UBS

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UBS Europe SE

Financial Statement and Dependency Report as of 31 December 2022

Independent auditor's report

To UBS Europe SE

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of UBS Europe SE, Frankfurt am Main, which comprise the balance sheet as at 31 December 2022, and the income statement for the fiscal year from 1 January 2022 to 31 December 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of UBS Europe SE for the fiscal year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] included in the section "Non-financial performance indicators" of the management report (disclosures on the quota for women on executive boards and sustainability report), the "Non-financial statement" or the "Supervisory Board's report for 2022."

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the other information referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Recognition and measurement of provisions for legal risks

Reasons why the matter was determined to be a key audit matter

The Institution operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and their outcome is often difficult to predict. These uncertainties affect the amount and timing of potential outflows with respect to the provisions. Overall, the amount of the provisions must reflect the Institution’s best estimate for legal matters that have a probable and estimable impact on the Institution’s financial position.

There are risks in the annual financial statements in relation to the completeness and the assessment of the matters concerned. We therefore identified the recognition and measurement of provisions for legal risks as a key audit matter.

Auditor’s response

We examined the process for recognizing provisions for legal risks. We then obtained confirmation letters from legal counsel engaged by the Bank and involved in litigation. We assessed and compared the assumptions on which the provision amounts are based with the legal analyses by the Bank and the external legal counsel. Additionally, we checked the mathematical correctness of the provisions. We assessed the disclosures on the provisions for legal risks provided in the notes to the financial statements and the management report.

We examined the indemnity agreements concluded between UBS Europe SE and UBS AG CH in favor of UBS Europe SE to determine whether provisions for legal risks do not need to be recognized for certain pending lawsuits on this basis.

We examined whether UBS Europe SE regularly reviews the creditworthiness of UBS AG CH, a major borrower, and whether the creditworthiness of the borrower UBS AG CH is ensured in view of the existing indemnity agreements.

On the basis of Management Board meeting minutes, we checked whether the Management Board of UBS Europe SE is regularly informed by the Legal department about major changes and events related to litigation.

Our audit procedures did not lead to any reservations concerning the recognition and measurement of provisions for legal risks.

Reference to related disclosures

The Institution’s disclosures on the principles for recognition of provisions for legal risks are contained in the “Accounting and valuation principles” section of the notes to the financial statements and in the “Legal risks” section of the management report.

Other information

The Supervisory Board is responsible for the Supervisory Board’s annual report. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB (disclosures on the quota for women on executive boards and sustainability report) contained in the “Non-financial performance indicators” section of the management report, the “Non-financial statement” section and the “Supervisory Board’s report for 2022.”

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 25 June 2022. We were engaged by the Supervisory Board on 5 October 2022. We have been the auditor of UBS Europe SE without interruption since fiscal year 2000.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Institution or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

- Audit of the reporting requirements and the rules of conduct pursuant to Sec. 89 (1) WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] for the period from 1 July 2020 to 30 June 2021 and, in accordance with Sec. 89 (1) Sentence 2 WpHG, of the custody operations within the meaning of Sec. 1 (1) Sentence 2 No. 5 KWG

- Performance of agreed-upon procedures in accordance with to ISRS 4400

- Review of a reporting package in accordance with ISRE 2410 and IDW AuS 900

- ISAE 3402 assurance engagement relating to internal controls for the funds business of UBS ESE Luxembourg branch

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Iris Helke.

Eschborn/Frankfurt am Main, 12 May 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

signed	signed
Helke	Fernholz
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor]	(German Public Auditor]

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Balance sheet of UBS Europe SE as at 31 December 2022

Assets

EUR thousand

				31.12.2022	31.12.2021
Cash reserve					
a) Cash on hand			95		493
b) Balances with central banks			269,833		2,022,562
thereof: with Deutsche Bundesbank		*140,861*			*1,028,792*
				269,928	2,023,055
Due from banks					
a) payable on demand			4,597,491		6,060,419
b) other amounts due			27,694,365		24,124,769
				32,291,856	30,185,188
Due from customers				5,761,319	6,693,899
thereof: secured by real estate property lines			*182,425*		*258,975*
Debt securities and other fixed-income securities					
a) Money market securities			779,789		
aa) issued by the public sector		683,090			755,095
thereof: eligible as collateral with Deutsche Bundesbank	*0*				*255,906*
ab) issued by other borrowers		96,699			0
thereof: eligible as collateral with Deutsche Bundesbank	*0*				*0*
b) Bonds and debt securities			3,877,783		
ba) issued by the public sector		1,049,126			785,939
thereof: eligible as collateral with Deutsche Bundesbank	*1,049,126*				*785,939*
bb) issued by other borrowers		2,828,656			2,751,178
thereof: eligible as collateral with Deutsche Bundesbank	*2,688,075*				*2,751,100*
				4,657,572	4,292,212
Shares and other variable-yield securities				675	724
Trading portfolio				4,432,898	4,673,649
Equity investments				618	620
thereof: in banks			*0*		*0*
thereof: in financial services institutions			*0*		*0*
Shares in affiliates				305	10,009
thereof: in banks			*0*		*0*
thereof: in financial services institutions			*305*		*10,009*
Trust assets				17,133	17,133
thereof: trust loans			*0*		*0*
Intangible assets					
b) Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets			343		580
c) Goodwill			78,723		90,184
				79,066	90,764
Property and equipment				20,009	15,290
Other assets				1,899,842	1,767,264
Prepaid expenses				1,153	3,544
Total assets				49,432,375	49,773,351

Balance sheet of UBS Europe SE as at 31 December 2022

Liabilities *EUR thousand*			31.12.2022	31.12.2021
Liabilities to banks				
a) payable on demand		4,101,540		3,595,558
b) with an agreed term of period of notice		16,101,200		14,883,862
			20,202,740	18,479,420
Liabilities to customers				
b) other Liabilities				
ba) payable on demand		16,590,448		21,076,685
bb) with an agreed term of period of notice		2,589,351		332,330
			19,179,799	21,409,015
Securitized liabilities				
a) debt securities issued		1,099		1,099
			1,099	1,099
Trading portfolio			2,795,712	2,331,507
Trust liabilities			17,133	17,133
thereof: trust loans		*0*		*0*
Other liabilities			1,222,362	1,177,592
Deferred income			2,237	634
Provisions				
a) Provisions for pensions and similar obligations		318,453		312,492
b) Tax provisions		52,583		70,755
c) Other provisions		220,791		217,725
			591,827	600,972
Subordinated liabilities			2,742,223	2,707,030
Fund for general banking risks			24,091	8,589
thereof: special reserve pursuant to Sec. 340 e (4) HGB		*24,091*		*8,589*
Equity				
a) Subscribed capital		446,001		446,001
b) Capital reserves		1,935,076		1,934,853
c) Revenue reserves				
cd) Other revenue reserves	46,429	46,429		46,429
d) Net retained profits		225,646		613,077
			2,653,152	3,040,360
Total liabilities and equity			49,432,375	49,773,351
Contingent liabilities				
b) Guarantees		85,170		74,151
			85,170	74,151
Other obligations				
c) Irrevocable loan commitments		527,805		184,753
			527,805	184,753

Income statement of UBS Europe SE for the financial year 2022

EUR thousand				2022	2021
Interest income from					
a) Lending and money market transactions		382,633			15,534
thereof: negative interest income from lending and money market transactions	*81,371*				*112,841*
b) Fixed-income securities and government-inscribed debt		23,471			993
			406,104		16,527
Interest expense			417,873		46,502
thereof: negative interest expense	*67,575*				*84,616*
				-11,769	-29,975
Current income from					
a) Shares and other variable-yield securities		51,312			72,805
b) Equity investments		53			13
c) Investments in affiliated companies		7,222			8,874
				58,587	81,692
Commission income			1,117,902		1,256,475
Commission expense			387,842		467,061
				730,060	789,414
Net trading income / expense				139,559	77,264
thereof: Expenses from the allocation to the fund for general banking risks			*15,502*		*8,589*
Other operating income				293,897	200,230
General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		388,208			396,552
ab) Social security contributions, pensions and other benefit costs		47,591			64,264
thereof: for pensions	*14,419*				*27,546*
			435,799		460,816
b) Other administrative expenses			375,851		350,970
				811,650	811,786
Amortization, depreciation and write-downs of intangible assets and property and equipment				21,521	21,864
Other operating expenses				28,332	83,251
Write-downs and allowances on demands due and certain securities as well as allocations to provisions for possible loan losses				32,240	0
Income from write-up of amounts due and certain securities as well as from the reversal of provisions for possible loan losses				0	5,507
Write-downs and allowances on equity investments, shares in affiliates and securities classified as fixed assets				0	0
Income from write-ups on equity investments, shares in affiliates and securities classified as fixed assets				810	509
Result from ordinary activities				317,401	207,741
Income taxes				91,745	66,664
thereof: deferred taxes			*0*		*0*
Other taxes not disclosed under item 12				10	0
Net income for the year				225,646	141,077
Profit carryforward from previous years				0	0
Withdrawals from the capital reserve				0	472,000
Net retained profit				225,646	613,077

Notes

Notes

General

The financial statements for the fiscal year 2022 of UBS Europe SE, headquartered in Frankfurt am Main, Bockenheimer Landstraße 2-4, and registered in the commercial register of Frankfurt Local Court under HRB no. 107046, were prepared in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code], the AktG ["Aktiengesetz": German Stock Corporation Act] and in compliance with the RechKredV ["Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute": German Bank and Financial Services Institutions Accounting Directive].

The structure of the balance sheet and income statement follows the fomrs prescribed by the RechKredV.

UBS Europe SE is not publicly traded ("capital market-oriented" as defined by Sec. 264d HGB) and has therefore opted not to prepare a cash flow statement or a statement of changes in equity.

In Q3 2022, UBS Europe SE completed the sale of its domestic Wealth Management business in Spain. The Spanish Wealth Management business and all shares in UBS Gestion S.A. have been sold to Singular Bank S.A.. The transaction includes the transfer of all employees, client relationships, products and services to Singular Bank.

The sale of the wealth management business was performed through a hive-down and sale ("Ausgliederung und Übernahme") under the German Transformation Act ("Umwandlungsgesetz - UmwG"). The structure creates a statutory obligation for the participating legal entities such that they are jointly and severally liable for all liabilities (including the client assets held for custody / collaterals) of the transferor entity that are established prior to the hive-down and sale for a period of up to five years. UBS AG, Switzerland, provided a contractual guarantee to UBS Europe SE to cover 50% of the potential obligations that might arise from this transaction up to a maximum of EUR 250m.

Furthermore, UBS Finanzholding GmbH, a subsidiary of UBS AG, Switzerland, was merged to UBS Europe SE with agreement dated 17 August 2022. Assets and liabilities with a net book value of EUR 0.2m were transferred.

Accounting and valuation principles

The accounting and valuation principles have not changed in principle compared to the prior year.

