	1,748	1,693	1,708
Other cash inflows	15,465	14,319	14,049	14,263	15,465	14,319	14,049	14,263
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					7	8	12	21
(Excess inflows from a related specialised credit institution)								
<b>Total Cash Inflows</b>	31,360	30,406	31,120	32,719	18,286	16,593	16,050	16,243
<i>Fully exempt inflows</i>								
<i>Inflows subject to 90% Cap</i>								
<i>Inflows subject to 75% Cap</i>	29,783	29,015	29,652	31,100	18,286	16,593	16,050	16,243

### EU LIQ1 - Quantitative information on LCR (continued)

Consolidated	Total unweighted value (average)		Total weighted value (average)	
<i>EUR m</i>				
Quarter ending on	31.03.23	30.06.23	30.09.23	31.12.23
Number of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	20,349	20,026	19,364	18,944
Total net cash outflows	13,206	13,210	13,120	12,794
Liquidity coverage ratio (%)	155%	152%	148%	149%

### Currency mismatch in the LCR

The LCR is reported in all significant currencies (comprising at least 5 % of the total liabilities). UBS Europe SE manages its cross-currency liquidity risk through its internal liquidity risk model Liquidity Stress Testing (LST).

### Derivative exposures and potential collateral calls

The LCR is calculated by considering derivative cashflows, represented on a net basis in accordance with Article 21 of the Regulation (EU) 2015/61 (as amended). Other items that could lead to liquidity outflows include the historical look back approach, which considers the impact of an adverse market scenario on derivatives, and additional collateral requirements in the event of a deterioration in UBS Europe SE's credit rating.

### Concentration of funding and liquidity sources

UBS Europe SE's funding sources are mainly its customer deposits and its going and gone concern capital. The diversified deposit base represents a sticky funding source. UBS Europe SE is not issuing any unsecured or secured CD/CPs/Bond, Securitization papers or structured notes.



# Asset encumbrance

The following tables detail the encumbered and unencumbered assets and collateral of UBS Europe SE as well as the liabilities driving the encumbrance. An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The management of the UBS Europe SE's liquidity is the responsibility of the Group Treasury function. In its monthly meeting the UBS Europe SE Asset and Liability Committee reviews a summary of the unencumbered and encumbered collateral. The values shown are medians of each individual value calculated based on the four quarterly submissions to the Regulator. The rows are not additive.

## EU AE1 - Encumbered and unencumbered assets

31.12.23	Carrying Amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	of which notionally eligible EHQLA and HQLA	of which notionally eligible EHQLA and HQLA	of which EHQLA and HQLA		of which EHQLA and HQLA	
<i>EUR m</i>						
<b>Assets of reporting institution</b>	<b>5,352</b>		<b>44,055</b>	<b>15,144</b>		
Equity Instruments	859	859	2,192		2,192	
Debt securities	515	515	4,134	4,055	4,013	3,933
<i>of which: covered bonds</i>			1,564	1,555	1,471	1,462
<i>of which: asset-backed securities</i>						
<i>of which: issued by general governments</i>	512	512	2,129	2,082	2,112	2,065
<i>of which: issued by financial corporations</i>			2,005	1,973	1,899	1,871
<i>of which: issued by non-financial corporations</i>			1		1	
Other assets	4,081		37,439	11,330		

31.12.22	Carrying Amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	of which notionally eligible EHQLA and HQLA	of which notionally eligible EHQLA and HQLA	of which EHQLA and HQLA		of which EHQLA and HQLA	
<i>EUR m</i>						
<b>Assets of reporting institution</b>	<b>5,256</b>		<b>45,969</b>	<b>17,126</b>		
Equity Instruments	618	618	1,532		1,532	
Debt securities	240	240	4,701	4,419	4,701	4,501
<i>of which: covered bonds</i>			1,542	1,483	1,542	1,533
<i>of which: asset-backed securities</i>						
<i>of which: issued by general governments</i>	238	238	1,929	1,842	1,929	1,853
<i>of which: issued by financial corporations</i>	1	1	2,768	2,643	2,768	2,740
<i>of which: issued by non-financial corporations</i>	3	3	12		12	
Other assets	4,338		40,270	12,515		

