31 December 2021 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 2021.

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) 2019/876 and Directive (EU) 2019/878 amending 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.

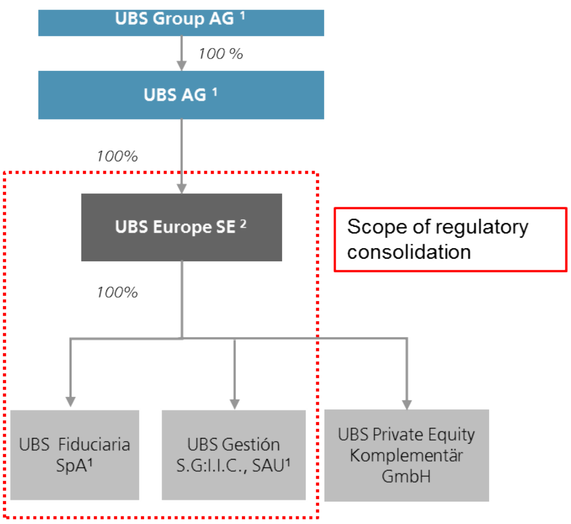
For disclosures according to Section 26a German Banking Act ("Kreditwesengesetz" or "KWG") please see the respective section in our Annual Financial Statements as of 31 December 2021. For our firm's sustainability approach and activities please see UBS Group AG Sustainability Report 2021.

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 as well as the Spanish subsidiary UBS Gestión S.G.I.IC, SA. 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 established in Germany
2 Foreign branches included – Luxembourg, Austria, Sweden, Denmark, Italy, Spain and the Netherlands

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.

CRR Article	Pillar 3 Requirement (Part Eight CRR)	EU Table & Template Reference	Location of Pillar 3 disclosure in this supplementary disclosure document
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	ubs.com/de/en/ubs-germany/financial-reports.html
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 Covid-19 Disclosures

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 fundamentally 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 financial 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 financial strength on UBS Europe SE level 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. To protect the reputation of the firm, UBS Europe SE is obliged to abstain from any conduct or action and in particular from entering into any business that may put the bank's reputation at immediate risk. Business Management 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 independent of the business functions and implemented commensurate with the nature and size of the risks to monitor the effectiveness of the 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, controls the bank's risk profile and approves key UBS Europe SE risk policies. The oversight and control 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. 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 is supported by the Supervisory Board Risk Committee, which monitors and oversees the firm's risk profile and the implementation of the risk framework as approved by the Management Board, as well as reviewing the firm's key risk measurement methodologies.

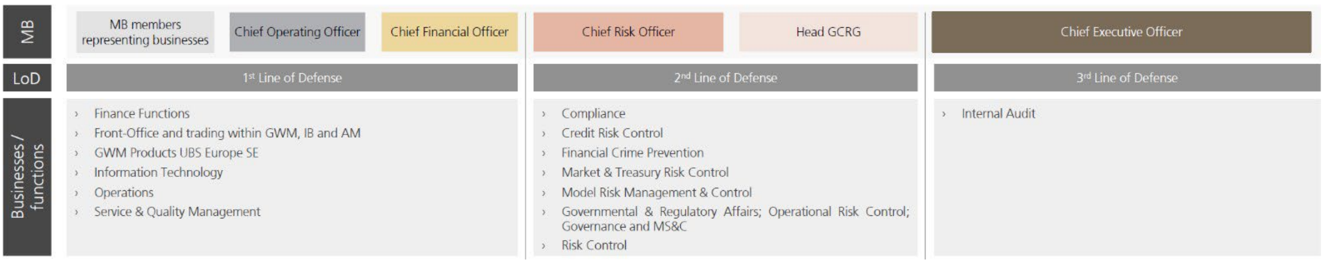
Three lines of defense model

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 (LoD) model as outlined in the following organization chart, fulfilling the general risk management requirements according to Mindestanforderungen an das Risikomanagement (MaRisk) AT 4.

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

Beside the three lines of defense (LoD), UBS Europe SE appoints holders of Mandatory Roles 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 comprehends the business teams in Front-Office and trading within GWM, IB and AM and Advisory and Sales reporting to the business representatives of the UBS Europe SE Management Board as well as the supporting functions reporting to the COO and CFO. First line of defense activities are performed by the business/function management. It 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. Business management must also have in place appropriate supervisory controls and review processes to highlight control weaknesses, inadequate processes and unexpected events. For this the following dedicated central control functions are in place:

– Service & Quality Management (SQM): SQM supports the Management Board in implementing a proper risk management and culture within their daily business activities as well as risk control framework across all branches and legal entities of UBS Europe SE. SQM is supported by Business Risk Services (BRS), Central Outsourcing Management and Provider Management.
– Business Risk Services (BRS): BRS supports the UBS Europe SE Management in managing all of the operational risks assumed throughout the firm. The unit is also responsible for investigating, monitoring and escalating of all operational risk exposures to ensure a timely remediation.
– 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 Outsourcing Due diligence Process (ODP) 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. Furthermore, Provider Management is hosting the Service Operating Committee (SOC) as underlying governance body for management, exchange and reporting.
– 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 UBS Europe SE Management Board). Treasury, reporting to the CFO, 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 primary and consequential 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) is 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, 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 incl. Sustainability Risks (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 ICAAP as well as being responsible for stress testing 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. Within the RC function, the Sustainability and Climate Risk team provides oversight that the necessary Sustainability and Climate risk frameworks and tools / processes are appropriately embedded in the UBS Europe SE legal entity and meet the local regulatory requirements. RC is involved in important risk decisions of the Management Board via RCC and ALCO.

- Compliance: The primary responsibility of Compliance as a control function within UBS Europe SE is to support and advise the Management Board regarding compliance regulations and to perform second line of defense activities in relation to compliance risks. In addition, Compliance provides the regulatory event monitoring and ensures distribution to SMEs as well as regular updates in the UBS Europe SE Operating Committee.
- Financial Crime Prevention (FCP): FCP´s focus is to protect the firm and its reputation by ensuring financial crime controls are appropriately owned, robust and applied, and that policies and procedures reflect regulatory requirements and industry best practice. FCP advises senior management, the business and other key stakeholders on risk identification and how to mitigate financial crime risk as well as any other necessary financial crime prevention measures. In addition, it is FCP´s responsibility to detect money laundering, fraud issues and predicate offences both internal and external quickly and report suspicious activity and relevant violations to senior management and law enforcement, and provide management information to support decision making in a timely manner. The head of FCP function covers the regulatory role as Money Laundering Reporting officer for UBS Europe SE and is registered with BaFin. The function reports regularly into the Risk Control Committee (RCC), to the Head GCRG and if required directly into the Management Board or the Supervisory Board.
- Operational Risk Control (ORC): ORC ensures that all operational risks are understood, owned and managed to the firm's risk appetite. UBS Europe SE ORC is responsible for providing independent oversight and control over the operational risks arising from firm's business activities.
- Credit Risk Control (CRC): CRC is responsible to ensure 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, 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, 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 an independent model validation unit within UBS Europe SE and is responsible for initial validations and regular re-validations 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 3rd 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 and its committees in discharging their governance responsibilities. IA reports into the CEO.

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.

Further functions not allocated to the LoD model are supporting the relevant Businesses and Functions in the 3 LoD model (e.g. Legal (Group General Counsel (GGC)), Business Management & Marketing, HR, Research, Project Management).

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. A majority of the RCC voting members are required to be present at the RCC meeting. 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. Further, non-voting members are the business heads, head of Business Risk Organization, head of Regulatory Affairs, head of Legal, heads of the Risk Control functions and 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 usually meets monthly (at least once a quarter), 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 MGC has the final approval-for-use authority for models and model changes. 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 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) provides direction for RRP production, including escalation of delays, final reviews, and decides on content and recommends RRP deliverables for sign-off to the Management Board. The committee meets monthly, 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, IB representative.

In addition, UBS Europe SE has established an escalation framework with respective information via email and a standardized reporting template on ad-hoc basis. The framework, owned by the UBS Europe SE COO on behalf of the UBS Europe SE 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 if required. Depending on the topic and urgency, dedicated board 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 risk management topics with UBS Business Solutions AG. 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. 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, the risk calculation for the normative and economic view as well as the reporting for specific risk reports. The overall responsibility remains with UBS Europe SE which is responsible for managing the capital resources and control of the entity including capital & liquidity adequacy, financial and risk matters.

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 Global Wealth Management (GWM), Investment Banking (IB), and Asset Management (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 and Family Office services. Further, UBS Europe SE offers Asset Servicing out of the Luxembourg branch which provides funds-, custody-, cash-, and execution 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. GF support the business generating divisions while Treasury activities can contribute to market risk and issuer risk.

The Risk Inventory process is a continuously conducted process for identifying and assessing all relevant risks UBS Europe SE is exposed to. The process includes the involvement of the first and second line of defense and the resulting Risk Profile is reviewed and challenged by senior management. The process is completed by a sign 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 impacting UBS Europe SE business' and infrastructure's operations 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 (covered in ILAAP) 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 2021 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 risk, issuer risk, settlement risk, credit concentration and correlation risk / wrong way risk. It arises primarily from UBS Europe SE's GWM Lombard and mortgages lending, IB trading with counterparties covering over the counter (OTC) derivative transactions, exchange traded derivatives (ETD) and securities financing transactions as well as Treasury activities, but is significantly mitigated by strict collateralization requirements and monitoring of limits as well as the high quality of counterparties. All IB lending commitments out of the banking book, which are entered into by UBS Europe SE (or its legal predecessors), are sub-participated to UBS AG once drawn under the terms of a Master Sub-Participation Agreement.