The items of the cash reserve are stated at their nominal amount.

Amounts due from banks and customers are reported at their nominal amount, with differences between the issuing amount and the nominal amount deferred over the respective term. Sufficient provision was made for identifiable and general risks in the lending business. A general bad debt allowance was set up in an appropriate amount to account for the general credit risk. The expected loss approach follows the concept of "expected loss". The calculation of expected loss for on and off-balance transactions is based on the parameters probability of default (PD), exposure at default (EAD) and loss given default (LGD). Write-downs and allowances and income from write-ups are in the profit and loss statements.

Securities held in the liquidity portfolio are measured at amortized cost according to the strict lower of cost or market principle. They are also included in the valuation of interest rate transactions at present value in accordance with IDW AcP [IDW Stellungnahme zur Rechnungslegung] BFA 3 "Aspects of valuing interest rate transactions of the banking book (interest rate book) at net realizable value".

Securities of the investment portfolio are measured at amortized cost according to the modified lower of cost or market principle.

Changes in the value of securities of the liquidity portfolio are recorded either as write-downs of and allowances on amountt due and certain securities as well as allocations to provisions for possible loan losses or as income from the write-up of amounts due and certain securities as well as from the reversal of provisions for possible loan losses. For securities of the investment portfolio, changes in the value are recognised either as write-downs of and allowances on equity investments, shares in affiliates and securities classified as fixed assets or income from write-ups on equity instruments, shares in affiliates and securities classified as fixed assets.

Option premiums and future margin payments for transactions that are not yet due as well as accrued interest income from interest rate swaps are recognized as other assets or other liabilities.

Financial instruments of the trading portfolio are measured at fair value minus a risk charge. The risk charge is calculated on the basis of the regulatory value-at-risk approach in such a way that the anticipated maximum loss from the trading portfolio will not be exceeded with a 99% probability over a holding period of 10 days. A historical observation period of one year is used.

If financial instruments are traded on an active market, the market price is used as fair value. Where no market prices are available on an active market, fair value is determined by various methods, including valuation models. Both the valuation methods and models selected and the parameters used depend on the individual product and are in line with market standards.

The change in fair value of financial instruments of the trading portfolio compared to the last reporting date or the acquisition costs (valuation gains/losses) is recorded as net income or net loss from the trading portfolio.

Current interest income and expenses from the trading business are shown as interest income. Dividend income from the trading portfolio is reported as current income from shares and other variable-yield securities.

Securities lending transactions do not involve the de-recognition of securities loaned or the recognition of securities borrowed, as the risk arising from the security and the corresponding beneficial ownership remains with the lender.

Claims and liabilities from repos and reverse repos with central and bilateral counterparties and due on a daily basis are offset and reported on a net basis. Beyond that, an amount of EUR 14.4 with centrals and bilateral counterparties were not offset and reported on a gross basis due to a limited duration.

Equity investments and shares in affiliates are valued at acquisition cost or their lower fair value if the decline in value is expected to be permanent.

Trust assets and liabilities result from investments in private equity funds held in trust. They are recognized at the lower of cost or market principle.

Intangible assets, goodwill and property and equipment are recognized at acquisition and production cost and depreciated or amortized on a straight-line basis over their expected useful lives. Interests on borrowings are not capitalized.

Low-value assets are either fully expensed in the year of acquisition (with a net acquisition cost of up to and including EUR 250), or depreciated on a straight-line basis by five years (assets costing more than EUR 250 up to and including EUR 1,000).

Prepaid expenses and deferred income include payments which will be recognized in the income statements in future fiscal years.

The option provided by Sec. 274 (1) Sentence 2 HGB is applied, meaning that no deferred tax assets are recognized.

The excess of deferred tax assets primarily resulted from tax loss carryforwards in various tax jurisdictions and deductible temporary differences in the balance sheet items “Provisions for pensions and similar obligations”, “Other assets”, “Property and equipment” and “Intangible assets” in various tax jurisdictions that are not offset by material taxable temporary differences on the liability side.

Deferred taxes are measured using the respective national and company-specific tax rates at the expected realization date. The applicable tax rate for German branches is 31.9% comprising corporate income tax of 15.0% plus 5.5% solidarity surcharge plus an average trade tax rate. Deferred taxes in foreign branches are calculated with the applicable statutory tax rates which are in the range of 19.0% and 31.9%.

Liabilities are stated at the settlement value with differences between the issuing amount and the settlement amount deferred over the respective term.

The pension and similar obligations are calculated in an actuarial report (using the projected unit credit method) applying the 2018 G mortality tables of Dr. Heubeck. They are discounted using the average market interest rate published by Deutsche Bundesbank for the past ten fiscal years. Freely available reserves were retained for the difference in profit which would have arisen if discounting had been carried out using the average market interest rate for the last 7 fiscal years. In accordance with Art. 246 (2) sentence 2 HGB, plan assets to cover pension obligations are measured at fair value and netted against the provisions created for this purpose.

In calculation the settlement value for provisions, all identifiable risks and uncertain liabilities were taken into account in accordance with prudent business judgment.

The settlement value of the other provisions is calculated taking future price and cost increases into account. Provisions with a residual term of more than one year are discounted at the average market interest rate of the last 10 fiscal years for their respective residual terms as determined by Deutsche Bundesbank.

Subordinated liabilities are stated at the settlement value.

Forward and other derivative transactions were used both to hedge the fair value of positions and for trading purposes. Trading portfolio is measured at fair value minus a risk charge. Derivatives of the non-trading portfolio are valued at the prices and interest rates on the balance sheet date. Derivative transactions entered into to hedge the Bank’s interest rate risk are included in the valuation of interest rate transactions in the banking book at net realizable value (IDW AcP BFA 3).

Foreign currency receivables and liabilities were valued at the ECB mean exchange rate on the balance sheet date. If the ECB does not publish mean rates, currency positions are valued at market rates. Unsettled spot exchange and forward exchange transactions were valued using the respective mean spot or forward rate on the balance sheet date. The majority of the foreign currency transactions are hedged by concluding matching offsetting transactions in the same currency. Expenses and income from currency translation is recorded in the income statement under “other operating income” or “other operating expenses” respectively.

Contingent liabilities are reported under the balance sheet statement at their nominal amount, less accruals if necessary.

The disclosure of negative interest income or expenses in the profit and loss statement depends on the host contract. Negative interest rates related to financial assets will lower the interest income and negative interest for financial liabilities reduces the interest expenses.

Valuation of interest rate transactions in the banking book at net realizable value

The principle of prudence enshrined in German commercial law must be applied for all interest rate financial instruments in the banking book by recognizing a provision pursuant to Sec. 340a in conjunction with Sec. 249 (1) Sentence 1 Alt. 2 HGB (“provision for potential losses”) for any net obligation from the valuation of the interest component of the entire interest position. As of 31 December 2022, the Bank applied the IDW AcP [IDW Stellungnahme zur Rechnungslegung] BFA 3 “Aspects of valuing interest rate transactions of the banking book (interest rate book) at net realizable value” issued on 16 October 2017 for the valuation of interest rate transactions at net realizable value. Under the present value method, a provision must be recognised if the carrying amount is greater than the present value of the banking book. The present value is also reduced by administrative and risk costs. As of the balance sheet date, there was no net obligation. No provisions were therefore recognized.

Hedge Accounting

In the past, the Bank had issued structured financial instruments in the form of certificates. The repayable amount of these instruments is dependent on the performance of stock indices, foreign currencies or other individual securities which are embedded as derivatives in the instrument along with the underlying instrument. The market risks relating to the issued instruments were fully hedged by offsetting transactions with UBS AG, London Branch. The Bank designated offsetting transactions with the UBS AG branch in London which serve to hedge repayment claims as hedges together with the instrument issued. In the Bank's financial statements, the underlying instrument and embedded derivative are reported together under securitized liabilities. Furthermore, the Bank had issued note loans, which were also fully hedged by offsetting transactions with UBS AG, London Branch, and designated as hedging transactions. These transactions are reported as liabilities to customers/banks. Hedges, which were valued using the net method, were accounted for at the issue price taking accrued interest and discounts into account.

The critical terms match method is used to measure the effectiveness of the micro hedges on the basis of matching components such as nominal amounts, disbursement value, maturity, interest payment dates and repayment structure in the underlying and the hedging instruments.

Hedged items are recognized at amortized cost, with the offsetting transactions reported at identical amounts.

Notes to the balance sheet

Maturity structure of amounts due from banks and customers

Maturity structure

EUR thousand	31.12.2022	31.12.2021
Other amounts due to banks	**27,694,365**	**24,124,769**
with a residual term of		
three months or less	26,851,256	22,915,950
more than three months and up to one year	593,065	647,926
more than one year and up to five years	89,693	435,413
more than five years	160,352	125,480
Amounts due to customers	**5,761,319**	**6,693,900**
with a residual term of		
three months or less	1,543,848	2,163,085
more than three months and up to one year	509,030	935,674
more than one year and up to five years	712,307	565,170
more than five years	117,998	36,762
with an indefinite term	2,878,136	2,993,209

Amounts due from affiliates

Amounts due from affiliates

EUR thousand	31.12.2022	31.12.2021
Amounts due from bank	8,862,567	8,764,141
thereof: due from UBS AG	*8,768,975*	*8,568,379*
Amounts due from customers	21,393	14,719

Debt securities and other fixed-income securities

Securities

		Listed		Not listed
EUR thousand	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities and other fixed-income securities	2,283,523	1,577,488	4,657,572	4,292,211
Shares and other variable-yield securities	0	0	675	725
Total	**2,283,523**	**1,577,488**	**4,658,247**	**4,292,936**

Securities with a book value of EUR 1,404.2m are due in the year 2023.

Securities with a book value of EUR 1,982.4m and a fair value (market value) of EUR 1,933.6m are not measured according to the lower of cost or market principle, as these positions are included in the valuation of interest rate transactions at present value in accordance with IDW AcP [IDW Stellungnahme zur Rechnungslegung] BFA 3 "Aspects of valuing interest rate transactions of the banking book (interest rate book) at net realizable value" and no net obligation was calculated as of the balance sheet date.

Shares and other variable-yield securities

The position includes shares in a real estate fund.

Trading portfolio

EUR thousand	31.12.2022	31.12.2021
Trading assets	**4,432,898**	**4,673,649**
Derivative financial instruments	1,816,904	1,215,442
Debt securities and other fixed-income securities	498,004	98,898
Shares and other variable-yield securities	2,119,717	3,360,946
Risk charge	-1,728	-1,638
Trading liabilities	**2,795,712**	**2,331,508**
Derivative financial instruments	1,832,944	1,438,673
Liabilities (from short sales)	962,768	892,835

Equity investments and shares in affiliates

The equity investments and shares in affiliates do not contain negotiable or listed instruments. UBS Gestión Sociedad Gestora de Instituciones de Inversión Colectiva SA, Madrid was sold with the sale of the Spanish WM business. The realized gain from this transaction amounts to EUR 52.0m and is included in other operating income.