## EU AE2 - Collateral received

31.12.23

EUR m	Fair value of encumbered collateral received or own debt issued		Unencumbered	
		of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Collateral received by the reporting institution	24,965	461	5,489	3,899
Loans on demand				
Equity instruments	2,769	100	1,002	63
Debt securities	22,365	358	4,466	3,836
<i>of which: covered bonds</i>	9		328	329
<i>of which: asset-backed securities</i>	29		552	
<i>of which: issued by general governments</i>	21,612	295	3,265	3,314
<i>of which: issued by financial corporations</i>	588	39	1,156	510
<i>of which: issued by non-financial corporations</i>	152	7	177	25
Loans and advances other than loans on demand				
Other collateral received				
<b>Own debt securities issued other than own covered bonds or asset-backed securities</b>				
<b>Own covered bonds and asset-backed securities issued and not yet pledged</b>				
<b>Total Assets, collateral received and own debt securities issued</b>	<b>30,317</b>	<b>461</b>		

31.12.22

EUR m	Fair value of encumbered collateral received or own debt issued		Unencumbered	
		of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Collateral received by the reporting institution	18,953	432	4,926	2,993
Loans on demand				
Equity instruments	2,735		762	
Debt securities	16,007	393	4,143	2,993
<i>of which: covered bonds</i>	39		131	12
<i>of which: asset-backed securities</i>	1		671	
<i>of which: issued by general governments</i>	15,501	365	2,882	2,791
<i>of which: issued by financial corporations</i>	411	28	1,065	78
<i>of which: issued by non-financial corporations</i>	96	1	106	9
Loans and advances other than loans on demand				
Other collateral received				
<b>Own debt securities issued other than own covered bonds or asset-backed securities</b>				
<b>Own covered bonds and asset-backed securities issued and not yet pledged</b>				
<b>Total Assets, collateral received and own debt securities issued</b>	<b>24,375</b>	<b>432</b>		

### EU AE3 - Median amounts of liabilities associated with encumbered assets and collateral received

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS
Median of the month end balances during year EUR m		
<b>Carrying amount of selected financial liabilities</b>	<b>30,311</b>	<b>24,826</b>

### EU AE4 - Accompanying narrative information

The majority of the on-balance-sheet assets are not subject to any form of encumbrance as they are mostly cash or receivable assets. Unencumbered 'Other assets' consists of amounts due from reverse repo lending, derivative assets and central bank reserves. A small proportion is made up of assets that cannot be encumbered (tangible/intangible assets, tax assets). The encumbered amount is predominantly collateral provided for margin against derivative contracts on the 'Other assets' row.

The off-balance-sheet collateral received is encumbered when used to cover repurchase agreements and collateral swaps. Compared to 2022 there has been an increase in the median value of encumbered off-balance-sheet collateral due to an increase in reverse repos activities.

The key sources of encumbrance of assets and collateral are secured funding repo, securities lending, as well as derivatives trading. There are no covered bond issuances or securitisation programs within UBS Europe SE.

# Net stable funding ratio

The NSFR is a binding requirement that is designed to ensure that long term assets and off-balance sheet items are adequately met with a diverse set of stable funding instruments. Since the Capital Requirements Regulation II ("CRR2") became binding in Q2 2021, the NSFR has been well above the regulatory minimum. In the year 2023, the ratio decreased from 153% (Q1 2023) to 131% (Q4 2023) as a result of the increase in RSF, primarily driven by the acquisition of UBS (France) S.A. in July 2023 which led to an increase in loans to customers.

Interdependent assets & Liabilities relate to centrally cleared derivatives where UBS ESE does not guarantee the performance of the CCP to its clients.