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. UBS Europe SE is exposed to country risk as a consequence of its international business activities focused in Europe.

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. Whilst the strong dependence of UBS Europe SE on the parent UBS AG and the close interconnectedness with UBS group affiliates represents a material risk, it at the same time represents a strength and an inherent feature of UBS Europe SE's business model.

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".

Market risk
Market risk is the risk of loss resulting from adverse movements in market variables. Market risk in UBS Europe SE arises from both trading and non-trading business activities. Trading market risks arise mainly in connection with securities and derivatives trading for market-making within the Investment Bank. In addition, credit and funding valuation adjustment risks of the derivatives portfolio, managed by Treasury, also give rise to market risk in the entity. Non-trading market risk arises predominantly in the form of credit spread risk arising from the High-Quality Liquid Assets (HQLA) portfolio. 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".

Operational risk
Operational risk arises naturally out of all areas of UBS Europe SEs activities and 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 Europe SE, 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.

Compliance risk
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
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 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 Bank'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. It mostly materializes via drawback in the business, respectively in reduced earnings or liquidity.

Liquidity risk
Liquidity risk is the risk that UBS Europe SE will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of the UBS Europe SE.

Funding risk
Funding risk is the risk that UBS Europe SE will be unable, on an ongoing basis, to borrow funds in the market on an unsecured (or even secured) basis at an acceptable price to fund actual or proposed commitments, i.e. the risk that UBS Europe SE's funding capacity is not sufficient to support its current business and desired strategy.

UBS Europe SE distinguishes between capital/ICAAP-related funding risk aspects and the liquidity/ILAAP 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 SEs 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, loss of biodiversity, human rights infringements, and other environmental, social, governance matters. Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). SCR may manifest in other risk categories like credit, market, liquidity and operational risks for UBS, resulting in potential adverse financial, liability and reputation impacts.

UBS Europe SE applies the UBS Group wide sustainability and climate risk framework to all transactions, products, services and activities. This framework sets standards for identification, assessment, approval, escalation, monitoring and reporting of sustainability and climate-related risks. In addition, UBS has set-up a climate risk program that is a multi-year transformation initiative with focus on delivering to regulatory expectations for integration of Climate Risk into Risk Management and Stress Testing frameworks. Regulators across multiple jurisdictions increasingly focus on climate change impacts. The Group Risk Control (GRC) Climate Risk Program was established to address the Prudential pillar of the Sustainable Finance regulatory expectations across jurisdictions, covering the relevant aspects for UBS Europe SE.

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 not material after consideration of mitigating measures.

Oversight authorities and policy makers increasingly focus on the SCR risk management and disclosure. UBS Europe SE participates in the ECB Thematic Review in light of the supervisory expectations outlined in the guide on climate-related and environmental risks. UBS Europe SE will continue its efforts to ensure it is prepared to respond to increased regulatory requirements on climate risk, align its disclosure with the Task Force on Climate-Related Financial Disclosures (the TCFD) recommendations and collaborate within the industry to close potential gaps.

Risk performance

The table below shows UBS Europe SE's overall risk position as of year-end 2021 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 million	31.12.2021	30.06.2021
Credit/Issuer Risk incl. Country Risk	429	441
Market and Pension Risk	409	357
Operational Risk incl. Legal Risk	692	668
Funding Cost Risk incl. FVA	120	137
Business Risk	174	239
Aggregated Risk Exposure	**1,824**	**1,842**

Due to UBS Europe SE's business model, its risk profile is mainly exposed to operational, credit and business risks. UBS Europe SE is aware of the existence of inter-risk diversification effects, but choses 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 31.12.2021 UBS Europe SE's excess capital excluding management buffer amounted to 420EUR million.

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

Liquidity risk and funding risk is governed and managed as part of the L&F 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 2021. 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 of UBS Europe SE 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 relevant 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 company.

The Risk Appetite Statement and objectives are reviewed and approved at least annually by the Management Board. The risk appetite is translated into limits, where applicable, linked indicators as well as operating instructions in form of policies and guidelines as outlined in section "Risk Monitoring". The risk appetite objectives are evaluated and reported to the Risk Committee monthly.

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
Operational 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 risk quantification in both the normative and economic perspective is complemented by the additional stress testing which comprises of reverse stress tests, sensitivity and portfolio analyses (see further below).

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, UBS Europe SE performs an Additional Stress Testing (AST) program including (i) comprehensive sensitivity / portfolio / scenario analyses and (ii) 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 AST is to identify systematic as well as idiosyncratic (institution-specific) vulnerabilities and assess impacts of extremely severe and improbable events. The AST program is designed to inform or trigger the adaption 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. Excesses to limits are generally only permitted if they are based on sound reasoning. Early Warning 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. They consist of quantitative indicators for UBS Europe SE. 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 Risk Committee quarterly. 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. Actual and potential risk concentrations of the direct or indirect credit risk exposures of UBS are subject to the Risk Concentrations policy, outlining respective responsibilities as well as identification, monitoring, and reporting requirements. This policy covers requirements to address risk correlation and Wrong-Way risk. Risk concentrations of credit exposures for UBS Europe SE include all counterparties, including third party clients as well as UBS affiliate companies in general, and UBS AG as parent bank in particular.

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 per risk type.

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 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). These measures are complemented by a set of more granular 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-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 baseline NII which is based on market-expected interest rates.

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".

Operational risk

The overall operational risk monitoring, assessment and reporting is established in a three-tier process, where the second and third level components are revisiting the conclusions reached by the previous one ensuring an accurate, complete and updated operational risk view, as follows:

- 1) Monthly operational risk assessment and reporting: On a monthly basis the overall operational risk status is reported to the Risk Control Committee in the Monthly Risk Report, including operational risk issues, operational risk events, remediation actions and key conclusions from assessment processes
- 2) Quarterly operational risk appetite assessment (RAA): On a quarterly basis the top-risk operational risk taxonomies are assessed in consideration of the metrics and limits set by the ORAS. Results are reported to the Risk Control Committee
- 3) Annual Risk Control Self-Assessment process (RCSA): The RCSA is a front-to-back risk assessment completed by the 1st LoD, challenged by 2nd LoD, and used to assess operational risk across the Operational Risk Taxonomy. As part of the RCSA, the control environment effectiveness is assessed across the Key Procedural Control Instances design and operating effectiveness, operational risk issues remediation management, policies, procedures, processes & governance, and culture & training.

In addition, to cover potential legacy cases caused by the former UBS Europe SE entities (pre-merger 2016 GWM and IB 2019) UBS Europe SE has arranged an indemnity agreement with UBS AG.

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.

Pension risk

UBS Europe SE pension risk applies to all unfunded defined benefit obligations (DBO) and its resulting sensitivity to changes in interest rates. UBS Europe SE reviewed existing pension schemes and implemented changes transferring the pension risk of newly established pension schemes to external companies or covering the risk with indemnity agreements, where possible.

Pension risk is monitored by measuring liabilities by actuarial revaluation and the development is closely monitored in the normative and economic perspective against the risk appetite.

Model risk

Model risk is mitigated by a comprehensive model governance framework ensuring the independence of the validation function. A single model inventory registers all models used in the institution. Further, UBS Europe SE has set up a quantifiable Model Risk Appetite Framework. 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 UBS Europe SE MGC review is submitted to RCC.

Funding cost risk

This section only presents the capital/ICAAP-related funding risk aspects, namely funding cost risk. The ILAAP related liquidity and funding risks are reported as part of section "Risk Measurement, Monitoring and Management for ILAAP".

Funding cost risk (in terms of risk to capital) may result in higher-than-expected funding costs due to wider-than- expected UBS credit spreads when existing funding positions mature and need to be rolled over or replaced by other, more expensive funding sources.

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).
- UBS Europe SE monitors this risk also under stress, by estimating the incremental funding costs due to a projected increase in funding spreads and to shifts in funding sources in a stress economic scenario.
- Treasury measures, monitors and manages liquidity and funding positions on a day-to-day basis using internal and regulatory models and tools.
- Funding cost risk arising from uncollateralized OTC derivatives based on differences between UBS Europe SE's own funding curve and the risk-free curve are hedged.

Risk measurement, monitoring and management for ILAAP

UBS Europe SE has a well-established framework for ILAAP. The bank's liquidity and funding risk is monitored, efficiently 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 not only existing balance sheet positions but also consider 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 objective is to ensure that UBS Europe SE has sufficient liquidity or access to funding sources, to survive a severe 3-months idiosyncratic and market-wide liquidity stress event; allowing for discrete management actions instructed by Treasury in addition to monetizing the bank's liquidity reserves.

UBS Europe SE's funding objective is to ensure that UBS Europe SE has sufficient long-term funding to maintain franchise assets at a constant level under stressed market conditions for up to one year, allowing for limited business 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 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 2021, UBS Europe SE's internal L&F metrics including LCR and NSFR were always above the internal limits set by the Management Board. UBS Europe SE's average monthly LCR was at 170%, the year-end LCR stands at 187%, NSFR was at 171%. 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 is not and has no plans to start issuing, neither in business-as-usual nor in stress, any unsecured or secured Certificate of deposit/Commercial Paper/Bond, Securitization papers or structured notes.