Equity investments pursuant to Sec. 285 No. 11 HGB

Company	Capital in EUR	Share of capital	Net income in EUR
UBS Fiduciaria SpA, Mailand*	876,454.00	100,0%	144,346.00
UBS Private Equity Komplementär GmbH, Frankfurt am Main**	54,041.15	100,0%	8,388.71

* Financial Statement as of 31.12.2022

Trust assets and liabilities

Trust assets consist solely of trust loans while trust liabilities consist solely of liabilities to customers.

The Bank offers its customers the option of investing in private equity fund shares. The Bank concludes trust agreements with the customers to enable them to make small investments. This resulted in equity investments held in trust in the amount of EUR 17.1m and liabilities to customers in the same amount.

Statement of changes in fixed assets

Changes in fixed assets

EUR thousand	Shares and other variable-yield securities	Equity investments	Shares in affiliates	Goodwill	Other intangible assets	Property and equipment
Book value 01.01.2022	**663**	**619**	**10,008**	**90,184**	**580**	**15,288**
Acquisition or production cost						
Opening balance	5,086	619	10,008	148,600	22,387	87,581
Additions					1,708	11,285
Disposals	443	1	9,703		1,664	2,033
Reclassifications					-6	6
Translation differences				6,207	8	412
Closing balance	4,643	618	305	154,807	22,433	97,251
Cumulative write-downs						
Opening balance	4,423			58,416	21,807	72,293
Additions				15,433	324	5,762
Write-ups	10				46	1,149
Disposals						
Translation differences				2,235	5	336
Reclassifications						
Closing balance	4,413			76,084	22,090	77,242
Book value 31.12.2022	**230**	**618**	**305**	**78,723**	**343**	**20,009**

Intangible assets, goodwill and property and equipment

The goodwill stems from the acquisition of ETRA SIM S.p.A. in 2005 and Santander Private Banking Unit (SPB Unit Italia) in June 2016 by the former UBS Italia S.p.A. and was acquired at book value in the merger. The goodwill regarding the acquisition of ETRA SIM S.p.A. and SPB Unit Italia has a remaining useful life of three years and one year respectively.

In October 2018 UBS Europe SE completed the takeover of Nordea’s Luxembourg-based private banking business. This transaction resulted in the initial recognition of a goodwill amounting to EUR 116.9m. The remaining useful life is six years.

All of the other intangible assets comprise purchased software. As of the end of fiscal year, property and equipment exclusively comprise furniture, fixtures and office equipment.

Other assets

Other assets mainly include variation/initial margins (EUR 1,443.1m), clearing accounts (EUR 167.9m), receivables from the tax office (EUR 76.6m) and receivables from group allocations (EUR 41.0m).

Prepaid expenses

Prepaid expenses contain income from advance payments of non-staff operating costs (EUR 1.2m).

Maturity structure of liabilities to banks and customers

Maturity structure

EUR thousand	31.12.2022	31.12.2021
Liabilities to banks	**16,101,200**	**14,883,862**
with an agreed term or notice period of		
three months or less	15,672,759	12,510,346
more than three months and up to one year	422,235	2,362,483
more than one year and up to five years	5,461	10,065
more than five years	745	968
Liabilities to customers	**2,589,351**	**332,330**
with an agreed term or period of notice of		
three months or less	2,174,608	193,772
more than three months and up to one year	243,870	13,077
more than one year and up to five years	10,589	0
more than five years	160,284	125,480

Liabilities to affiliates

Liabilities to affiliates

EUR thousand	31.12.2022	31.12.2021
Liabilities to banks	10,448,632	9,979,911
thereof: liabilities to UBS AG	*10,053,612*	*9,649,069*
Liabilities to customers	128,412	159,290

Debt securities issued

All debt securities issued are due in 2023.

Other liabilities

Other liabilities primarily comprise liabilities from variation/initial margins (EUR 892.5m), intragroup settlements (EUR 20.1m), liabilities to the tax office (EUR 41.0m) and negative replacement values (EUR 61.9m)

Deferred income

Deferred income primarily contains income received in advance in the amount of EUR 2.2m.

Provisions for pensions and similar obligations

The provisions recognized relate almost exclusively to obligations for employees of the parent company in Germany.

In July 2021, UBS ESE implemented a new defined benefit plan for its employees in Germany joining post 19.06.2018. Furthermore, new contributions for employees that joined until 19.06.2018 will also move to the new pension plan (with some special regulations). The plan is hosted off-balance sheet by an external fiduciary (Contractual Trust Arrangement) and is funded including a premium guarantee. The plan is a security linked contribution orientated benefits plan, the retirement benefits will be the result of the investment of the contributions at the capital markets.

The other existing defined benefit pension plans remain active for all eligible employees. All retirement plan eligibilities which have been accumulated up to the implementation of the new plan will remain unchanged.

The following parameters were used to calculate the pension provisions:

Actuarial assumptions

	31.12.2022	31.12.2021
Interest rate	1,78%	1,87%
Salary and income threshold progression rate	3,22%	2,39%
Pension increases		
for old commitments	2,20%	1,80%
for new commitments	1,00%	1,00%
Average turnover men	9,10%	13,10%
Average turnover women	8,00%	13,80%

* issued before 1 January 1999

The actuarial interest rate used is based on information from the publications of the Deutsche Bundesbank as of 31 December 2022.

In accordance with Sec. 253 (6) HGB, the difference arising between discounting using a 10-year average interest and a 7-year average interest rate has to be calculated as of the reporting date. The 7-year average discount rate with a remaining term of 15 years in the amount of 1.44% as published by Deutsche Bundesbank is used to present the comparative amounts for the purpose of calculating this difference. The resulting pension provision and deferred compensation provision amount to EUR 203.7m and EUR 134.6m, respectively.

Applying the corresponding 10-year average interest rate with a remaining term of 15 years in the amount of 1.78%, the pension provision and the deferred compensation provision would amount to EUR 194.8m and EUR 123.6m, respectively. This leads to a difference for pensions and deferred compensation of EUR 19.8m, which may not be distributed or transferred in accordance with Sec. 253 (6) HGB.

In accordance with Sec. 246 (2) sentence 2 HGB, the plan assets held to cover pension obligations are netted against the provisions created for this purpose. As at 31 December 2022, the following values were recorded for these items before offsetting:

EUR thousand	31.12.2022	31.12.2021
Settlement amount	2,750	1,617
Fair value of the plan assets	2,750	1,617

Furthermore, changes in the fair value of the plan assets are netted against the pension expenses and the interest expenses from the revaluation of the pension obligations (EUR 1.1m). The historical cost of the plan assets amounted to EUR 3.0m.

Other provisons

Other provisions include the following main items:

EUR thousand	31.12.2022	31.12.2021
Bonuses	102,579	109,993
Legal risks and damages claims	26,362	33,860
VAT	21,429	10,824
Restructuring and severances	18,679	16,810
Early retirement obligations	12,307	8,665
Accrual for untaken holidays	9,501	9,620
Buildings	3,340	490
Storage costs	2,071	4,004
Fee reimbursement claims from retrocessions	921	2,854
Total	**197,190**	**197,118**

Subordinated liabilities

All subordinated liabilities are issued to the parent entity UBS AG. Terms of the subordinated liabilities are as follows:

Currency	Nominal amount	Interest Rate	Due date	Capital
EUR	290,000,000.00	Euribor 3M + 466 BP	indefinite	Additional Tier 1 Capital
EUR	310,000,000.00	Euribor 3M + 403 BP	indefinite	Additional Tier 1 Capital
EUR	975,000,000.00	Euribor 3M + 125 BP	27 February 2024	MREL eligible
EUR	200,000,000.00	Euribor 3M + 128 BP	14 June 2027	MREL eligible
EUR	275,000,000.00	Euribor 3M + 103 BP	14 May 2029	MREL eligible
EUR	400,000,000.00	Euribor 3M + 74 BP	5 February 2031	MREL eligible
USD	300,000,000.00	SOFR + 134 BP	3 November 2032	MREL eligible

The interest rate contains a floor component at reference rate Euribor with 0.00%. Any option of extraordinary termination persists to the issuer exclusively according to CRR regulation.

Interest income for subordinated liabilities was EUR 52.1m in the financial year 2022.

Fund for general banking risk

The Bank allocated an amount of EUR 15.5 m from the net income of the trading portfolio pursuant to Sec. 340 e (4) HGB to the fund for general banking risks in the reporting year 2022.

Subscribed capital and shares

The subscribed capital of EUR 446,001,000 is divided into 446,001,000 registered shares that are wholly owned by UBS AG, Zurich.

Capital and revenue reserves

The capital reserve pursuant to Sec. 272 (2) No. 4 HGB increased by EUR 0.2m due to the side step merger with UBS Finanzholding GmbH. Following this, capital reserves amount to EUR 1,935.1m.

Luxembourg tax legislation allows a reduction of the net worth tax liability if a dedicated reserve equal to five times the net worth tax liability is recognized; this reserve must not be distributed within the next five years. The non-distributable reserve is part of the capital reserves recognized in accordance with Sec. 272 (2) No. 1 HGB in the equity of UBS Europe SE; it amounts to EUR 56.3m as of 31 December 2022.

EUR 19.8m of the capital reserves pursuant to Sec. 272 (2) No. 4 HGB relates to the difference under Sec. 253 (6) HGB due to the adjustment of the discount rate (see note on the pension provisions).

In May 2022, the entire net retained profit reported for fiscal year 2021 was distributed to the shareholder.

The revenue reserves are unchanged at EUR 46.4m.

Contingent liabilities and other obligations

Contingent liabilities comprise guarantees provided, thereof EUR 7.7m in favour of credit institutions of UBS group.

All other obligations are irrevocable loan commitments.

There is no significant call risk. The risk of a claim under contingent liabilities is estimated on the basis of credit risk parameters.

In Q3 2022, UBS Europe SE completed the sale of its domestic Wealth Management business in Spain. The sale of the wealth management business was performed through a hive-down and sale ("Ausgliederung und Übernahme") under the German Transformation Act ("Umwandlungsgesetz" - UmwG). The structure creates a statutory obligation for the participating legal entities such that they are jointly and severally liable for all liabilities (including the client assets held for custody / collaterals) of the transferor entity that are established prior to the hive-down and sale for a period of up to five years. UBS AG, Switzerland, provided a contractual guarantee to UBS Europe SE to cover 50% of the potential obligations that might arise from this transaction up to a maximum of EUR 250m. The total amount of liabilities transferred to the purchaser where UBS Europe SE can be held jointly and severally liable for is EUR 720m as of 31 December 2022.

Repurchase agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement amount to EUR 467.4m.