## EU LIQ2 - Net Stable Funding Ratio

EUR m	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>31.03.23</b>					
<b>Available stable funding (ASF) Items</b>					
Capital items and instruments	3,059	290			3,059
<i>Own funds</i>	3,059	290			3,059
<i>Other capital instruments</i>					
Retail deposits		4,957			4,462
<i>Stable deposits</i>					
<i>Less stable deposits</i>		4,957			4,462
Wholesale funding:		21,212	279	2,291	5,390
<i>Operational deposits</i>		4,281			2,141
<i>Other wholesale funding</i>		16,931	279	2,291	3,249
Interdependent liabilities		2,716	113	61	
Other liabilities:	177	13,773		265	265
<i>NSFR derivative liabilities</i>	177				
<i>All other liabilities and capital instruments not included in the above categories</i>		13,773		265	265
<b>Total available stable funding (ASF)</b>					<b>13,176</b>
<b>Required stable funding (RSF) Items</b>					
Total high-quality liquid assets (HQLA)					1,279
Assets encumbered for a residual maturity of one year or more in a cover pool					
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		10,910	517	3,435	3,942
<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		6,377	97	31	79
<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		3,862	259	1,037	1,434
<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		525	159	1,818	2,018
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Performing residential mortgages, of which:</i>			3	152	
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		146		397	411
Interdependent assets		2,739	110	61	
Other assets:		14,867		2,221	2,453
<i>Physical traded commodities</i>					
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		252		1,333	1,347
<i>NSFR derivative assets</i>					
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		2,295			115
<i>All other assets not included in the above categories</i>		12,320		889	991
Off-balance sheet items		9,909	72	1,051	894
<b>Total RSF</b>					<b>8,569</b>
<b>Net Stable Funding Ratio (%)</b>					<b>154%</b>

## EU LIQ2 - Net Stable Funding Ratio (continued)

30.06.23

EUR m	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>					
Capital items and instruments	3,088	290			3,088
<i>Own funds</i>	3,088	290			3,088
<i>Other capital instruments</i>					
Retail deposits		4,750			4,275
<i>Stable deposits</i>					
<i>Less stable deposits</i>		4,750			4,275
Wholesale funding:		21,363	5	2,717	5,520
<i>Operational deposits</i>		3,885			1,942
<i>Other wholesale funding</i>		17,479	5	2,717	3,577
Interdependent liabilities		2,490	66	71	
Other liabilities:	205	14,705		265	265
<i>NSFR derivative liabilities</i>	205				
<i>All other liabilities and capital instruments not included in the above categories</i>		14,705		265	265
<b>Total available stable funding (ASF)</b>					<b>13,148</b>
<b>Required stable funding (RSF) Items</b>					
Total high-quality liquid assets (HQLA)					1,558
Assets encumbered for a residual maturity of one year or more in a cover pool					
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		9,589	216	3,833	4,072
<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		5,618		31	31
<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		3,453	42	1,278	1,549
<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		422	171	1,809	1,964
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Performing residential mortgages, of which:</i>			3	151	
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		96		564	528
Interdependent assets		2,530	61	71	
Other assets:		15,819		2,271	2,484
<i>Physical traded commodities</i>					
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		256		1,401	1,409
<i>NSFR derivative assets</i>					
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		2,325			116
<i>All other assets not included in the above categories</i>		13,238		870	958
Off-balance sheet items		10,668	36	1,089	958
<b>Total RSF</b>					<b>9,072</b>
<b>Net Stable Funding Ratio (%)</b>					<b>145%</b>

**EU LIQ2 - Net Stable Funding Ratio (continued)**

30.09.23

EUR m	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>					
Capital items and instruments	3,563	290			3,563
<i>Own funds</i>	3,563	290			3,563
<i>Other capital instruments</i>					
Retail deposits		5,133			4,620
<i>Stable deposits</i>					
<i>Less stable deposits</i>		5,133			4,620
Wholesale funding:		18,641	3	2,735	5,922
<i>Operational deposits</i>		3,729			1,864
<i>Other wholesale funding</i>		14,913	3	2,735	4,058
Interdependent liabilities		2,472	33	97	
Other liabilities:		16,399		252	252
<i>NSFR derivative liabilities</i>					
<i>All other liabilities and capital instruments not included in the above categories</i>		16,399		252	252
<b>Total available stable funding (ASF)</b>					14,357
<b>Required stable funding (RSF) Items</b>					
Total high-quality liquid assets (HQLA)					1,363
Assets encumbered for a residual maturity of one year or more in a cover pool					
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		8,319	501	4,949	5,316
<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		4,051		31	31
<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		3,458	48	1,253	1,538
<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		698	452	2,943	3,209
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Performing residential mortgages, of which:</i>		8		152	
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		105		571	538
Interdependent assets		2,399	35	97	
Other assets:		17,096		2,597	3,278
<i>Physical traded commodities</i>					
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		248		1,455	1,447
<i>NSFR derivative assets</i>		465			465
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		2,228			111
<i>All other assets not included in the above categories</i>		14,155		1,142	1,255
Off-balance sheet items		9,801	252	1,075	899
<b>Total RSF</b>					10,856
<b>Net Stable Funding Ratio (%)</b>					132%