UBS Europe SE further maintains a Contingency Funding Plan (CFP), which provides a clear plan to ensure UBS Europe SE is prepared to respond to a liquidity crisis scenario. It summarizes management actions and defines roles and responsibilities in supporting the liquidity of the entity in a liquidity crisis. Liquidity crisis scenario analysis and contingency funding planning support the liquidity management process, which ensures that immediate corrective measures to absorb potential sudden liquidity shortfalls can be put into effect.

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. It is the responsibility of the business units creating and managing the risk to ensure that control functions are provided with appropriate data at sufficient levels of granularity to compile reports. 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 Operational 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 internal liquidity and funding metrics, stress testing, LCR, NSFR, L&F limits and indicators including respective utilization.
- 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 level 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 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 Reporting: The ILAAP documentation incl. Liquidity & Funding reports are owned by Treasury and distributed to the Supervisory Board, the Management Board, the ALCO and regulators. The purpose of the liquidity & funding risk reporting is to inform the Management Board and the supervisors on the results of the internal assessment of risks to liquidity and related impact at UBS Europe SE including its material subsidiaries and branches. 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 UBS 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 (MaComp) the report provides Compliance view on the adequacy and effectiveness of the applied framework, measures and procedures. Apart from periodic and ad-hoc reports throughout the year, the annual reporting obligation is being fulfilled by issuing this annual compliance report. The report itself is generated under the consideration of the best practice guidelines on Securities-Compliance issued by Bundesverband Deutscher Banken as well as Sec. 6 Wertpapierdienstleistungs-Prüfungsverordnung and covers UBS Europe SE.
- Annual Money Laundering Reporting Officer (MLRO) Report and Risk Analysis Money Laundering, Terrorist Financing & other criminal offences: The document is owned by the Financial Crime Prevention (FCP) function and distributed to the Management Board and the Supervisory Board. In line with sections 4 (2), 5 and 7 of the German Money Laundering Act (GwG) the document provides the required annual report of UBS Europe SE's MLRO on his activities and the required annual analysis of UBS Europe SE's risks related to money laundering, terrorist financing and other criminal offences. The document provides an update on the anti-money laundering (AML) and counter terrorist financing (CTF) preventive measures and in particular on the governance, policies and controls related to the AML/CTF framework as well as the framework for the prevention of other criminal offences. The risk analysis takes into account relevant risk factors including those relating to clients, products and services, transactions and distribution channels and connected countries and geographic areas. The document needs to be approved by the Head GCRG UBS Europe SE as the responsible member of the Management Board in terms of section 4 (3) GwG. Additionally, the Management Board needs to be informed about the document. The Head GCRG UBS Europe SE must also forward the document to the chairman of the Supervisory Board.
- 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 million	31.12.21	30.06.21	31.12.20	30.06.20
Available own funds (amounts)				
Common Equity Tier 1 (CET1) capital	2,764	3,927	3,703	3,736
Tier 1 capital	3,054	4,217	3,993	4,026
Total capital	3,054	4,217	3,993	4,026
Risk-weighted exposure amounts				
Total risk exposure amount	12,328	13,119	13,175	13,475
Capital ratios (as a percentage of risk-weighted exposure amount)				
Common Equity Tier 1 ratio (%)	22.42%	29.93%	28.11%	27.73%
Tier 1 ratio (%)	24.77%	32.14%	30.31%	29.88%
Total capital ratio (%)	24.77%	32.14%	30.31%	29.88%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.50%	2.50%		
of which: to be made up of CET1 capital (percentage points)	1.41%	1.41%		
of which: to be made up of Tier 1 capital (percentage points)	1.88%	1.88%		
Total SREP own funds requirements (%)	10.50%	10.50%		
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				
Capital conservation buffer (%)	2.50%	2.50%		
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)				
Institution specific countercyclical capital buffer (%)	0.11%	0.09%		
Systemic risk buffer (%)				
Combined buffer requirement (%)	2.61%	2.59%		
Overall capital requirements (%)	13.11%	13.09%		
CET1 available after meeting the total SREP own funds requirements	1,712	2,808		
Leverage ratio				
Total exposure measure	46,660	47,094	41,376	42,147
Leverage ratio (%)[1]	6.55%	8.95%	9.65%	9.55%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)				
Additional own funds requirements to address the risk of excessive leverage (%)				
of which: to be made up of CET1 capital (percentage points)				
Total SREP leverage ratio requirements (%)	3.00%	3.00%		
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
Leverage ratio buffer requirement (%)				
Overall leverage ratio requirement (%)	3.00%	3.00%		
Liquidity Coverage Ratio				
Total high-quality liquid assets (HQLA) (Weighted value - average)	17,143	17,106		
Cash outflows - Total weighted value	26,184	19,449		
Cash inflows - Total weighted value	16,135	8,765		
Total net cash outflows (adjusted value)	10,091	10,684		
Liquidity coverage ratio (%)	170%	161%	151%	141%
Net Stable Funding Ratio				
Total available stable funding	15,358	15,816		
Total required stable funding	8,963	9,631		
NSFR ratio (%)	171%	164%		

[1] 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 decreased by EUR 1.2 billion to EUR 2.8 billion, mainly as a result of the dividend payment to UBS AG in October 2021.

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 operational 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, triggers and targets 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 2021, 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)

Supervisory Board	Total number of mandates held at 31 Dec 2021	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[1]
Roland Koch (until 25.06.2021)	7	4	3
Miriam González Durántez	5	1	4
Sabine Keller-Busse (until 01.02.2021)	7	4	3
Iqbal Khan (as of 01.02.2021)	4	2	2
Jonathan (Bobby) Magee	1	1	–
Beatriz Martin	6	2	4
Gregor Pottmeyer (as of 25.06.2021)	4	2	2
Martin Wittig	4	3	1
Silke Alberts	1	1	–
Jean-Marc Lehnertz	1	1	–
Francesco Stumpo	1	1	–
Total	41	22	19

Management Board	Total number of mandates held at 31 Dec 2021	Mandates under sec. 25c (2) KWG that count for the limits under sec. 25c (2), no.2 KWG	Additional Mandates[1]
Christine Novakovic	6	1	5
Heinrich Baer	1	1	–
Pierre Chavenon	1	1	–
Denise Bauer-Weiler (as of 01.10.2021)	3	1	2
Georgia Paphiti	7	2	5
Andreas Przewloka	7	4[2]	3
Tobias Vogel	11	2	9
Total	36	12	24

[1] Additional mandates are those which are not subject to the limitations stipulated by the KWG.
[2] One mandate is under the protection of pre-existing mandates with regard to relevance for sec. 25c (2), no.2 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 2021, the representation of women on the first management level stood at 22.2% (against an aspirational goal of 20%). and, for the second management level, women represented 27.9% (vs. an aspirational goal of 27%).

As of 31 December 2021, the representation of women on the UBS Europe SE Supervisory Board was 33%, exceeding the minimum female representation threshold of 30% for Supervisory Boards. 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 2021, eleven ordinary committee meetings took place, thereof five 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

31.12.21		Carrying values of items				
EUR million	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	Not subject to own funds requirements or subject to deduction from own funds
Assets						
Cash and balances with central banks	11,819	11,819				
Due from banks	2,119	2,119				
Receivables from Securities financing transactions	4,897		4,897		4,897	
Cash collateral receivable on derivative instruments	3,441		3,441			
Loans & advances to customers	4,914	4,914				
Other financial assets measured at amortized cost	1,868	1,868				
Trading portfolio assets	3,473				3,473	
Positive replacement values	8,339		8,339		8,339	
Brokerage receivables	2	2				
Financial assets designated at fair value	4,261	2,763	1,499		908	
Properties, equipment and software	112	112				
Goodwill and intangible assets	338					338
Deferred tax assets	85	52				33
Other assets	743	743				
Total assets	46,411	24,392	18,175		17,616	371
Liabilities						
Amounts due to banks	6,450					6,450
Payables from securities financing transactions	1,032		1,032		1,032	
Cash collateral payables on derivative instruments	3,178		3,178			
Amounts due to customers	19,021					19,021
Other financial liabilities measured at amortized cost	262					262
Financial liabilities at fair value held for trading	892				892	
Negative replacement values	8,644		8,644		8,644	
Brokerage payables	173					173
Debt issued designated at fair value	36					36
Other financial liabilities designated at fair value	1,556		1,556		1,556	
Provisions	58					58
Other Liabilities	1,362					1,362
Total liabilities	42,664		14,410		12,124	27,362

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

31.12.21		Items subject to			
EUR million	Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	46,040	24,392		18,175	17,616
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	15,302			14,410	12,124
Total net amount under the scope of prudential consolidation	30,738	24,392		3,765	5,492
Off-balance-sheet amounts	10,409	10,409			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2	(530)	(530)			
Differences due to consideration of provisions					
Differences due to the use of credit risk mitigation techniques (CRMs)	(7,246)	(3,366)		(3,881)	
Differences due to credit conversion factors	(9,627)	(9,627)			
Differences due to Securitisation with risk transfer					
Other differences[1]	4,508	(612)		7,700	
Exposure amounts considered for regulatory purposes[2]	28,252	20,667		7,585	0

[1] Other differences are largely due to SA-CCR/IMM calculation of derivative instruments.
[2] No value is shown for market risk because its focus is around exposure value for credit risk and counterparty credit risk.