Foreign currency assets and liabilities

Foreign currency assets totaled EUR 12,230.0m, foreign currency liabilities totaled EUR 14,666.5m and foreign currency position below the line item totaled EUR 283.0m.

Notes to the income statement

Net interest income

Net interest income contains EUR 81.5m in negative interest paid and EUR 67.6m in negative interest received.

Negative interest of EUR 13.0m was paid to Deutsche Bundesbank as a result of intragroup euro clearing, while negative interest in the same amount was collected from the parent company UBS AG.

Current income from shares, equity investments and investments in affiliated companies

Current income from shares, equity investments and investments in affiliated companies is primarily attributable to dividend payments from the trading portfolio of EUR 51.3m.

Furthermore, the dividend payment of EUR 7.1m received from UBS Gestión Sociedad Gestora de Instituciones de Inversión Colectiva SA, Madrid (Spain) is included.

Administrative and agency services

The following services were provided for third parties:

- Custody account management
- Wealth management
- Fund brokerage
- Consulting on equity investments and mergers
- Securities comission business

The income from these services is included in commission income.

Geographical breakdown of income

Other operating income

This item primarily contains group allocations (EUR 79.2m), reversals of provision (EUR 13.5m), rental income (EUR 3.5m), income incurred in connection with the sale of assets and liabilities from UBS Beteiligungs-Gmbh & Co. KG (EUR 6.3m) and revenues from the sale of the wealth management business in Spain (EUR 131.6 m.) and UBS Gestión Sociedad Gestora de Instituciones de Inversión Colectiva SA (EUR 52,0 m), respectively.

Other operating expenses

This item mainly includes payments and provision allocations in connection with customer complaints resulting in court proceedings (EUR 4.1m) as well as expenses of EUR 6.2m from unwinding discounts on provisions as of 31 December 2022 (thereof pension obligations and deferred compensation of EUR 5.8m).

Geographical breakdown

EUR thousand				31.12.2022
	Net interest income	Current income from shares, equity investments and investments in affiliated companies	Net commission income	Other operating income
Denmark	1	0	0	1
Germany	259,332	51,365	625,647	51,411
France	13	0	54,516	8,741
Italy	13,384	78	168,815	11,559
Luxembourg	129,923	0	174,294	19,558
Netherlands	6	0	20,544	2,355
Poland	4	0	0	309
Sweden	16	0	22,998	2,190
Switzerland	0	0	0	4,879
Spain	3,425	7,144	51,088	192,894
Total UBS Europe SE	**406,104**	**58,587**	**1,117,902**	**293,897**

Net income or net expense from trading book positions relates exclusively to Germany.
Other disclosures for the fiscal year 2022 is contained in the country-specific reporting in accordance with Sec. 26a KWG ["Kreditwesengesetz": German Banking Act].

Other notes

Proposal for the appropriation of net retained profit

The closing balance sheet of UBS Europe SE for 2022 reports a net retained profit of EUR 225.6m.

The Management Board proposes the distribution of the full amount of the net retained profit reported as of 31 December 2022 to the shareholder. This corresponds to a dividend of EUR 0.51 per share, for 446,001,000 shares.

Other financial obligations

Other financial obligations include rent obligations for the premises used for the Bank's head office and branches. The lease agreement for its head office (the Opernturm building in Frankfurt) was transferred from UBS Beteiligungs-GmbH & Co. KG to UBS Europe SE as of 1. April 2022 including the existing subleasing agreements. The lease agreement expires in 2035. Rent obligations until 2033 for all buildings come to EUR 329.3m, EUR 222.9m of which relates to the Opernturm building (UBS group).

Obligations for subsequent capital contributions may occur from the membership in the deposit protection schemed of "Bundesverband deutscher Banken" and "Entschädigungseinrichtung deutscher Banken GmbH" ("EdB").

Contingent liabilities

There were no further contingent liabilities as of 31 December 2022.

Derivative financial instruments at fair value

The table below shows the book values of the derivative financial instruments measured at fair value, that are recognized as trading assets and trading liabilities.

Derivative financial instruments measured at fair value

EUR thousand			31.12.2022
			Fair Value
	Nominal amount	positive	negative
Currency transactions			
Foreign currency forward transactions	433,773	1,463	900
Interest/Currency swaps	107,407,439	1,426,682	1,631,111
Foreign currency options	1,071,403	30,595	34,724
Other foreign currency transactions	2,542	3,006	301
Total	**108,915,157**	**1,461,746**	**1,667,036**
Interest rate transactions			
Forward transactions	19,940,900	65,979	73,095
Interest rate swaps	0	1,600	1,600
Total	**19,940,900**	**67,579**	**74,695**
Equity/Index-related transactions			
Equity/Index options	152,021	19,980	2,185
Equity/Index swaps	0	0	0
Other contracts	925	21,607	16,653
Total	**152,946**	**41,587**	**18,838**
Other transactions			
Credit derivatives	2,003,184	5,567	15,861
Commodity related contracts	250,054,513	2,612	2,612
Other contracts	10,007,234	237,813	53,902
Total	**262,064,932**	**245,992**	**72,375**

Hedges

The Bank issued structured financial instruments which are offered in the form of certificates. The Bank also issues plain vanilla products, which it offers its customers as note loans. For the structured products, the repayment value is linked to the performance of the underlying instruments. For the plain vanilla products, the Bank pays a fixed rate of interest. The Bank has concluded offsetting transactions with UBS AG, London Branch, to hedge its repayment and individual payment obligations under the financial instruments it has issued. The Bank uses these offsetting transactions to hedge against its entire market, foreign currency and interest rate risk from all issues. The issue position are grouped together with the offsetting transactions to form hedges. A total volume of EUR 22.3m (book value) is hedged with these transactions.

Hedge transactions protect against currency risks with a fair value of EUR 4.2m. In addition, hedges protect against interest rate risks with a fair value of EUR 17.2m. The average term to maturity for these offsetting transactions is five years.

It is corporate policy to hedge all financial instruments at group banks.

Derivatives used as hedges for issuing transactions

Derivatives used as hedges for issuing transactions

EUR thousand			31.12.2022
			Fair Value
	Nominal amount	positive	negative
Equity/Index swaps	3,493	0	3,390

Derivative financial instruments not measured at fair value

The table below shows the volume of derivative financial instruments of the banking book. Book values of these transactions are shown as other assets (EUR 31.0m) and other liabilities (EUR 18.8m).

Derivative financial instruments not measured at fair value

EUR thousand			31.12.2022
			Fair Value
	Nominal amount	positive	negative
Currency transactions			
Foreign currency forward transactions	40,188,767	351,131	349,295
Interest/Currency swaps	27,403,589	380,836	466,536
Foreign currency options	137,567	931	943
Total	**67,729,923**	**732,898**	**816,774**
Equity/Index-related transactions			
Equity/Index-related option	2,247,820	21,903	21,947
Equity/Index-swaps	158,399	2,476	5,866
Other	0	0	0
Total	**2,406,219**	**24,379**	**27,813**
Other transactions			
Other contracts	1,175,361	14,403	14,399
Total	**1,175,361**	**14,403**	**14,399**

Fair value is determined by various methods. Foreign currency forward transactions are valued on the basis of market-based spot exchange rates, whereas options are valued with standard market option price models and swap contracts are valued using discounted cash flow models. Both the valuation models selected and the parameters used depend on the individual product and are in line with market standards.

Derivatives and forward transactions used in the agency business

Derivatives and forward transactions used in the agency business

EUR thousand			31.12.2022
			Fair Value
	nominal amount	positive	negative
Currency transactions			
Foreign currency forward transactions	32,777,384	415,516	415,516
Interest/Currency swaps	236,215,588	8,736,871	8,736,871
Foreign currency options	21,115,287	2,589	2,577
Other	32,974	698	698
Total	**290,141,233**	**9,155,674**	**9,155,662**
Interest rate transactions			
Forward transactions	4,649	0	0
Interest options	160,160,909	3,524,702	3,524,702
Interest swaps	0	0	0
Total	**160,165,558**	**3,524,702**	**3,524,702**
Equity/Index-related transactions			
Equity/Index options	12,712,593	944,587	944,540
Equity/Index swaps	4,019,278	160,693	160,693
Other	1,400,984	85,539	85,539
Total	**18,132,854**	**1,190,819**	**1,190,772**
Other transactions			
Credit derivatives	596,106	1,548	1,548
Other	565,350	10,311	10,370
Total	**1,161,456**	**11,859**	**11,918**

Auditor's fees

No auditor's fees need to be disclosed since they are disclosed in the consolidated financial statements of UBS AG, Zurich.

Related party disclosure

The parent company UBS AG, having its registered office in Zurich, UBS Group AG and all not fully consolidated companies, joint ventures and associates of the UBS Group were identified as related parties of UBS Europe SE.

Persons related to key management personnel (members of the Management Board, general managers and Supervisory Board members) of UBS Group, UBS AG in Zurich and UBS Europe SE and their immediate family members are treated as related parties.

The following financial transactions are performed with related parties:

- Money market transactions, investing in and raising funds
- Forward transactions in equities, foreign currency, bonds and structured products
- Options in equities, bonds and foreign currency
- Equity and interest rate swaps
- Securities lending
- Securities transactions (reverse repos)
- Nostro/Vostro accounts
- Credit facilities
- Guarantees
- Procurement/provision of intragroup services

Significant events after the balance sheet date

Article 21b of the Capital Requirements Directive (2013/ 36/EU) requires banks in the European Union that are subsidiaries of third-country groups to set up a single intermediate parent undertaking – IPU. In order to meet this requirement, UBS France S.A. shall be merged to UBS Europe SE in the coming year. The closing of the transaction is expected for the second half of 2023.

As of 1 March 2023, the Asset Management business in the Netherlands was transferred to UBS Fund Management (Luxembourg) S.A. Proceeds amounted to USD 23.4m.

On 19th March UBS published that she plans to acquire Credit Suisse. The combination is expected to create a business with more than USD 5 trillion in total invested assets and sustainable value opportunities. This transaction is also expected to have an impact on UBS Europe SE.

Otherwise, the Bank is not aware of any significant events occurring after the end of the fiscal year which have not been taken into account in the balance sheet or income statement.

Group affiliation

UBS Europe SE is included in the basis of consolidation of UBS Group AG. In accordance with the KonBefrV ["Konzernabschluss-befreiungsverordnung": German Ordinance on the Exemption from Preparation of Consolidated Financial Statements], UBS Europe SE therefore opts not to prepare subgroup consolidated financial statements.

UBS Group AG, Zurich, prepares exempting consolidated financial statements and a Group management report. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the consolidated financial statements for the largest group of companies. The consolidated financial statements and the Group management report for 2022 of UBS Group AG, Zurich, are available on the UBS website and is published by UBS Europe SE, Frankfurt am Main, in the electronic Federal Gazette ["Elektronischer Bundesanzeiger"] as exempt consolidated financial statements pursuant to Sec. 292 HGB.