## EU LIQ2 - Net Stable Funding Ratio (continued)

31.12.23

EUR m	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>					
Capital items and instruments	3,580	290			3,580
<i>Own funds</i>	3,580	290			3,580
<i>Other capital instruments</i>					
Retail deposits		4,742			4,268
<i>Stable deposits</i>					
<i>Less stable deposits</i>		4,742			4,268
Wholesale funding:		15,593		2,742	5,808
<i>Operational deposits</i>		3,084			1,542
<i>Other wholesale funding</i>		12,510		2,742	4,267
Interdependent liabilities		2,787	53	97	
Other liabilities:	254	8,505	11	280	286
<i>NSFR derivative liabilities</i>	254				
<i>All other liabilities and capital instruments not included in the above categories</i>		8,505	11	280	286
<b>Total available stable funding (ASF)</b>					<b>13,942</b>
<b>Required stable funding (RSF) Items</b>					
Total high-quality liquid assets (HQLA)					1,569
Assets encumbered for a residual maturity of one year or more in a cover pool					
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		5,985	539	4,704	5,093
<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		1,782	31		15
<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		3,468	24	1,231	1,516
<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		681	467	2,662	2,971
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Performing residential mortgages, of which:</i>		3	16	147	
<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		51		664	591
Interdependent assets		2,624	52	98	
Other assets:		9,455		2,767	2,964
<i>Physical traded commodities</i>					
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		222		1,626	1,570
<i>NSFR derivative assets</i>					
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		2,598			130
<i>All other assets not included in the above categories</i>		6,636		1,141	1,264
Off-balance sheet items		10,756	356	1,066	979
<b>Total RSF</b>					<b>10,606</b>
<b>Net Stable Funding Ratio (%)</b>					<b>131%</b>

# Leverage ratio

The following tables set out the leverage ratio and related disclosures in accordance with Article 451 of the CRR. The increase in the Leverage Ratio Denominator is mainly driven by the merger of UBS France SA and also an increase in derivative exposures.

## EU LR2 - LRCom: Leverage ratio common disclosure

EUR m	31.12.23	31.12.22
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	30,944	28,004
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(2,497)	(2,529)
(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
(General credit risk adjustments to on-balance sheet items)		
(Asset amounts deducted in determining Tier 1 capital)	(651)	(417)
<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>27,796</b>	<b>25,058</b>
<b>Derivative exposures</b>		
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2,225	2,718
Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	9,396	7,926
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
Exposure determined under Original Exposure Method		
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(822)	(1,052)
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)		
Adjusted effective notional amount of written credit derivatives	1,576	1,019
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(1,556)	(998)
<b>Total derivatives exposures</b>	<b>10,818</b>	<b>9,612</b>
<b>Securities financing transaction (SFT) exposures</b>		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	21,843	18,594
(Netted amounts of cash payables and cash receivables of gross SFT assets)	(18,744)	(14,457)
Counterparty credit risk exposure for SFT assets	1,605	971
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
Agent transaction exposures		
(Exempted CCP leg of client-cleared SFT exposure)		
<b>Total securities financing transaction exposures</b>	<b>4,704</b>	<b>5,108</b>
<b>Other off-balance sheet exposures</b>		
Off-balance sheet exposures at gross notional amount	12,023	10,851
(Adjustments for conversion to credit equivalent amounts)	(10,262)	(8,813)
(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
<b>Off-balance sheet exposures</b>	<b>1,761</b>	<b>2,039</b>
<b>Excluded exposures</b>		
(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))		
(Excluded exposures of public development banks (or units) - Public sector investments)		