The table EU LI3 has not been included due to the immaterial difference between the financial and regulatory scope. Only the German subsidiary UBS Private Equity Komplementär GmbH 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)

31.12.21	Risk category					Category level AVA - Valuation uncertainty				
EUR million	Equity	Interest Rates	Foreign exchange	Credit	Commo-dities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Category level AVA										
Market price uncertainty	–	3	–	–		2	1	3	3	1
Close-out cost		1	–	–		–	1	1	1	–
Concentrated positions		–		–				1	–	–
Early termination										
Model risk						4	1	3	3	–
Future administrative costs	14	–		2	1			17	17	–
Total Additional Valuation Adjustments (AVAs)	14	4	–	2	1 –	6	3	25	23	2

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

31.12.21 *EUR million*	**Amounts**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation[1]**
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	770	1
of which share capital incl. share premium	770	
Retained earnings	502	1
Accumulated other comprehensive income (and other reserves)	1,958	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		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,230	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	(25)	
Intangible assets (net of related tax liability) (negative amount)	(400)	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)	(33)	3
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	4	
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		
of which: qualifying holdings outside the financial sector (negative amount)		
of which: securitisation positions (negative amount)		
of which: free deliveries (negative amount)		
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)		
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		
of which: deferred tax assets arising from temporary differences		
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)		

EU CC1 - Composition of regulatory own funds (continued)

31.12.21 *EUR million*	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation[1]
Other regulatory adjustments	(13)	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(466)	
Common Equity Tier 1 (CET1) capital	2,764	
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	290	1
of which: classified as equity under applicable accounting standards	290	
of which: classified as liabilities under applicable accounting standards		
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		
of which: instruments issued by subsidiaries subject to phase out		
Additional Tier 1 (AT1) capital before regulatory adjustments	290	
Additional Tier 1 (AT1) capital: regulatory adjustments		
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		
Total regulatory adjustments to Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital	290	
Tier 1 capital (T1 = CET1 + AT1)	3,054	
Tier 2 (T2) capital: instruments		
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		
of which: instruments issued by subsidiaries subject to phase out		
Credit risk adjustments		
Tier 2 (T2) capital before regulatory adjustments		
Tier 2 (T2) capital: regulatory 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		

EU CC1 - Composition of regulatory own funds (continued)

31.12.21 *EUR million*	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation[1]
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital		
Total capital (TC = T1 + T2)	3,054	
Total risk exposure amount	12,328	
Capital ratios and requirements including buffers		
Common Equity Tier 1	22.42	
Tier 1	24.77	
Total capital	24.77	
Institution CET1 overall capital requirements	8.52	
of which: capital conservation buffer requirement	2.50	
of which: countercyclical capital buffer requirement	0.11	
of which: systemic risk buffer requirement		
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement		
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	5.86	
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	13.89	
Amounts below the thresholds for deduction (before risk weighting)		
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)		
Applicable caps on the inclusion of provisions in Tier 2		
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	106	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
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)		

[1] 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.

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

31.12.21 *EUR million*	Under regulatory scope of consolidation[1]	References[2]
Assets		
Cash and balances with central banks	11,819	
Due from banks	2,119	
Receiveables from Securities financing transactions	4,897	
Cash collateral receivable on derivative instruments	3,441	
Loans & advances to customers	4,914	
Other financial assets measured at amortized cost	1,868	
Trading portfolio assets	3,473	
Positive replacement values	8,339	
Brokerage receivables	2	
Financial assets designated at fair value	4,261	
Properties, equipment and software	112	
Goodwill and intangible assets	338	2
Deferred tax assets	85	3
Other assets	743	
Total assets	46,411	
Liabilities		
Amounts due to banks	6,450	
Payables from securities financing transactions	1,032	
Cash collateral payables on derivative instruments	3,178	
Amounts due to customers	19,021	
Other financial liabilities measured at amortized cost	262	
Financial liabilities at fair value held for trading	892	
Negative replacement values	8,644	
Brokerage payables	173	
Debt issued designated at fair value	36	
Other financial liabilities designated at fair value	1,556	
Provisions	58	
Other Liabilities	1,362	
Total liabilities	42,664	
Total equity	3,747	**1**

[1] 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.
[2] 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

	Common Equity Tier 1	Additional Tier 1	Internal total loss-absorbing capacity (TLAC) eligible liabilities				
Issuer	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
Public or private placement	Private	Private	Private	Private	Private	Private	Private
Governing law(s) of the instrument	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
Regulatory treatment							
Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	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
Instrument type (types to be specified by each jurisdiction)	CET1 Instrument	Additional Tier 1	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 975 million	EUR 500 million	EUR 275 million	EUR 400 million	USD 300 million
Nominal amount of instrument	EUR 446 million	EUR 290 million	EUR 975 million	EUR 500 million	EUR 275 million	EUR 400 million	USD 300 million
Issue price	Various	1.00	1.00	1.00	1.00	1.00	1.00
Redemption price	Par	Par	Par	Par	Par	Par	Par
Accounting classification	Shareholders' equity	Shareholders' equity	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	Various	11.06.2018	27.02.2019	11.06.2018	14.05.2019	05.02.2021	03.11.2021
Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
Original maturity date	No Maturity	No Maturity	27.02.2024	12.06.2023	14.05.2029	05.02.2031	03.11.2032
Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	N/A	11.06.2023, or earlier upon occurrence of tax or regulatory event at par value	At any time by giving 14 days' notice	At any time by giving 14 days' notice	At any time by giving 14 days' notice	At any time by giving 14 days' notice	At any time by giving 14 days' notice
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons I dividends							
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	N/A	EURIBOR floored to zero + 466bps	3-month EURIBOR floored to zero + 125bps	3-month EURIBOR floored to zero + 105bps	3-month EURIBOR floored to zero + 103bps	3-month EURIBOR floored to zero + 74bps	SOFR + 134bps
Existence of a dividend stopper	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible
If convertible, conversion trigger(s)	N/A	N/A	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	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
If convertible, conversion rate	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

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				
If convertible, mandatory or optional conversion	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
If convertible, specify instrument type convertible into	N/A	N/A	CET1	CET1	CET1	CET1	CET1
If convertible, specify issuer of instrument it converts into	N/A	N/A	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
If write-down, write-down trigger(s)	N/A	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
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
If write-down, permanent or temporary	N/A	Temporary	Permanent	Permanent	Permanent	Permanent	Permanent
If temporary write-down, description of write-up mechanism	N/A	Contractual conversion rate if annual balance sheet profit	N/A	N/A	N/A	N/A	N/A
Type of subordination (only for eligible liabilities)	N/A	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory
Ranking of the instrument in normal insolvency proceedings	1	2	5	5	5	5	5
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	AT1	Shareholder loans	Senior non-prefered	Senior non-prefered	Senior non-prefered	Senior non-prefered	Senior non-prefered
Non-compliant transitioned features	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
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

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

	31.12.21		30.09.21	
EUR million	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
Applicable requirement and level of application				
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
Own funds and eligible liabilities				
Common Equity Tier 1 capital (CET1)	2,764		3,930	
Eligible Additional Tier 1 instruments	290		290	
Eligible Tier 2 instruments				
Eligible own funds	3,054		4,220	
Eligible liabilities	2,414		2,150	
of which permitted guarantees				
(Adjustments)				
Own funds and eligible liabilities items after adjustments[1]	5,467		6,370	
Total risk exposure amount and total exposure measure				
Total risk exposure amount	12,328		13,472	
Total exposure measure	46,660		47,208	
Ratio of own funds and eligible liabilities				
Own funds and eligible liabilities (as a percentage of TREA)[2]	44.35%		47.29%	
of which permitted guarantees				
Own funds and eligible liabilities (as a percentage of leverage exposure)[3]	11.72%		13.49%	
of which permitted guarantees				
CET1 (as a percentage of TREA) available after meeting the entity's requirements	14.27%		20.83%	
Institution-specific combined buffer requirement	2.61%		2.61%	
Requirements				
Requirement expressed as a percentage of the total risk exposure amount	14.40%		14.40%	
of which may be met with guarantees				
Internal TLAC expressed as percentage of the total exposure measure	5.40%		5.40%	
of which may be met with guarantees				
Memorandum items				
Total amount of excluded liabilities referred to in Article 72a(2) CRR	25,407		29,213	

[1] Referred to as 'Total loss-absorbing capacity' in UBS Group report.
[2] Referred to as 'Total loss-absorbing capacity ratio' in UBS Group report.
[3] Referred to as 'Total loss-absorbing capacity leverage ratio' in UBS Group report.

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

31.12.21	Insolvency ranking				
	1	2	5	11	
	(most junior)				
EUR million	**Resolution entity**	**Resolution entity**	**Resolution entity**	**Other**	Total
Empty set in the EU					
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	2,753	290	2,415	33	5,491
of which excluded liabilities			2	14	16
Liabilities and own funds less excluded liabilities	2,753	290	2,414	19	5,476
Subset of liabilities and own funds less excluded liabilities that are own funds and eligible liabilities for the purpose of internal TLAC	2,753	290	2,414		5,457
of which residual maturity ≥ 1 year < 2 years			500		500
of which residual maturity ≥ 2 year < 5 years			975		975
of which residual maturity ≥ 5 years < 10 years			939		939
of which residual maturity ≥ 10 years, but excluding perpetual securities					
of which perpetual securities	2,753	290			3,043

30.06.21	Insolvency ranking				
	1	2	5	11	
	(most junior)				
EUR million	**Resolution entity**	**Resolution entity**	**Resolution entity**	**Other**	Total
Empty set in the EU					
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	3,927	290	2,151	35	6,403
of which excluded liabilities			1	16	17
Liabilities and own funds less excluded liabilities	3,927	290	2,150	19	6,385
Subset of liabilities and own funds less excluded liabilities that are own funds and eligible liabilities for the purpose of internal TLAC	3,927	290	2,150		6,367
of which residual maturity ≥ 1 year < 2 years			500		500
of which residual maturity ≥ 2 year < 5 years			975		975
of which residual maturity ≥ 5 years < 10 years			675		675
of which residual maturity ≥ 10 years, but excluding perpetual securities					
of which perpetual securities	3,927	290			4,217

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 based upon Basic indicator approach.