In addition, UBS Europe SE is included in the consolidated financial statements of UBS AG, Zurich, which are also prepared in accordance with IFRS. These are the consolidated financial statements for the smallest group of companies. The consolidated financial statements of UBS AG, Zurich, are available on the UBS website.

Disclosure

The disclosure report for the year ended 31 December 2022 is published on the UBS Europe SE website at *ubs.com/de/en/ubs-germany/financial-reports.html.*

Governing bodies

Supervisory Board

Prof. Dr. Reto Francioni (since 7th April 2022)
Chairman
Consultant, Brugg, Switzerland

Dr. Martin Christof Wittig (until 6th April 2022)
Chairman
Consultant, Samedan, Switzerland

Iqbal Khan
Deputy chair,
Co-President Global Wealth Management and President EMEA, UBS AG, Zurich, Switzerland

Silke Alberts*
Chairman of the Works Council, UBS Europe SE, Frankfurt, Germany

Jean-Marc Lehnertz*,
Business Risk Service, UBS Europe SE, Luxembourg

Jonathan (Bobby) Magee
Consultant, Guildford, United Kingdom

Beatriz Martin Jimenez (until 1st June 2022)
Head Group Treasury, UBS AG, London Branch, United Kingdom

Natasha Meaney (since 1st June 2022)
Head Financial Crime Prevention, UBS AG, Bromley (United Kingdom)

Francesco Stumpo*
Wealth Management IT Application Delivery, UBS Europe SE, Milan, Italy

Gregor Pottmeyer
CFO Deutsche Börse, Frankfurt, Germany

Caroline Stewart
CFO Investment Bank, UBS Business Solutions, London Branch, United Kingdom

*Employee representatives

In accordance with the resolution of the Extraordinary General Meeting dated 21 June 2021, remuneration totaling EUR 240k was paid in 2022 for the fiscal year 2021 to the employee representatives on the Supervisory Board. Remuneration totaling EUR 755k was paid to the independent members of the Supervisory Board.

Management Board

Christine Leitner Novakovic
Chairman of the Board
Head Global Wealth Management Italy, UBS Europe SE, Frankfurt, Germany

Georgia Paphiti
Chief Financial Officer, UBS Europe SE, Frankfurt, Germany

Dr. Andreas Przewloka (until 1st October 2022)
Chief Operating Officer, UBS Europe SE, Frankfurt, Germany

Tobias Vogel
Head Investment Bank and Global Wealth Management Germany, UBS Europe SE, Frankfurt, Germany

Heinrich Baer
Head Global Wealth Management Luxembourg, Nordics & Austria and Asset Management, UBS Europe SE, Frankfurt, Germany

Pierre Philippe Chavenon
Chief Risk Officer, UBS Europe SE, Frankfurt, Germany

Dr. Denise Bauer-Weiler
Head Group Compliance, Regulatory & Governance, UBS Europe SE, Frankfurt

Remuneration for the members of the Management Board amounted to EUR 13.0m in the fiscal year. The amount includes the basic salary, variable remuneration and other remuneration for the period during which they were a member of the Management Board.

EUR 3.0m was paid to former members of the Management Board and their survivors; the pension provisions for this group were EUR 65.5m on 31 December 2022.

Employees

The average number of employees during 2022 was 2,012, thereof 840 female and 1,172 male employees. In 2022, 205 employees providing services to UBS Europe SE have been transferred from UBS Business Solutions Poland Sp. z o.o. to UBS Europe SE Poland branch.

As of 31 December 2022, the headcount was 1,996 and 22 employees were on parental leave.

Employees

	31.12.2022	31.12.2021
… by locations		
Denmark	6	7
Germany	734	702
France	88	80
Italy	394	463
Luxembourg	436	449
Netherlands	35	34
Poland	200	2
Sweden	30	31
Switzerland	2	2
Spain	71	250

Employees

	31.12.2022	31.12.2021
… by business division		
Asset Management	37	34
Global Wealth Management	696	958
Investment Bank	279	253
Operating office	583	405
Other	401	370

Frankfurt / Main, 5th May 2023

UBS Europe SE
Management Board

Christine Novakovic | Georgia Paphiti | Heinrich Baer

Pierre Chavenon | Tobias Vogel | Dr. Denise Bauer-Weiler

Management Report

Business Report

Divisions and organization

UBS Europe SE, based in Frankfurt am Main, was created in 2016 by merging several European wealth management subsidiaries of UBS Group into a pan-European entity. UBS Europe SE is one of the leading financial services providers for wealth management in Europe, leveraging strong cross-divisional synergies with the Investment Bank and Asset Management.

The bank is a direct 100% subsidiary of UBS AG, Zurich. Its organizational structure includes the business divisions Global Wealth Management (GWM), Investment Bank (IB), Asset Management (AM) and Group Functions (GF).

As a universal bank within the scope of the German Banking Act (KWG) and as an SE under European law, its administrative bodies are the Management Board, the Supervisory Board (including Committees) and the Annual General Meeting.

UBS Europe SE encompasses nine branches (Italy, Spain, Luxembourg, Sweden, Denmark, Netherlands, Switzerland, Poland, France), including UBS Europe SE's headquarters in Germany. In Q3 2023, UBS Europe SE completed the sale of its domestic Wealth Management business in Spain. The Spanish Wealth Management business and all shares in UBS Gestion S.A. have been sold to Singular Bank S.A. The transaction includes the transfer of all employees, client relationships, products and services to Singular Bank. The sale of the wealth management business was performed through a hive-down and sale ("Ausgliederung zur Übernahme") under the German Transformation Act ("Umwandlungsgesetz"). The structure creates a statutory obligation for the participating legal entities such that they are jointly and severally liable for all liabilities (including the client assets held for custody / collaterals) of the transferor entity that are established prior to the hive-down and sale for a period of up to five years (Sec 133 UmwG). UBS AG, Switzerland, provided a contractual guarantee to UBS Europe SE to cover 50% of the potential obligations that might arise from this transaction up to a maximum of EUR 250m.

Global Wealth Management

UBS Europe SE has Global Wealth Management as its core business and provides its clients with a broad range of solutions including UBS Manage as the mandated discretionary portfolio management solution, UBS Advice as the mandated advisory solution and UBS Transact for clients looking for access to the financial markets, brokerage, custody and general research.

UBS Europe SE offers sustainable investments as the preferred solution for private clients investing globally. This reflects the belief in sustainable and impact investing from a performance perspective and increased client demand for relevant advice and solutions. UBS Europe SE also offers Wealth Planning services that give access to a wide range of solutions to meet the needs of our clients related to succession, financial, retirement and relocation planning while ensuring that their financial and lifestyle goals can be achieved. To address clients' lending needs, UBS Europe SE offers Lombard loans, overdrafts, guarantees and mortgages.

Additionally, UBS Europe SE acts as a business partner for Financial Intermediaries in Germany, Luxembourg, Spain, Italy, and Latin America. It offers them professional investment advisory services, a global banking infrastructure and tailored solutions, thus helping them to advise their end-clients more effectively.

Investment Bank

The Investment Bank business division offers financial advisory and capital markets, research, equities, foreign exchange, private markets and tailored fixed income services in rates and credit through its two business units, Global Banking and Global Markets.

Global Banking provides corporate, institutional and wealth management clients with expert advice, innovative financial solutions, outstanding execution and comprehensive access to the world's capital markets. Global Markets is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities. Each business unit is organized globally by product.

The Investment Bank has a global reach and principal offices in major financial hubs.

The UBS Group strategy for the Investment Bank remains focused on returns by driving profitable growth, by further optimizing resources. This maintains a capital light business model that is focused on advice and execution, with a commitment to only consume up to one-third of Group resources.

Asset Management

The Asset Management activities within UBS Europe SE focus mostly on client coverage. Hence the business model in each country is geared towards providing client service and product sales. The main client segments in each country are institutional clients and wholesales clients. In some markets the internal wealth management channel is covered in addition. Examples for institutional clients are pension funds, corporates and insurance companies, examples for wholesale clients are banks, Fund-of-Funds, IFAs and insurance companies. These segments are covered by Client Relationship Managers, being partly supported by Client Service colleagues. To reflect the increasing demand and sophistication of clients with respect to passive products, some locations have in addition product specialists for ETF/Passive. Furthermore, some locations have Real Estate specialists supporting management of existing Real Estate investments of UBS Asset Management products.

Strategy

Business pillars for growth

UBS Europe SE's strategy is centered on its leading Global Wealth Management and Investment Bank businesses in Europe. UBS Europe SE focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth and profitability outlook. The partnership between the Global Wealth Management business and other divisions is a key differentiating factor and a source of competitive advantage.

UBS Europe SE aims to drive higher and superior returns by growing each of its businesses and leveraging its unique, integrated and complementary business portfolio and geographic footprint in Europe.

The following key levers have been defined to drive profitability:

Global Wealth Management

UBS Europe SE's Global Wealth Management business benefits from significant scale in an industry with attractive growth prospects, increasingly high barriers to entry and its leading position across the High Net Worth and Ultra High Net Worth / Global Family Office client segments. The business is adjusting its coverage across the client spectrum to deliver more tailored services and solutions with more digitized offerings currently being developed in parallel. It is reorganizing itself to be closer to clients, in order to increase time spent with them, empowering regions, improving responsiveness and speed to market, as well as delivering on all the firm's capabilities through expanded strategic partnerships with the Investment Bank and Asset Management. Furthermore, the business is expanding its product offering while becoming more efficient, leveraging scale through partnerships and optimizing processes to increase productivity.

Priorities:
- Be the primary wealth manager for High Net Worth and Ultra-High Net Worth / Group Family Office clients in Europe;
- Leverage leading investment advice, lending and wealth planning capabilities; and
- Further enhance business through cross-divisional synergies with the Investment Bank and Asset Management.

Investment Bank

The Investment Bank's key priority is disciplined growth in the capital-light advisory and execution businesses while accelerating its digital transformation. Together with other business divisions and through external partnerships the aim is to deliver market-leading digital research and banking capabilities to clients.

Priorities:
- Global Banking: defending traditional business whilst scaling up non-traditional businesses including private markets;
- Global Markets: One Client focus, top liquidity provider, differentiated content, bespoke solutions, dynamic resource allocation; and
- Cross-divisional partnership opportunities with Global Wealth Management and Asset Management.

Asset Management

Asset Management provides highly differentiated offering mix across alpha & alternatives and indexed & alternative beta products. It offers best-in-class capabilities to clients and prospects, within each of these areas.

Priorities:
- Maintain strong performance across active products and diversify product offering.
- Leverage expertise in private markets and alternatives.
- Extend leading position with investment focus on Emerging Markets and SI.
- Drive operational excellence and simplify to increase efficiency and scale.

Treasury

A series of financial resource optimization measures has already been completed since the inception of UBS Europe SE and the Brexit cross-border merger.