## EU LR2 - LRCom: Leverage ratio common disclosure (continued)

EUR m	31.12.23	31.12.22
(Excluded exposures of public development banks (or units) - Promotional loans):		
- Promotional loans granted by a public development credit institution		
- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State		
- Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)		
(Excluded passing-through promotional loan exposures by non-public development banks (or units)):		
- Promotional loans granted by a public development credit institution		
- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State		
- Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)		
(Excluded guaranteed parts of exposures arising from export credits )		
(Excluded excess collateral deposited at triparty agents )		
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
(Reduction of the exposure value of pre-financing or intermediate loans )		
<b>(Total exempted exposures)</b>		
<b>Capital and total exposure measure</b>		
<b>Tier 1 capital</b>	<b>3,225</b>	3,041
<b>Total exposure measure</b>	<b>45,079</b>	41,818
<b>Leverage ratio</b>		
Leverage ratio	7.16%	7.27%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.16%	7.27%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.16%	7.27%
Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
Additional own funds requirements to address the risk of excessive leverage (%)		
<i>of which: to be made up of CET1 capital (percentage points)</i>		
Leverage ratio buffer requirement (%)		
Overall leverage ratio requirement (%)	3.00%	3.00%
<b>Choice on transitional arrangements and relevant exposures</b>		
Choice on transitional arrangements for the definition of the capital measure	N/A	N/A
<b>Disclosure of mean values</b>		
Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	6,130	7,321
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	3,099	4,138
Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	48,110	45,001
Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	48,110	45,001
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.70%	6.76%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.70%	6.76%

The following table reconciles the leverage ratio exposure amount to the balance sheet assets.

### EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

EUR m	31.12.23	31.12.22
Total assets as per published financial statements <sup>1</sup>	46,981	47,978
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference) (Adjustment for temporary exemption of exposures to central banks (if applicable)) (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)		
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting		
Adjustment for eligible cash pooling transactions		
Adjustments for derivative financial instruments	(1,746)	(4,690)
Adjustment for securities financing transactions (SFTs)	1,605	878
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR) (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	2,356	2,520
Other adjustments	(4,117)	(4,868)
<b>Total exposure measure</b>	<b>45,079</b>	<b>41,818</b>

<sup>1</sup> Taken from published results for UBS Europe SE as set out in UBS Group AG Annual Report 2023.

The table below sets out the split of balance sheet assets.

### EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

EUR m	31.12.23	31.12.22
<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>28,447</b>	<b>25,475</b>
Trading book exposures	4,860	3,358
Banking book exposures, of which:	23,587	22,117
Covered bonds	1,654	1,574
Exposures treated as sovereigns	12,866	13,927
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	264	173
Institutions	2,311	1,888
Secured by mortgages of immovable properties		
Retail exposures		
Corporates	5,422	4,300
Exposures in default	26	16
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,043	240

The company's capital management framework includes an integrated approach to manage capital, RWA and Leverage via Limits and Early Warning Indicators and through regular monitoring, planning and reporting.

The leverage ratio is reported on a daily basis against Management Board approved and conservatively defined Limits and Early Warning Indicators and is reported in conjunction with other capital metrics to the ALCO and Management Board on a regular basis. Material movements in own funds or leverage ratio denominator are investigated and analyzed. These assist the ALCO and Management Board to assess whether any actions or mitigation plans should be put in place. The LRD management is closely aligned with ESE's Balance sheet planning as integral part of the overall capital planning process.

The amount of exposures calculated in accordance with Article 429a (1) (g) of the CRR is disclosed in template EU LRCom. The remaining specific disclosure requirements of Article 451 (1) (c) of the CRR are not applicable.

# Interest rate risk in the banking book

The disclosures below were drafted in accordance with the EBA guidelines 2022/14 which sets out the minimum standards for the measurement, management, monitoring and control of interest rate risks in the banking book.

## Sources of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) arises primarily from client deposits and lending products in Global Wealth Management. The inherent interest rate risks are generally transferred from Global Wealth Management to Regional Treasury, to be managed centrally.