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

31.12.21 *EUR million*	Risk weighted exposure amounts (RWEAs)	Total own funds requirements
Credit risk (excluding CCR)	3,961	317
Of which the standardised approach	3,961	317
Of which the Foundation IRB (F-IRB) approach		
Of which: slotting approach		
Of which: equities under the simple riskweighted approach		
Of which the Advanced IRB (A-IRB) approach		
Counterparty credit risk - CCR	5,343	427
Of which the standardised approach[1]	2,020	162
Of which internal model method (IMM)[2]	2,500	200
Of which exposures to a CCP	185	15
Of which credit valuation adjustment - CVA	639	51
Of which other CCR		
Settlement risk	49	4
Securitisation exposures in the non-trading book (after the cap)		
Of which SEC-IRBA approach		
Of which SEC-ERBA (including IAA)		
Of which SEC-SA approach		
Of which 1250%/ deduction		
Position, foreign exchange and commodities risks (Market risk)	800	64
Of which the standardised approach	800	64
Of which IMA		
Large exposures		
Operational risk	2,175	174
Of which basic indicator approach	2,175	174
Of which standardised approach		
Of which advanced measurement approach		
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)		
Total	12,328	986

[1] Where not eligible for inclusion in a modelled approach, the 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).
[2] Includes derivatives under IMM and SFTs under IMA.

EU OV1 – Overview of total risk exposure amounts (continued)

31.12.20 *EUR million*	RWA	Minimum capital requirements
Credit Risk (excluding CCR)	4,380	350
of which the standardised approach	4,380	350
of which the foundation IRB (FIRB) approach		
of which the advanced IRB (AIRB) approach		
of which the equity IRB under the simple risk weighted approach or the IMA		
CCR	5,551	444
of which mark to market and financial collateral comprehensive method[1]	1,908	153
of which original exposure		
of which the standardised approach		
of which the internal model method (IMM) and internal model approach (IMA)[2]	2,516	201
of which risk exposure amount for contributions to the default fund of a CCP	28	2
of which CVA	1,099	88
Settlement risk	58	5
Securitisation exposures in the banking book (after the cap)		
of which IRB approach		
of which IRB supervisory formula approach (SFA)		
of which internal assessment approach (IAA)		
of which standardised approach		
Market risk	661	53
of which IMA		
Large exposures		
Operational risk	2,525	202
of which BIA approach	2,525	202
of which standardised approach		
of which advanced measurement approach		
Amounts above the threshold for deduction (subject to 250% risk weight)		
Floor adjustment		
Total	13,175	1,054

[1] Where not eligible for inclusion in a modelled approach, the 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).
[2] Includes exposures to OTC derivatives under the IMM and exposures to SFTs under a Repo IMA model.

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

	31.12.21	31.12.20	
EUR million	RWEAs	RWAs	Capital requirements
Outright products			
Interest rate risk (general and specific)	565	366	29
Equity risk (general and specific)	8	4	1
Foreign exchange risk	223	262	21
Commodity risk			
Options			
Simplified approach			
Delta-plus approach	5	29	2
Scenario approach			
Securitisation (specific risk)			
Total	800	661	53

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

31.12.21	Relevant indicator				
EUR million	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
Banking activities subject to basic indicator approach (BIA)	1,430	997	1,054	174	2,175
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
Subject to TSA:					
Subject to ASA:					
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 in the way of Lombard Lending/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

31.12.21 *EUR million*	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
EU - Original Exposure Method (for derivatives)				1.4				
EU - Simplified SA-CCR (for derivatives)				1.4				
SA-CCR (for derivatives)	286	618		1.4	1,059	2,588	2,580	1,858
IMM (for derivatives and SFTs)			2,929	1.45	2,929	2,590	2,590	1,522
of which securities financing transactions netting sets								
of which derivatives and long settlement transactions netting sets			2,929		2,929	2,590	2,590	1,522
of which from contractual cross-product netting sets								
Financial collateral simple method (for SFTs)								
Financial collateral comprehensive method (for SFTs)					239	211	211	162
VaR for SFTs					1,988	1,283	1,283	978
Total					6,215	6,672	6,665	4,520

31.12.20 *EUR million*	Notional	Replacement cost/current MV	PFCE	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		645	2,598			2,224	1,083
Original Exposure							
Standardised approach							
IMM for derivatives and SFTs				3,999	1.6	3,986	2,055
of which SFTs							
of which derivatives and long settlement transactions				3,999	1.6	3,986	2,055
of which from contractual cross product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						1,867	825
IMA for SFTs						1,217	461
Total							**4,424**

The reductions in the alpha and in the exposures under the IMM are as a result of model changes approved by the ECB. Changes in exposures in SFT's between financial collateral comprehensive method and VaR are as a result of the SFT model scope extension approved by the ECB.

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

	31.12.21		31.12.20	
EUR million	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	2,166	639	2,705	1,099
Transactions subject to the Alternative approach (Based on the Original Exposure Method)				
Total transactions subject to own funds requirements for CVA risk	2,166	639	2,705	1,099

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[1]

31.12.21	Risk Weight											Total exposure value
EUR million	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
Exposure classes												
Central governments or central banks	188				3							191
Regional government or local authorities					5				24			29
Public sector entities					1	15			23			40
Multilateral development banks												
International organisations												
Institutions		887			1,133	1,399			203			3,622
Corporates					385	109			3,210	–		3,704
Retail												
Institutions and corporates with a short-term credit assessment												
Other items												
Total exposure value	188	887			1,528	1,523			3,460	–		7,585

31.12.20	Risk Weight											Total	Of which unrated
EUR million	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
Exposure classes													
Central governments and central banks	416				4	1						421	160
Regional governments and local authorities					22				37			59	31
Public sector entities					8	21			33			62	39
Multilateral development banks													
International Organisations													
Institutions		892			2,483	1,925			251			5,551	1,523
Corporates					673	45			2,450			3,168	2,323
Retail													
Institutions and corporates with a short-term credit assessment													
Other items													
Total	**416**	**892**			**3,190**	**1,992**			**2,771**			**9,261**	**4,076**

[1] Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures.

The fall in the exposures to institutions is driven by the model changes referred to in table EU CCR1.

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

31.12.21	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	
EUR million	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency		1,862		1,528		4,364		4,084
Cash – other currencies		1,495		394		1,683		5,471
Domestic sovereign debt	158	894		279		20,194		18,064
Other sovereign debt	71	1				109		31
Government agency debt								
Corporate bonds	141	2				1,113		356
Equity securities		8				5,056		3,522
Other collateral		8				176		12
Total	370	4,271		2,201		32,696		31,542

31.12.20	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted			
EUR million	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of collateral posted
Cash		10,093		9,039	12,507	14,925
Non-cash	765	1,010	348	292	18,361	15,777
Total	**765**	**11,103**	**348**	**9,331**	**30,868**	**30,702**

2021 figures have been prepared on a netted basis in line with the requirements of the CRR and COREP whereas prior years were compiled based on gross carrying values.

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

31.12.21 *EUR million*	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	1.666	1,376
Index credit default swaps	262	252
Total return swaps		3
Credit options		
Other credit derivatives		
Total notionals	1,928	1,631
Fair values		
Positive fair value (asset)	6	14
Negative fair value (liability)	(23)	(10)

31.12.20 *EUR million*	Protection bought	Protection sold	Other
Notionals			
Single name credit default swaps	1,999	1,627	
Multi name credit default swaps	343	341	
Total Notionals	2,342	1,968	
Fair values			
Positive fair value (asset)	10	19	
Negative fair value (liability)	24	21	

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

31.12.21	
EUR million	RWEA
RWEA as at the end of the previous reporting period	2,055
Asset size	(306)
Credit quality of counterparties	5
Model updates (IMM only)	(298)
Methodology and policy (IMM only)	
Acquisitions and disposals	
Foreign exchange movements	66
Other	
RWEA as at the end of the current reporting period	1,522

31.12.20		
EUR million	RWA Amounts	Capital Requirements
RWAs as at the end of the previous reporting period (30.06.2020)	1,728	138
Asset size	359	29
Credit quality of counterparties	27	2
Model updates (IMM only)		
Methodology and policy (IMM only)		
Acquisitions and disposals		
Foreign exchange movements	(60)	(5)
Other		
RWAs as at the end of the current reporting period	**2,055**	**164**

The RWEA movement due to model updates refers to the changes noted in table EU CC1.