Priorities:
- The long term goal is to bring return on CET1 up to 8% by targeted measures, incl. capital reductions; and
- Further optimize large exposure management.

Operations

UBS Europe SE Operations is a partner to the Business and with the UBS clients. Operations delivers very good service, while managing risk all within a cost conscious environment. Operations also actively drives digital transformation to create further efficiencies to support the overall UBS Europe SE goals.

Priorities:
- Sustainably drive excellence by meeting or exceeding service levels;
- Continue to strengthen our control framework, operational resilience and risk compliance; and
- Deliver on the Operating Plan and continuing to identify further opportunities for efficiency enhancements;

- Drive innovation and implement new digital capabilities in order to reduce operational complexity and further enhance the client experience; and
- Providing meaningful work in a diverse and including work environment to attract, develop and retain talent.

Strategic focus topic

Collaboration

UBS Europe SE wants to deliver more as one firm to its clients. The collaboration between business divisions is critical to the success of its strategy and is a source of competitive advantage. This collaboration also provides further revenue growth potential and enables the firm to better meet client needs. Another area where collaboration between UBS Europe SE's business divisions can bring more value to clients is in sustainable finance. As a global wealth manager, it is the firm's responsibility to take a leading role in shaping a positive future, and the goal is to be the financial provider of choice for clients who wish to mobilize capital toward the achievement of specific environmental or social outcomes.

Priorities:
- Cross-business dialogue; and
- Promotion of best practices across business divisions.

Sustainability

A growing range of financial products and services aims to help clients who wish to mobilize capital towards the achievement of the 17 United Nations (UN) Sustainable Development Goals (SDGs) and the orderly transition to a low-carbon economy.

Priorities:
- Reduce the absolute greenhouse gas footprint and cut the energy consumption by 15% by 2025;
- Engage with key vendors about moving toward net zero emissions by 2035;
- Net zero emissions across discretionary client portfolios by 2050;
- Increasing the percentage of Director level and above positions filled by women (aspiration to reach 30% by 2025); and
- Continued engagement with the ECB on sustainability and SCR integration into the European regulatory framework.

Digitalization

UBS Europe SE aims to drive improvements in firm-wide efficiency to fund growth and enhance returns. Continued optimization of processes, platforms, its organization and capital resources will help UBS Europe SE to achieve this. The firm will continue to invest in technology with the goal of improving efficiency and effectiveness, driving growth and better serving clients.

Priorities:
- Enhance user experience (for clients and staff);
- Reduce operational complexity; and
- Increase sustainability.

Talent, conduct and culture

At UBS Europe SE it is believed that the right strategy and a strong culture drive strong performance. The UBS purpose ("Reimagining the power of investing. Connecting people for a better world") captures the essence of UBS's culture. It guides every employee in terms of what UBS aims for and provides an universal guide for decision making. This conviction is expressed for several years in UBS "three keys to success". These Pillars, Principles and Behaviors underscore UBS strategy and culture, defining what it stands for as a firm and employer. In order to unlock the firm's potential, UBS embedded these tenets in its daily business and investment decisions as well as management practices and employee experience. Furthermore, UBS attaches great importance to a diverse workforce and inclusive culture in order to ensure long-term success, being crucial for understanding and relating to its equally diverse clients' needs.

Priorities:
- Diversity, equity and inclusion (DE &I);
- Conduct risk;
- Training & education;
- Talent development;
- Physical and mental wellbeing; and
- Tone from the top.

Management systems

The Bank's management systems comprise of financial and regulatory reporting systems.

Planning for the legal entity UBS Europe SE is performed on an annual basis and covers a period of three years. The plan is based on group reporting systems and is broken down by branch and by division.

For wealth management the legal entity plan is based on the divisional targets for revenues, costs, head count and growth of Net New Money.

For other divisions the planning is based on a backward looking view and adjusted for known items. Any known cost or revenue items are taken into account for the planning.

The key reporting system for wealth management is the web-based tool GWM-Insights.

GWM Insights reports key figures like income, expenses, invested assets and net new money combined with various product information. Certain data like net new money, invested assets and transactions income are updated on a weekly basis. Other components like recurring income and interest income are updated on a monthly basis.

The financial figures can be drilled-down to the respective client advisor.

The tool also includes the complete data for the prior year to be able to compare financial figures to prior periods as well as to budget figures.

Economic report

Financial performance indicators

The key financial performance indicators (KPIs) of UBS Europe SE are aligned with the business objectives, focusing on drivers of direct increases in efficiency and profitability. Hence, all levels of divisions' functional organizational structure (segment, location and team level) are covered.

The following financial performance indicators are reported:

Cost-Income-Ratio

The financial year 2022 resulted in EUR 1,178.9m revenues compared to EUR 1,124.6m in the previous year. Adjusted for the non-recurring effects from the sale of the Wealth Management Business in Spain in 2022 and in Austria in 2021, the revenues decreased slightly by EUR 22m compared to the previous year. Costs decreased to EUR 861.5m compared to EUR 916.9m in the previous year. This results in a cost/income ratio based on HGB figures of 73% (prior year 82%). The one-off effect from the sale of the Wealth Management Business in Spain led to the improved cost/income ratio. Without this one-off effect C/I ratio improved by three percentage points.

The budget for the current financial year is based on IFRS figures and stipulated a cost/income ratio of 80%. Cost/Income ratio according to IFRS is 80%. Thus, the target was met.

Profit before tax

The profit before tax according to IFRS is reported as financial performance indicator. For the financial year 2022 the profit before tax results to EUR 198m excluding proceeds from the sale of GWM's business in Spain which is 8% above the plan of EUR 184m.

The bank discloses the profit before tax per division and per location in the internal management information system: most of the branches are above plan (Italy EUR + 29m, Netherlands EUR + 6m, Luxemburg and Germany EUR + 3m each, Sweden EUR + 2m and Denmark EUR +1m). Only France (EUR -1m) and Poland (EUR -3m) report profits before tax below plan.

Global Wealth Management increased the profit before tax compared to the previous year by 4%, while the profit before tax in the divisions Investment Bank (-28%) and Asset Management (-63%) decreased compared to the previous year.

Return on Equity

The Return on Equity (RoE) is calculated as ratio between profit before tax and equity according to IFRS and results to 7% for the financial year 2022 which is below the plan of 9%. The Return on CET1 (RoCET1) is 10% and also below the plan of 14%.

Invested Assets

Invested assets decreased by EUR 25.0bn to EUR 140.8bn in the financial year, corresponding to a decrease of 15% driven by the negative market performance in 2022.

Non-financial performance indicators

In order to provide a more holistic view on our performance and on the sustainability of our results, the following section on non-financial performance indicators is provided.

MyImpact, our performance management approach, considers both contribution and behavior and supports our corporate vision and our corporate targets. It features aspirational objectives aligned to strategic priorities and regular coaching conversations to support employees' development. It also includes a newly integrated feedback app which enables employees to easily give and receive meaningful feedback "in the moment."

Our employees are highly diverse in terms of experience, background, skills and interests. Our shared success is built on a cultural foundation emphasizing collaboration, inclusion, innovation and constant improvement.

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 great place to work for everyone. Also, people from different backgrounds and experiences help us to make better decisions and drive innovation.

For information and data on sustainability, please refer to the UBS Group Sustainability Report (www.ubs.com/global/en/investor-relations).

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.

In addition, pursuant to Article 76 (4) und Article 111 (5) AktG ["Aktiengesetz": German Stock Corporation Akt] in conjunction with the FührposGleichberG ["Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst": German Act on the Equal Participation of Women and Men in Management Positions] aspirational goals for the ratio between male and female employees on the Supervisory Board, the Management Board and the two management levels below the Management Board have been defined. In 2018, the Management Board of UBS Europe SE reaffirmed the target of 27% of women in the first management level below Management Board and 20% for the second management level. For 2021 – 2025, the Management Board of UBS Europe SE set new ratios of 27% of women for the first management level and 28% of women for the second management level below the Management Board.

As of 31 December 2022, the representation of women on the UBS Europe SE Supervisory Board was 33%, exceeding the minimum female representation threshold of 30% for Supervisory Boards. The representation of women on the Management Board stood at 50% as of 31 December 2022.

As of the same date, the representation of women on the first management level stood at 28.6% (against an aspirational goal of 27%) and for the second management level, women represented 30% (vs. an aspirational goal of 28%). We are actively working to further increase this share by hiring, developing, promoting and retaining more women.

Overall, the annual voluntary resignation rate across UBS Europe SE was 6.1%. In Germany, the largest location, the annual voluntary resignation rate was 9.8%. The average length of service of permanent employees is 10.1 years.

Non-financial report

UBS Group AG has issued a seperate non-financial group report and published it in accordance with Article 114 WpHG ["Wertpapierhandelsgesetz": Securities Trading Act]. The report contains a consolidated Global Reporting Initiative (GRI) document, providing comprehensive disclosures on environmental, social and governance (ESG) factors and including the disclosures on non-financial information required by German law implementing the EU directive 2014/95 ["CSR-Richtlinie-Umsetzungsgesetz" / CSR-RUG]. The GRI document is available in English under "Annual reporting" at www.ubs.com/global/en/investor-relations and this also includes the disclosure according to Article 8 EU Taxonomy. UBS Europe SE is therefore exempted from the issuance of a non-financial report in accordance with Article 289b HGB and refers to the GRI document for details on the mentioned subjects.

Overall economic environment

The Global Economy in 2022 was affected by rising interest rates, high inflation, and lower growth expectations amidst substantial geopolitical turmoil. Both equity and bond markets suffered, while commodity prices surged.

The Russia-Ukraine war in 2022 added an inflationary shock to a world already navigating resurgent demand, tight labor markets, and supply chain disruption. World GDP grew by around 3.4% in 2022, far below the rebound of economic activity in 2021.

The US GDP growth fell from 5.9% to 2.1% in 2022 amidst the hawkish policy actions of the Federal Reserve. US CPI inflation rose to around 7% on average in 2022. CPI inflation is expected to slow to around 4% in 2023 as inflationary pressures ease. US interest rates were at 4.4% at the end of 2022 versus zero at the start of the year.

In the Eurozone, GDP upswing of 5.3% from 2021 was stifled as GDP growth lowered to 3.5% due to a surging energy price and increasing uncertainties due to the Russia-Ukraine war. In the Eurozone, interest rates ended at 2.5% in 2022 versus –0.5% at the start of the year.

Most equity markets declined considerably in 2022, driving valuations much lower. The forward price-to-earnings ratio of the MSCI All Country World Index fell from 18.6 times at the beginning of the year to 15.2 times at the end of the year. Based on historical data, current valuations would be consistent with 10-year returns in the 8–10% range, versus 10-year average annualized returns of 7.4% over the last decade.