This allows for the netting of interest rate risks across different sources, while leaving the originating businesses with commercial margin and volume management. The residual interest rate risk is mainly hedged with interest rate swaps, some of which are in designated hedge accounting relationships. High-quality liquid assets classified as financial assets at fair value not held for trading are hedged with derivatives accounted for on a mark-to-market basis.

## Risk management and governance

IRRBB is measured using a set of metrics, the most relevant of which being:

- Interest rate sensitivities to parallel shifts in yield curves, calculated as changes in the present value of future cash flows irrespective of accounting treatment. These are also the key risk factors for statistical and stress-based measures, such as value-at-risk and stress scenarios (including Economic Value of Equity (EVE) sensitivity and are measured and reported with a daily frequency.
- Net interest income (NII) sensitivity assesses the change in NII over a set time horizon compared with the baseline NII, which is calculated assuming that interest rates in all currencies develop according to their market-implied forward rates and under the assumption of constant business volumes and no specific management actions.

UBS Europe SE actively manages IRRBB, with the objective of reducing the volatility of NII, while keeping the EVE sensitivity within set risk limits approved by Management Board. We also assess the sensitivity of EVE and NII under stressed market conditions, by applying a suite of parallel and non-parallel interest rate scenarios. In addition, IRRBB is also monitored as part of the ICAAP assessment. The Europe SE Asset and Liability Management Committee (ALCO) oversees the management of IRRBB within the given risk appetite.

## Key modeling assumptions

The cash flows from client deposits and lending products used in the calculation of EVE sensitivity exclude commercial margins and other spread components and are discounted using risk-free rates. Whereas own debt issuances are discounted using UBS's funds transfer curve. Capital instruments are modelled to the first call date.

NII sensitivity, which includes commercial margins, is calculated over a one-year time horizon assuming constant balance sheet structure and volumes.

The average repricing maturity of non-maturing deposits (NMDs) and loans is determined via a replication portfolio strategy that protects product margin. As required by the regulatory guidelines, non-operational NMDs from financial institutions are no longer actively replicated. The average repricing maturity assigned to actively replicated NMDs stands at 13.5 months (with the longest maturity being 10 years). The average repricing maturity of the overall NMDs portfolio (actively and non-actively replicated) stands at 8.4 months.

The optimal replicating portfolio is determined at a granular currency- and product-specific level by simulating and applying a real-world market rate model to historically calibrated client rate and volume models.

Prepayment rights of fixed term loans granted by law was identified as a potential source of option risk in ESE, but based on an annual assessment this option risk is classified as non-material and therefore not considered in EVE.

### Economic value and net interest income sensitivity

The interest rate risk sensitivity figures presented in the table below represent the effect of the six interest rate regulatory shock scenarios on the theoretical present value of the banking book, as well as the effect of the two parallel shock scenarios on the net interest income of the banking book. As prescribed by the regulatory guidelines, this impact only includes material currencies, weighting of positive changes, and excludes the management target duration of equity.

As of 31 December 2023, the most adverse interest rate scenario is the "Parallel shock up" scenario, resulting in a pro-forma change of the Economic Value of Equity (EVE) of negative 134 EUR m.

The worst change in regulatory reported EVE in relation to Tier 1 capital was 4.2%, which is far below the regulatory threshold for an outlier bank.

The most adverse interest rate scenarios with regard to NII over the next 12 months was the "Parallel shock up", resulting in a potential change of negative 20 EUR m representing 0.63% of Tier 1 capital, far below the regulatory threshold for an outlier bank.

#### EU IRRBB1 - Interest rate risks of non-trading book activities<sup>1</sup>

<i>EUR m</i>	Delta EVE – Change of economic value of equity		Delta NII – Change of Net interest income	
	31.12.23	31.12.22	31.12.23	31.12.22
Parallel up	(134)	(200)	(20)	(15)
Parallel down	76	112	8	(7)
Steeper	(19)	(13)		
Flattener	(9)	(21)		
Short-term up	(49)	(82)		
Short-term down	19	41		
Maximum	(134)	(200)	(20)	(15)

<sup>1</sup>Economic value and NII measures do not include UBS Europe SE's minor subsidiary UBS Fiduciaria SpA. The impact of the subsidiary is deemed immaterial

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