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

	31.12.21		31.12.20	
EUR million	Exposure value	RWEA	Exposure value	RWA
Exposures to QCCPs (total)		185		137
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	920	24	1,347	110
(i) OTC derivatives	432	12	474	45
(ii) Exchange-traded derivatives	75	2	4	
(iii) SFTs	413	10	868	63
(iv) Netting sets where cross-product netting has been approved				
Segregated initial margin				
Non-segregated initial margin	52	1		
Prefunded default fund contributions	191	93	73	27
Unfunded default fund contributions	5	67		
Exposures to non-QCCPs (total)				
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 2021, 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

31.12.21	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements				
EUR million	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	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:											
Argentina	-					-	-	-	-	0.00	
Australia	60		-			60	1	1	13	0.18	
Austria	3					3	-	-	3	0.04	
Bahamas	44					44	4	4	44	0.62	
Bahrain	1					1	-	-	1	0.02	
Belgium	16		-			16	1	1	14	0.20	
Bermuda	13					13	1	1	7	0.10	
Bolivia	-					-	-	-	-	0.01	
Brazil	-					-	-	-	-	0.00	
British Virgin Islands	115					115	9	9	115	1.61	
Canada	460					460	10	10	123	1.74	
Cayman Islands	24		-			24	2	2	24	0.34	
Chile	59					59	5	5	59	0.83	
Columbia	-					-	-	-	-	0.00	
Costa Rica	2					2	-	-	2	0.03	
Cyprus	5					5	-	-	5	0.07	
Denmark	116					116	7	7	86	1.20	
Dominican Republic	2					2	-	-	2	0.02	
Ecuador	1					1	-	-	2	0.02	
Finland	158		-			158	12	12	149	2.10	
France	887		26			913	46	46	576	8.12	
Germany	1,528		2			1,530	104	104	1,299	18.29	
Gibraltar	1					1	-	-	1	0.01	
Guatemala	1					1	-	-	1	0.01	
Guernsey	1					1	-	-	1	0.02	
Hellenic Republic	2					2	-	-	2	0.03	
Hong Kong	8					8	-	-	4	0.05	0.01
Ireland	43		-			43	3	3	42	0.59	
Isle of Man	-					-	-	-	-	0.00	
Italy	615					615	49	49	614	8.65	
Japan	-					-	-	-	-	0.00	
Jersey	6					6	-	-	6	0.08	
Kenya	-					-	-	-	-	0.00	
Kuwait	1					1	-	-	1	0.01	

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

31.12.21	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements				
EUR million	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	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:											
Lebanon	5					5	1	1	7	0.10	
Liechtenstein	5					5	-	-	5	0.07	
Luxembourg	1,510		-			1,510	121	121	1,516	21.34	0.01
Malaysia	20					20	2	2	20	0.28	
Malta	32					32	3	3	32	0.46	
Marshall Islands	2					2	-	-	2	0.03	
Mauritius	2					2	-	-	2	0.02	
Mexico	10					10	1	1	10	0.14	
Morocco	1					1	-	-	1	0.01	
Netherlands	165		-			165	12	12	150	2.12	
Netherlands Antilles	1		-			1	-	-	1	0.02	
Norway	286					286	4	4	49	0.69	0.01
Panama	23					23	2	2	23	0.32	
Paraguay	5					5	-	-	5	0.07	
Peru	-					-	-	-	-	0.00	
Poland	42					42	3	3	42	0.59	
Portugal	1					1	-	-	1	0.02	
Romania	-					-	-	-	-	0.00	
Russia	3					3	-	-	3	0.04	
Saint Kitts and Nevis	2					2	-	-	2	0.02	
Saudi Arabia	2					2	-	-	2	0.03	
Singapore	29					29	2	2	29	0.41	
Spain	676		-			676	54	54	678	9.55	
Sweden	404					404	24	24	300	4.23	
Switzerland	61					61	5	5	61	0.85	
Taiwan	209					209	17	17	209	2.95	
Thailand	7					7	1	1	7	0.10	
Turkey	3					3	-	-	3	0.04	
Ukraine	1					1	-	-	1	0.02	
United Arab Emirates	4					4	-	-	4	0.05	
United Kingdom	523		1			524	29	29	362	5.10	
United States	341		2			343	27	28	344	4.84	
Uruguay	-					-	-	-	-	0.00	
Venezuela	1					1	-	-	2	0.02	
Other	34					34	3	3	34	0.48	
Total	8,580		32			8,612	567	568	7,103	100.00	

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

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

EUR million	31.12.21	31.12.20
Total risk exposure amount	12,328	13,175
Institution-specific countercyclical buffer rate	0.114%	0.032%
Institution-specific countercyclical capital buffer requirement	14	4

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 & Poors 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 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

31.12.21	Exposures before CCF and before CRM		Exposures post CCF and post CRM[1]		RWAs and RWAs density	
EUR million	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
Exposure classes						
Central governments or central banks	13,188		13,324			0%
Regional government or local authorities	250		250		11	4%
Public sector entities	595	90	595	8	51	8%
Multilateral development banks	313		313			0%
International organisations	45		45			0%
Institutions	2,437	2	1,691	1	477	28%
Corporates	5,364	10,317	2,358	493	2,999	105%
Retail						
Secured by mortgages on immovable property						
Exposures in default	29		29		44	150%
Exposures associated with particularly high risk						
Covered bonds	1,367		1,367		186	14%
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity	1		1		2	250%
Other items	191		191		191	100%
Total	23,781	10,409	20,165	502	3,961	19%

31.12.20	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
EUR million	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Exposure class						
Central governments and central banks	13,621		13,621			0%
Regional governments and local authorities	402		402		5	1%
Public sector entities	566	45	538		32	6%
Multilateral development banks	301		301			0%
International organisations	412		412			0%
Institutions	2,159	13	1,764	0	365	21%
Corporates	5,160	10,016	2,997	680	3,712	101%
Exposures in default	51		42		63	150%
Items associated with particularly high risk		11		6	9	150%
Covered bonds	799		799		80	10%
Equity	1		1		2	250%
Other items	113		113		112	99%
Total	23,585	10,085	20,990	686	4,380	20%

[1] 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[1]

31.12.21	Risk weight													Total	Of which unrated
EUR million	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	1250%	Others		
Central governments or central banks	13,324													13,324	10,201
Regional government or local authorities	196				53									250	
Public sector entities	380				215				8					603	
Multilateral development banks	313													313	
International organisations	45													45	
Institutions	259				1,163	88			181			2		1,693	280
Corporates					–	2			2,724	117		8		2,851	182
Retail															
Secured by mortgages on immovable property															
Exposures in default										29				29	29
Exposures associated with particularly high risk															
Covered bonds				870	497									1,367	
Institutions and corporates with a short-term credit assessment															
Unit or shares in collective investment undertakings															
Equity											1			1	1
Other items	–								191					191	191
Total	14,518			870	1,928	90			3,104	146	1	9		20,667	10,884

31.12.20[2]	Risk Weight													Total	Of which unrated
EUR million	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	1250%	Others		
Central governments and central banks	14,037				4	1								14,042	11,898
Regional governments and local authorities	374				49				37					460	31
Public sector entities	376				169	21			34					600	40
Multilateral development banks	301													301	0
International organisations	412													412	
Institutions	553	892			3,575	2,006			284			6		7,316	1,812
Corporates					735	47			5,921	140		1		6,844	5,481
Retail															
Secured by Mortgages on immovable property															
Exposures in default										42				42	42
Items of high risk										6				6	6
Covered bonds				799										799	
Collective investment undertakings															
Equity Exposures											1			1	1
Other Items	1								112					113	113
Grand Total	16,054	892		799	4,532	2,075			6,388	188	1	7		30,936	19,423

[1] Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures.
[2] Comparative table is based on former EU CR5. The exposure values include counterparty-related risk.

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 2021, 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:

Unlikeliness-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 2021. 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

31.12.21

EUR million	**Gross carrying amount**
Initial stock of non-performing loans and advances	53
Inflows to non-performing portfolios	6
Outflows from non-performing portfolios	(21)
Outflows due to write-offs	–
Outflow due to other situations	(21)
Final stock of non-performing loans and advances	38

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 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

31.12.21 *EUR million*	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Exposure carrying values under credit risk mitigation					
Loans and advances	19,659	9,217	8,726	491	
Debt securities	4,274				
Total	23,934	9,217	8,726	491	
Of which non-performing exposures					
Of which defaulted					

31.12.20 *EUR million*	Exposures unsecured - carrying amounts	Exposures secured - carrying amounts	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Exposure carrying values under credit risk mitigation					
Total loans	14,978	2,587	2,587		
of which: Equities			*944*		
of which: Cash			*1,065*		
of which: Bonds			*354*		
of which: Other			*224*		
Total debt securities	6,012				
Total exposures	20,990	2,587	2,587		
of which defaulted					

Securitization positions

UBS Europe SE is not the originator or sponsor of securitization positions. As of December 2021, 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 2021 the average LCR was well above the regulatory minimum with the rolling average increasing over the year from 157% to 170%. The increase in the ratio was primarily driven by higher inflows from secured lending activity and increased wholesale funding, partially offset by an increase in business funding usage.

As of 31 December 2021, the average HQLA of EUR 17.1 bn primarily consists of Central Bank Reserves (62%) and L1 High Quality Securities (35%).

The following table shows the components of UBS Europe SE's monthly average LCR for 2021.