Slowing global growth is expected to help keep the dollar strong in the coming months, driven by the large increase in US interest rates and the currency's status as a safe-haven asset. Over the medium term the dollar is expected to depreciate. The Swiss franc's safe-haven appeal is also likely to attract inflows.

In 2023, investments are expected to price in the interplay of high inflation and rising interest rates alongside elevated earnings expectations and geopolitical pressure. Additionally, the backdrop for risky assets should become more positive as the year progresses.

Geopolitical events often spark volatility in financial markets but rarely change the broad trajectory of economic growth. In 2023, there is an elevated risk that politics could shape growth outcomes. The Russia-Ukraine war poses energy and security threats to Europe and raises the risk of NATO involvement. US-China tensions are unlikely to lessen given Beijing's increased focus on self-sufficiency, the Biden administration's moves to restrict trade on security grounds, and the potential for discord over Taiwan.

Business in 2022

In 2022, UBS Europe SE demonstrated the strength of its core business lines and management's ability to achieve goals and complete strategic projects even in a challenging market environment. This demonstrates that the business mix and the business model are solid and the Bank can generate considerable returns even in times of uncertainty and stress.

Financial result of UBS Europe SE for the year 2022

On IFRS basis, UBS Europe SE recorded a profit before tax for 2022 of EUR 364m, including the pre-tax proceeds from the sale of the GWM business Spain. Excluding the proceeds from the sale of the GWM business Spain in Q3 2022 and the GWM Austria in Q3 2021

- Profit before tax FY22 is at EUR 198m compared to EUR 238m in FY21 (-17%);
- Profit before tax is FY22EUR 14m or 8% above plan;
- Profit before tax for Global Wealth Management (adjusted for the sale of the Spanish wealth management business) was EUR 125m, being 20% above plan;
- Profit before tax for the Investment Bank was EUR 99m, being 13% below plan;
- Profit before tax for Asset Management was EUR 14m being 42% below plan; and
- Group Functions reported a loss before tax of EUR 39m, being 33% lower compared to plan.

In the Global Wealth Management business, revenues were 11% higher compared to plan for 2022, mainly driven by positive net interest income backed by interest rate hikes from central banks. Market conditions and some client outflows resulted in lower net fee and commission income.

For the Investment Bank, revenues in 2022 were lower than planned for 2022. The global ramification on the Russia-Ukraine war and macro disruptions impacted the global commodity, trade and financial markets. In turn, this market uncertainty positively affected Global Markets trading results. Subdued business activity translated to weaker Global Banking results compared to FY21, which could not be offset by Global Markets.

For Asset Management, a lower performance compared to plan is recorded despite the delayed carve-out of the Dutch branch and driven by lower valuations due to the challenging market conditions.

Finally, compared to 2021, the increase in Group Functions revenues is driven by funding management mostly from money markets break-up fees and higher EUR rates.

Overall, operating expenses in 2022 were at 794m compared to 800m in the previous year (-1%). Adjusting the cost base for the sale of Austria and Spain, expenses are mostly driven by paid hard cost transfers. Personnel expenses remain stable, demonstrating cost controlling discipline and the realization of restructuring projects.

Financial position

Net assets

The bank's net assets are in order. The balance sheet total decreased slightly to EUR 49.4bn for the current year (prior year: EUR 49.8bn).

Key items were receivables from credit institutions (65% of total assets) and customer receivables (12%). Further items affecting net assets are described below.

Cash reserve

As of the balance sheet date 2022, the credit balance with central banks was EUR 0.3bn (prior year: EUR 2.0bn), thereof EUR 0.1bn (prior year: EUR 1.0bn) with Deutsche Bundesbank.

Receivables from credit institutions and customers

Total receivables from banks increased by EUR 2.1bn compared to the previous year. The deposit facility with Deutsche Bundesbank increased by EUR 1.1bn while receivables from repurchase agreements increased by EUR 1.3bn. Receivables from customers decrease by EUR 0.9bn.

	31.12.2022	31.12.2021	Change	
	EUR million	*EUR million*	*EUR million*	%
Receivables from credit institutions	32,292	30,185	2,107	7.0%
Receivables from customers	5,761	6,694	-933	-13.9%
Total receivables	**38,053**	**36,879**	**1,174**	**3.2%**

The following overview shows the geographical split of receivables and liabilities to credit institutions and customers.

Breakdown by country

EUR million	Receivables from credit institutions	Receivables from customers	Liabilities to credit institutions	Liabilities to customers
Denmark	0	0	0	0
Germany	31,614	3,074	19,969	7,439
France	15	0	1	0
Italy	32	1,084	4	2,042
Luxembourg	602	1,595	129	9,699
Netherlands	4	3	0	0
Poland	2	0	0	0
Sweden	7	1	0	0
Switzerland	1	0	0	0
Spain	15	4	100	0
Total	**32,292**	**5,761**	**20,203**	**19,180**

Trading assets

Trading assets include shares and other variable yield securities amounting to EUR 2.1bn and positive replacement values from derivatives amounting to EUR 1.8bn.

Securities

Debt securities and other fixed-income securities increased by EUR 0.4bn. The shares and other variable securities portfolio is nearly unchanged compared to the previous year.

	31.12.2022	31.12.2021	Change	
	EUR million	*EUR million*	*EUR million*	%
Money market instruments, bonds and debt securities from public issuers	1,732	1,541	191	12.4%
Money market instruments, bonds and debt securities from other issuers	2,925	2,751	174	6.3%
Debt and other fixed-income securities	**4,658**	**4,292**	**365**	**8.5%**
Shares and other variable-yield securities	**1**	**1**	**0**	**0.0%**
Total securities	**4,659**	**4,293**	**365**	**8.5%**

Liabilities to credit institutions and customers

Total liabilities decreased by EUR 0.5bn compared to the prior year value. The intercompany liabilities increased by EUR 0.4bn.

	31.12.2022	31.12.2021	Change	
	EUR million	*EUR million*	*EUR million*	%
Liabilities to credit institutions	20,203	18,479	1,724	9.3%
Liabilities to customers	19,180	21,409	-2,229	-10.4%
Total liabilities	**39,383**	**39,888**	**-505**	**-1.3%**

Equity

The bank's subscribed capital is unchanged at EUR 446,001,000 and is divided into 446,001,000 registered shares. The capital reserve pursuant to Sec. 272 (2) No. 4 HGB increased by EUR 0.2m due to the side step merger with UBS Finanzholding GmbH. Following this, capital reserves amount to EUR 1,935.1m. Profit reserves remained unchanged amounting to EUR 46.4m.

The Common Equity Tier 1 (CET 1) ratio according to Article 92 CRR was 22.76% (prior year: 22.42%).

Valuation of interest rate transactions in the banking book at net realizable value

There was no obligation as of 31 December 2022. Therefore provisions were not recognized.

Liquidity

UBS Europe SE was solvent at all times during the fiscal year. Since 1 October 2015, the minimum requirements for the Liquidity Coverage Ratio (LCR) have to be fulfilled. According to the Delegated Regulation 2015/61 as of 10 October 2014 the miminum ratio is 100% for 2018. As of 31 December 2022, the LCR for UBS Europe SE amounted to 162.1% (prior year: 187.4%).

According to the Regulation (EU) 575/2013 as amended by (EU) 2019/876 (CRR2) the minimum Net Stable Funding Ratio (NSFR) of 100% is to be maintained from 28 June 2021. As of 31 December 2022, the NSFR for UBS Europe SE amounted to 174.6% (prior year: 171.3%).

Result of operations

The financial year 2022 resulted in a net profit of EUR 225.6m after EUR 141.1 m in the previous year.

Due to the turnaround on interest rates in the reporting year, the net interest income is EUR 18.2m higher than in the previous year. Net commission income is EUR 730.1m. Net trading income was positive with EUR 139.6m.

Regarding costs, the most significant items were personnel expenses with EUR 435.8m. Other administrative expenses amount to EUR 375.9m. Largest part of the other administrative expenses with 52.3% are intragroup charges, particularly for IT and management services.

The bank is working to foster efficiency to recuperate the economic result.

The following table shows the profit before tax split by branches before consolidation of intra-group expenses and income:

EUR thousand	2022
Denmark	-1,520
Germany	18,971
France	1,844
Italy	27,766
Luxembourg	82,952
Netherlands	7,533
Poland	-3,780
Sweden	6,652
Switzerland	191
Spain	176,780
Total UBS Europe SE	**317,391**

The result of Germany includes treasury activities for all branches. In addition, the result of the branch in Spain includes the gain from the sale of the Global Wealth Management business.

Opportunities and risk report

Opportunities and risks

Global Wealth Management

The wealth management business is at the heart of UBS Europe SE's strategy. The integration of the French business into UBS Europe SE strengthens the firm's market presence and enables intensified collaboration between the different business divisions in France. Strategically, the environment that the wealth management business and the banking sector in general is facing, is highly conditioned by the following aspects:

Changing behaviors and client needs

Macroeconomic developments such as COVID-19, the war between Russia and Ukraine, as well as ongoing structural changes in the global economy and banking industry (e.g. changing interest rate environment, digitalization, sustainability, FinTech) are continuously altering financial market dynamics and client expectations. As a result:

- Clients demand a more active relationship with their trusted advisor, while performance is the major driving force for client satisfaction;
- Given less predictable markets, UBS Europe SE can no longer assume that they will positively contribute to producing investment performance. This may trigger increased appetite by clients for non-financial investments;
- Relying on product performance alone will no longer suffice to consistently achieve the financial returns clients expect; and
- Client expectations with regards to personal privacy and transparency on products and services will become even more important.

Change in the demographic pattern

- Growing entrepreneurial wealth creation;
- Younger client generation with inherited wealth; and
- New client groups interested in driving change to society.

Digitalization and innovation

While new technologies have already resulted in profound changes in various industries, the pressure on the financial services industry to adapt to the new digital reality continues to grow. The Global Wealth Management business model is traditionally based on direct client interactions and has only been marginally impacted by digital players with best technical and security standards, a digitalized offer is being recognized as an enabler for intensifying the individual client relationship and has become a key element of the Global Wealth Management strategy. Furthermore, automation of systems and processes can lead to a reduction of operating expenses and to a decrease in complexity. In sum, the industry faces and can benefit from:

- High adoption of internet and mobile services;
- Increasing acceptance and demand for e-channels; and
- Ability to reduce costs and enter new segments.

Increased regulatory requirements

Regulatory change remains key on the agenda for the foreseeable future. Regulation, e.g. the MaRisk update, are expected to remain an important driver of changes in this industry in the future. In view of the opportunities and challenges ahead with regard to the ongoing implementation of the directive on markets for financial instruments, the corresponding regulation (MiFID II/MiFIR) plays a key role in the European Union. With this package, a number of reforms, new regulations for market infrastructure, outsourcing, market risk and stricter rules for investor protection are being introduced (i.e. CRR II, CRDV or IPU requirements).