EU LIQ1 - Quantitative information on LCR

Consolidated	Total unweighted value (average)				Total weighted value (average)			
EUR million								
Quarter ending on	**31.03.21**	**30.06.21**	**30.09.21**	**31.12.21**	**31.03.21**	**30.06.21**	**30.09.21**	**31.12.21**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
High-Quality Liquid Assets								
Total high-quality liquid assets (HQLA)					17,175	17,106	17,108	17,143
Cash-Outflows								
Retail deposits and deposits from small business customers, of which:	4,787	4,517	4,377	4,277	957	903	875	855
Stable deposits								
Less stable deposits	*4,787*	*4,517*	*4,377*	*4,277*	*957*	*903*	*875*	*855*
Unsecured wholesale funding	17,445	17,434	17,101	16,954	11,897	11,631	11,298	11,220
Operational deposits (all counterparties) and deposits in networks of cooperative banks	5,817	6,270	6,354	6,255	1,454	1,568	1,589	1,564
Non-operational deposits (all counterparties)	11,628	11,164	10,747	10,699	10,443	10,064	9,709	9,656
Unsecured debt								
Secured wholesale funding					250	210	199	198
Additional requirements	3,318	3,393	3,233	3,074	1,808	1,849	1,742	1,661
Outflows related to derivative exposures and other collateral requirements	1,615	1,661	1,638	1,595	1,495	1,511	1,455	1,381
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	1,703	1,733	1,595	1,478	313	339	288	280
Other contractual funding obligations	1,589	5,078	8,870	12,838	741	4,144	7,843	11,549
Other contingent funding obligations	8,035	7,984	7,867	8,017	715	711	697	701
Total Cash Outflows					16,368	19,449	22,654	26,184
Cash-Inflows								
Secured lending (eg reverse repos)	19,325	16,469	13,618	12,958	949	1,245	1,536	2,003
Inflows from fully performing exposures	3,988	3,550	3,063	2,673	3,451	3,135	2,754	2,474
Other cash inflows	966	4,385	7,991	11,658	966	4,385	7,991	11,658
(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)								
(Excess inflows from a related specialised credit institution)								
Total Cash Inflows	24,279	24,404	24,672	27,289	5,365	8,765	12,281	16,135
Fully exempt inflows								
Inflows subject to 90% Cap								
Inflows subject to 75% Cap	*22,248*	*22,243*	*22,415*	*24,834*	*5,365*	*8,765*	*12,281*	*16,135*

EU LIQ1 - Quantitative information on LCR (continued)

Consolidated	Total unweighted value (average)	Total weighted value (average)			
EUR million					
Quarter ending on		**31.03.21**	**30.06.21**	**30.09.21**	**31.12.21**
Number of data points used in the calculation of averages		**12**	**12**	**12**	**12**
Liquidity Buffer		17,175	17,106	17,108	17,143
Total net cash outflows		11,003	10,684	10,373	10,091
Liquidity coverage ratio (%)		157%	161%	165%	170%

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 Structural Liquidity Gap (SLG).

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.

EU AE1 - Encumbered and unencumbered assets

31.12.21	Carrying Amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
EUR million		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of reporting institution	5,483				42,065	15,412		
Equity Instruments	956		956		2,173		2,173	
Debt securities	75		75		4,483	4,075	4,483	4,075
of which: covered bonds					*1,056*	*860*	*1,056*	*860*
of which: asset-backed securities								
of which: issued by general governments	*70*		*70*		*1,843*	*1,740*	*1,843*	*1,740*
of which: issued by financial corporations	*1*		*1*		*2,608*	*2,335*	*2,608*	*2,335*
of which: issued by non-financial corporations	*2*		*2*		*21*		*21*	
Other assets	4,452				34,429	11,256		

31.12.20	Carrying Amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
EUR million		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of reporting institution	6,921	385			45,373	15,710		
Equity Instruments					2,141			
Debt securities	726	385	726	385	6,729	6,409	6,729	6,409
of which: covered bonds					*1,069*	*981*	*1,069*	*981*
of which: asset-backed securities								
of which: issued by general governments	*726*	*361*	*726*	*361*	*4,183*	*3,725*	*4,183*	*3,725*
of which: issued by financial corporations					*2,863*	*2,669*	*2,963*	*2,669*
of which: issued by non-financial corporations					*15*	*14*	*15*	*14*
Other assets	6,001				35,215	9,379		

EU AE2 - Collateral received and own debt securities issued

31.12.21	Fair value of encumbered collateral received or own debt issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
EUR million		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	13,617	29	4,356	2,584
Loans on demand				
Equity instruments	2,981		794	
Debt securities	10,636	29	3,766	2,584
of which: covered bonds			*87*	
of which: asset-backed securities	*132*		*405*	
of which: issued by general governments	*10,253*	*13*	*2,912*	*2,581*
of which: issued by financial corporations	*299*		*881*	*–*
of which: issued by non-financial corporations	*105*		*188*	*24*
Loans and advances other than loans on demand				
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities				
Own covered bonds and asset-backed securities issued and not yet pledged				
Total Assets, collateral received and own debt securities issued	19,313			

31.12.20	Fair value of encumbered collateral received or own debt issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
EUR million		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	25,046	255	5,524	1,378
Loans on demand				
Equity instruments	499		1,392	
Debt securities	24,603	255	3,982	1,378
of which: covered bonds	*102*		*245*	*245*
of which: asset-backed securities	*149*		*213*	*–*
of which: issued by general governments	*23,908*	*29*	*2,396*	*620*
of which: issued by financial corporations	*169*	*50*	*655*	*171*
of which: issued by non-financial corporations	*184*	*6*	*416*	*163*
Loans and advances other than loans on demand				
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities				
Own covered bonds and asset-backed securities issued and not yet pledged				
Total Assets, collateral received and own debt securities issued	31,967			

EU AE3 - Sources of encumbrance

	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 million		
Carrying amount of selected financial liabilities	18,601	13,847

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, collateral swaps, and short positions. Compared to 2020 there has been a decrease in the median value of encumbered off-balance-sheet collateral due to a service previously provided to its parent no longer being required. This has also led to a similar decrease on the Sources of Encumbrance table.

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.

The values shown are medians of each individual value calculated based on the four quarterly submissions made to the Regulator. The rows are not additive.

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 increasing from 164% (Q2 2021) to 171% (Q4 2021), reflecting an increase in excess Available Stable Funding (ASF) of EUR 0.2bn.

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

EU LIQ2 - Net Stable Funding Ratio

30.06.21	Unweighted value by residual maturity				Weighted value
EUR million	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	4,690				4,690
Own funds	*4,690*				*4,690*
Other capital instruments					
Retail deposits		4,356			3,921
Stable deposits					
Less stable deposits		*4,356*			*3,921*
Wholesale funding:		20,205	76	2,382	6,472
Operational deposits		*6,668*			*3,334*
Other wholesale funding		*13,537*	*76*	*2,382*	*3,138*
Interdependent liabilities		1,944	151	512	
Other liabilities:		15,709		733	733
NSFR derivative liabilities					
All other liabilities and capital instruments not included in the above categories		*15,709*		*733*	*733*
Total available stable funding (ASF)					15,816
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					1,252
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:		9,831	784	4,083	5,351
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		*3,593*	*280*	*400*	*567*
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		*4,391*	*68*	*1,001*	*1,363*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		*1,776*	*316*	*1,410*	*2,454*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
Performing residential mortgages, of which:		*6*	*15*	*235*	
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
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		*64*	*105*	*1,038*	*967*
Interdependent assets		2,123	155	511	
Other assets:		18,804	95	2,023	2,956
Physical traded commodities					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		*563*	*95*	*1,224*	*1,600*
NSFR derivative assets		*362*			*362*
NSFR derivative liabilities before deduction of variation margin posted		*2,760*			*138*
All other assets not included in the above categories		*15,119*		*799*	*856*
Off-balance sheet items		1,429		1	72
Total RSF					9,631
Net Stable Funding Ratio (%)					164.22%

EU LIQ2 - Net Stable Funding Ratio (continued)

30.09.21	Unweighted value by residual maturity				Weighted value
EUR million	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	4,676				4,676
Own funds	*4,676*				*4,676*
Other capital instruments					
Retail deposits		4,175			3,757
Stable deposits					
Less stable deposits		*4,175*			*3,757*
Wholesale funding:		19,824	632	2,373	6,286
Operational deposits		*5,672*			*2,836*
Other wholesale funding		*14,152*	*632*	*2,373*	*3,450*
Interdependent liabilities		2,178	101	587	
Other liabilities:		17,198		738	738
NSFR derivative liabilities					
All other liabilities and capital instruments not included in the above categories		*17,198*		*738*	*738*
Total available stable funding (ASF)					15,458
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					1,058
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:		8,902	868	4,297	5,425
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		*2,835*	*516*	*205*	*464*
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		*4,498*	*47*	*1,316*	*1,664*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		*1,531*	*232*	*1,538*	*2,372*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
Performing residential mortgages, of which:			*18*	*205*	
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
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		*37*	*54*	*1,034*	*925*
Interdependent assets		2,366	104	586	
Other assets:		19,994	23	1,809	2,620
Physical traded commodities					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		*545*	*23*	*1,044*	*1,370*
NSFR derivative assets		*283*			*283*
NSFR derivative liabilities before deduction of variation margin posted		*2,505*			*125*
All other assets not included in the above categories		*16,660*		*765*	*842*
Off-balance sheet items		1,150		1	58
Total RSF					9,160
Net Stable Funding Ratio (%)					168.74%

EU LIQ2 - Net Stable Funding Ratio (continued)

31.12.21	Unweighted value by residual maturity				Weighted value
EUR million	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	3,519				3,519
Own funds	*3,519*				*3,519*
Other capital instruments					-
Retail deposits		4,395			3,956
Stable deposits					
Less stable deposits		*4,395*			*3,956*
Wholesale funding:		19,849	2,080	2,635	7,538
Operational deposits		*5,777*			*2,888*
Other wholesale funding		*14,072*	*2,080*	*2,635*	*4,649*
Interdependent liabilities		1,770	73	1,060	
Other liabilities:		5,344		346	346
NSFR derivative liabilities					
All other liabilities and capital instruments not included in the above categories		*5,344*		*346*	*346*
Total available stable funding (ASF)					15,358
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					1,274
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:		9,792	845	4,468	5,549
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		*2,560*	*406*	*113*	*316*
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		*5,793*	*95*	*1,263*	*1,712*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		*1,395*	*270*	*1,781*	*2,534*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
Performing residential mortgages, of which:		*15*	*4*	*211*	
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
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		*30*	*71*	*1,101*	*987*
Interdependent assets		1,677	72	1,059	-
Other assets:		6,856	1	1,750	2,084
Physical traded commodities					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		*171*		*927*	*933*
NSFR derivative assets		*152*			*152*
NSFR derivative liabilities before deduction of variation margin posted		*2,153*			*108*
All other assets not included in the above categories		*4,380*	*1*	*823*	*891*
Off-balance sheet items		357	16	757	57
Total RSF					8,963
Net Stable Funding Ratio (%)					171.34%

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 related to the SA-CCR implementation in Q2 2021 and the increase in SFTs in line with balance sheet.

EU LR2 - LRCom: Leverage ratio common disclosure

EUR million	31.12.21
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	30,398
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)	(2,127)
(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)	(433)
Total on-balance sheet exposures (excluding derivatives and SFTs)	27,838
Derivative exposures	
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2,319
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	7,635
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)	(934)
(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	1,628
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(1,608)
Total derivatives exposures	9,040
Securities financing transaction (SFT) exposures	
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	17,591
(Netted amounts of cash payables and cash receivables of gross SFT assets)	(11,430)
Counterparty credit risk exposure for SFT assets	2,063
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)	
Total securities financing transaction exposures	8,224
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	10,409
(Adjustments for conversion to credit equivalent amounts)	(8,851)
(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	
Off-balance sheet exposures	1,558
Excluded exposures	
(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)	
(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)	

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

EUR million	31.12.21
(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)	–
(Total exempted exposures)	
Capital and total exposure measure	
Tier 1 capital	3,054
Total exposure measure	46,660
Leverage ratio	
Leverage ratio	6.55%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.55%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.55%
Regulatory minimum leverage ratio requirement (%)	3.00%
Additional own funds requirements to address the risk of excessive leverage (%)	–
of which: to be made up of CET1 capital (percentage points)	–
Leverage ratio buffer requirement (%)	–
Overall leverage ratio requirement (%)	3.00%
Choice on transitional arrangements and relevant exposures	
Choice on transitional arrangements for the definition of the capital measure	N/A
Disclosure of mean values	
Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	6,988
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	6,162
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)	47,487
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)	47,487
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)	6.43%
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)	6.43%

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

EUR million	31.12.20
On-balance sheet items (excluding derivatives, securities financing transactions but including collateral)	30,777
Asset amounts deducted in determining Tier 1 capital	(405)
Total on-balance sheet exposures	30,372
Replacement cost of derivative transactions	1,123
Add-on amounts for potential future exposure of derivative transactions	8,600
Receivable assets for cash variable margin for derivative transactions	(1,888)
Exempted CCP transactions	(2,866)
Adjusted notional of written credit derivatives	1,968
Adjusted effective notional offsets & add-on deductions for written credit derivatives	(1,968)
Total derivative exposures	4,969
Gross securities financing transaction assets	15,024
Netted amounts of cash payables and receivables of gross securities financing transaction assets	(11,353)
Counterparty credit risk exposure for securities financing transaction assets	833
Total securities financing transaction exposures	4,504
Off-balance sheet exposures at gross notional amounts	9,856
Adjustments for conversion to credit equivalent amounts	(8,325)
Total other off-balance sheet assets	1,531
Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
Total exempted exposures	
Total leverage ratio exposure	41,376
Tier 1 Capital	3,993
Leverage Ratio	9.65%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)	9.65%
Leverage ratio (taking into account excluded exposures to central bank from its total exposure measure)	9.65%

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 million	31.12.21	31.12.20
Total assets as per published financial statements[1]	46,411	48,591
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	(707)	(9,269)
Adjustment for securities financing transactions (SFTs)	(2,022)	928
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,925	1,531
(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)		
Other adjustments	1,052	(405)
Total exposure measure	46,660	41,376

[1] Taken from published results for UBS Europe SE as set out in UBS Group AG Annual Report 2021.

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 million	31.12.21	31.12.20
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	28,271	28,889
Trading book exposures	4,090	4,970
Banking book exposures, of which:	24,181	23,919
Covered bonds	*1,367*	*799*
Exposures treated as sovereigns	*13,547*	*14,334*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*844*	*968*
Institutions	*2,835*	*2,496*
Secured by mortgages of immovable properties		
Retail exposures		
Corporates	*5,360*	*5,158*
Exposures in default	*36*	*51*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*192*	*113*

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 metrices 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 newly published Implementing Technical Standards (ITS) on exposures to interest rate risk in the banking book (amending the Implementing regulation (EU) 637/2021).

While adhering to the content set out in the new ITS, the minimum standards for the measurement, management, monitoring and control of interest rate risks in the banking book are still based on the EBA/GL/2018/02.

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 number of metrics, the most relevant of which are the following:

- 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 fund 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. The average repricing maturity assigned to NMDs stands at 6 months (with the longest maturity being 10 years). 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 and flooring of variable loans at zero were 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, having by far the most material impacts on the overall results, excludes the management target duration of equity and the deposit duration resulting from the described replication portfolio strategy for NMDs.

The latter is a conservative approach, in order to comply with the requirement that NMDs from financial institutions should not be subject to behavioral modelling. As of the current period's reporting date, a clear split between financial institutions and other clients was not available for the deposit replication portfolios and therefore no duration was assigned to the entire portfolio.

As of 31 December 2021, the most adverse interest rate scenario is the "Parallel shock up" scenario, resulting in a proforma change of the Economic Value of Equity (EVE) of negative 298 EUR million.

The worst change in regulatory reported EVE in relation to Tier 1 capital was 9.8%, which is far below the regulatory threshold for an outlier bank.

This scenario would, however, have a positive effect on net interest income. The more adverse of the two parallel interest rate scenarios with regard to NII over the next 12 months was the "Parallel shock down" scenario, resulting in a potential change of negative 96 EUR million.

Following the changes of the reporting requirements in the new ITS for the quantitative disclosures, the changes in EVE for the various scenarios disclosed for the previous period in the table below were adjusted to make them comparable with the current period's disclosure.

EU IRRBB1 - Interest rate risks of non-trading book activities[1]

	Delta EVE – Change of economic value of equity		Delta NII – Change of Net interest income	
EUR million	**31.12.21**	31.12.20	**31.12.21**	31.12.20
Parallel up	(298)	(285)	163	139
Parallel down	56	31	(96)	(58)
Steepener	(16)	(13)		
Flattener	(69)	(79)		
Short-term up	(156)	(159)		
Short-term down	38	32		
Maximum	(298)	(285)	(96)	(58)

[1] Economic value measures do not include UBS Europe SE's minor subsidiaries UBS Gestión S.G.I.IC, SA and UBS Fiduciaria SpA . The impact of both subsidiaries is deemed immaterial.

Covid-19 Disclosures

The following table provides an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis, in accordance with EBA/GL/2020/02.
Application of moratoria is on a case by case basis on own merits. Usually involves extension of bullet mortgage (with continued payment of interest) or if under legislative moratoria - suspension of capital and interest payments. There have been no economic losses or provisions so far.

Covid-19 Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

31.12.21	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
EUR million			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	2	2													
of which: Households															
of which: Collateralised by residential immovable property															
of which: Non-financial corporations	*2*	*2*													
of which: Small and Medium-sized Enterprises															
of which: Collateralised by commercial immovable property	*2*	*2*													

30.06.21	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
EUR million			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	2	2													
of which: Households															
of which: Collateralised by residential immovable property															
of which: Non-financial corporations	*2*	*2*													
of which: Small and Medium-sized Enterprises															
of which: Collateralised by commercial immovable property	*2*	*2*													

The following table provides an overview of the volume of loans and advances subject to legislative and non-legislative moratoria in accordance with EBA/GL/2020/02 by residual maturity of these moratoria.
Length of the moratoria is agreed on a case by case basis with the client based on the merits of the case. For legislative moratoria we are bound by the government laws. Further extensions would also be agreed on a case by cases basis.

Covid-19 Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

31.12.21		Gross carrying amount						
					Residual maturity of moratoria			
EUR million	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 1 year
Loans and advances for which moratorium was offered	11	3						
Loans and advances subject to moratorium (granted)	7	2	2		2			
of which: Households								
of which: Collateralised by residential immovable property								
of which: Non-financial corporations		*2*	*2*		*2*			
of which: Non-financial corporations								
of which: Small and Medium-sized Enterprises		*2*	*2*		*2*			

30.06.21		Gross carrying amount						
					Residual maturity of moratoria			
EUR million	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 1 year
Loans and advances for which moratorium was offered	11	3						
Loans and advances subject to moratorium (granted)	7	2	2			2		
of which: Households								
of which: Collateralised by residential immovable property								
of which: Non-financial corporations		*2*	*2*			*2*		
of which: Non-financial corporations								
of which: Small and Medium-sized Enterprises		*2*	*2*			*2*		

As of 31 December 2021, there were no newly originated loans and advances subject to public guarantee schemes introduced in response to COVID-19 crisis.

Contacts

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Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text due to rounding.

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