Material increase of transparency requirements

- Continuous repatriation of offshore assets to domestic markets or, in some cases, the need to provide advice from the local markets while assets are being booked abroad.
- MiFID II's huge transparency requirements show a great opportunity for those entities advanced in its implementation and with sufficient financial and solvency capacity as to make the necessary investments.

Uncertain political environment

Politics have played a huge role in financial markets in recent years and it will be no different in the future. The Russia-Ukraine war, tensions between US and China, as well as various political changes around the globe show how the political "center ground" is a moving target. To cope with this political uncertainty, investors are best served by diversifying across countries and regions, to avoid overexposure to individual regimes. Monetary normalization and continuously high interest rates globally constitute the UBS Europe SE base scenario.

Within this context UBS Europe SE clearly sees the following challenges:

- Volatile global and European political landscape and economic situation (e.g. Russia-Ukraine war, tensions between US and China, European elections); and
- Moderate economic growth in Europe with high levels of inflation.

The previously described scenario provides a series of opportunities for UBS Europe SE:

- Adaptation of the current advisory model towards a "holistic" approach, from asset manager to holistic wealth advisor;
- Revenue potential from increased focus on High Net Worth /

Global Family & c Wealth (GFIW);
- Client demand for digital services combined with new clients segments to serve;
- More polarized client needs (i.e., highly sophisticated/specific needs in the upper segments, standardization in the lower segments); and
- Cost-effective service platform across locations, which provides UBS Europe SE with strong operating leverage of growth.

Climate related and environmental requirements
In the course of the 17 United Nations (UN) Sustainable Development Goals (the SDGs), Global Wealth Management within UBS Europe SE aims to be the financial provider of choice for clients who wish to mobilize capital towards these achievements and the orderly transition to a low-carbon economy. Therefore, UBS Europe SE has developed its innovative approach to Sustainable Investing (SI), an approach that seeks to incorporate Environmental, Social and Governance (ESG) considerations into investment decisions:
- Sustainable Investing strategic asset allocation, including green bonds, development bonds, ESG leaders bonds, ESG leaders equities, ESG improving equities, ESG thematic equities and ESG engagement equity funds.
- Considering ESG Integration and Impact Investing alongside 'traditional' investment selection criteria.
- UBS Europe SE partners with leading institutions and ESG investment managers to provide innovative, state-of-the-art investment content to our clients.

Investment Bank

Outlined below are the key market developments impacting the Investment Bank:

Economic and political landscape
The economic outlook for Europe remains challenging for the foreseeable future due to persistent low growth, heightened inflation, and moderately rising interest rates. These factors combined are weighing heavily on European market sentiment. Geopolitical tensions and challenges to political consensus in Europe could pose a threat to economic recovery in the region and financial asset performance by weighing on investor sentiment and global trade.

Regulatory landscape
Regulatory change remains key on the agenda with a number of large strategic projects impacting the Investment Bank including the Uncleared Margin Rules or Fundamental Review of the Trading Book (FRTB). The Investment Bank is actively addressing these regulatory requirements to ensure that UBS Europe SE remains regulatory compliant.

Digitalization and innovation
Digitalization and innovation continues to be a key focus point for the Investment Bank in the quest to deliver best-in-class practices around trade idea generation, liquidity management, pricing tools and risk management to clients. Each area is driving business specific innovation while aligned through the Investment Bank Executive Committee.

Environmental and social risk
The Investment Bank continues to observe an increasing client demand for sustainable investing. This is actively being met by providing thematic and sector research. The Investment Bank also provides investment solutions through socially responsible and impact exchange-traded funds and index-linked notes. In addition, the Investment Bank offers capital-raising and strategic advisory services globally to companies that make a positive contribution to climate change mitigation and adaptation.

Asset Management

Asset Management remains an attractive and growing industry. The firm sees three key industry trends in particular, which are believed to play to UBS Asset Management's strengths:

Changing investment environment
- Moving away from asset classes towards risk/return characteristics of products;
- Increasing growth of passive and rule based/systematic investments; and
- Challenges to generate more sustainable and differentiating growth.

Changing client demand
- Need for global offerings and solutions across all asset classes;
- Distinction between low cost beta ('shift to passive') and high alpha products ('active investment strategies'); and
- Reflection of sustainability across product range.

Changing industry dynamics
- Rise of FinTech and new technology entering into financial services sector;
- Increased margin and consolidation pressure; and
- Need for enhanced operational excellence.

Risk management and methods

UBS Europe SE uses a risk management and risk controlling approach that is both qualitative and quantitative in nature.

The choice of quantitative and/or qualitative measures is dependent on the nature of the respective risk and whether it is managed as part of the day to day business (operational level) or on a strategic level. While non-financial risks are limited qualitatively by policies and process descriptions, the bank's financial risks are mainly steered by quantitative limits.

The overall rules and standards of the internal risk management and risk controlling for significant risks including the qualitative and quantitative limits are defined within the risk strategy of UBS Europe SE based on a regular risk identification process in alignment with the strategic business plan. The risk appetite is expressed via strategic risk appetite statements as well as by defining limits and complementary indicators.

In general, all material risks are covered in the ICAAP (Internal Capital Adequacy Assessment Process) normative and economic view. Further, liquidity risk is efficiently steered and monitored in the ILAAP (Internal Liquidity Adequacy Assessment Process) framework (see section liquidity and funding risk).

Furthermore, UBS Europe SE has implemented a so-called stress testing framework, which conducts scenario-, sensitivity-, portfolio- as well as reverse stress tests for all material risks.

Credit risk

Credit risk is the risk of incurring a loss as a result of a 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.

Issuer risk is a counterparty default risk arising from both trading and banking book activities. Risk in trading book comes from the IB market making activities and REM CVA management. Risk in banking book comes primarily from liquidity and excess cash portfolios managed by Group Treasury.

Credit Risk arises primarily from UBS Europe SE's GWM Lombard and mortgages lending and in form of counterparty credit risk as a result of IB trading with counterparties covering over the counter (OTC) derivative transactions, exchange traded derivatives (ETD) and securities financing transactions 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.

UBS Europe SE's Risk Credit Risk Appetite is defined via counterparty -specific and portfolio limits and triggers.

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 in 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.

A variety of methodologies and measurements are applied for the credit risk measurement. Exposure as well as Stress Loss metrics on Counterparty- as well as Portfolio level are reported regularly to Credit Officers and Senior Management. In addition, Credit Risk is comprehensively covered in enterprise wide stress frameworks, e.g. ICAAP.

In order to ensure high quality of primary risk activities with end clients, UBS Europe SE pursues the following approach: volume limitation, collateralization(as described above), stress testing, escalation and reporting. The underlying exposure is tracked and reported on a monthly basis to the UBS Europe SE MB via the Credit Risk Report so as to safeguard limit and other indicators adherence. Thus, the status of key risk limits for credit risk are reported on a frequency appropriate for each individual metric, and utilization against portfolio limits is formally reported to the Risk Committee regularly.

Market risk

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

Market risks in UBS Europe SE arise from both trading and non-trading business activities.

Trading market risks arise mainly in connection with market making for securities and derivatives within the Investment Bank. In addition, credit and funding valuation adjustments (CVA and FVA) on the derivatives portfolio managed centrally by Regional Treasury also give rise to market risk.

Non-trading market risk arises predominantly in the form of interest rate risk in the banking book (IRRBB) in connection with lending & deposits within the Wealth Management business, as well as from Treasury activities to manage the liquidity and funding profile in the entity. The inherent interest rate risks within the Wealth Management business are transferred either by means of back-to-back transactions, or in case of products with no contractual maturity date, by replicating portfolios into Regional Treasury where the risks are managed.

Regional Treasury assumes market risks from the active management of interest rate risks, as well as the liquidity and funding profile in the entity, where exposure arises from intercompany funding transactions (including AT1 and MREL), from asset portfolio such as HQLA and from management of excess cash. Regional Treasury uses derivative instruments to manage interest rate risk in the banking book, some of which are in designated hedge accounting relationships.

Market risks are measured and controlled using limits and triggers proposed by Market and Treasury Risk Control (MTRC). The Management Board approves the risk appetite for the entity and the portfolio limits, including their allocation to the business divisions and Group Functions units. Limits are then also allocated at granular levels within the various business lines reflecting the nature and magnitude of the market risks.

The primary portfolio measures of market risk are liquidity adjusted stress (LAS) loss and value at risk (VaR), subject to limit on entity and divisional level. These measures are complemented by position limits for general and specific market risk factors. Value at risk is based on a level of confidence of 95% and a holding period of one day over a historical observation period of five years.

In addition, Market and Treasury Risk Control applies a holistic risk framework which sets the appetite for Treasury- and Wealth Management related risk taking activities across the entity. A key element of this framework is an overarching economic value sensitivity (EVS) limit. Furthermore, the sensitivity of net interest income (NII) to changes in interest rates is monitored in order to analyze the outlook and volatility of net interest income based on market-expected interest rates.

Limit monitoring and excess management is performed on an ongoing basis. In the event of a limit or trigger excess, the respective limit authorities will be notified automatically and required to take action. Market risks, developments and limit utilization are reported to senior management, the Risk Control Committee and the Management Board on a regular basis by means of treasury risk and monthly risk reports.

Liquidity and funding risk

Liquidity risk is the risk that UBS Europe SE is unable to meet business-as-usual or stress cash/collateral flows.

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

The Liquidity & Funding Risk Management Framework defines the liquidity & funding risk management approach for UBS Europe SE.

UBS Europe SE has developed liquidity & funding risk drivers covering its business by reviewing the primary and consequential impact to liquidity & funding and through discussions with the business, legal, risk and other stakeholders. ESE Treasury and MTRC reassess all L&F related risks as part of the ILAAP. The material liquidity & funding risk drivers for ESE are unsecured outflows and off-balance sheet and contingent outflows.

In addition to regulatory metrics, ESE measures liquidity & funding risks using a set of internal stress tests covering the risk drivers affecting UBS Europe SE, different stress scenarios, time horizons and both ILAAP perspectives (economic and normative) supported by Reverse Stress Testing. The output of internal liquidity & funding stress tests are managed in aggregate via limits and other indicators.

The Risk Appetite Statement of the entity, which defines the Management Board's tolerance to liquidity & funding risks arising from ESE's business activities, is translated quantitatively into Risk Appetite limits. In addition, UBS Europe SE also monitors its liquidity & funding position through Early Warning Indicators (EWI) and Recovery and Resolution Indicators (RRI).

UBS Europe SE Treasury and MTRC monitor ESE's liquidity & funding situation through reporting, based on internal and regulatory liquidity risk metrics. The UBS Europe SE ALCO and Management Board are also informed about the liquidity & funding situation through reporting. Treasury facilitates the day-to-day liquidity & funding management and monitors business activity/strategy through the business-level funding planning process and targets, thereby ensuring appropriate business activity/strategy and preventative actions are taken to avoid breaches.

UBS Europe SE also maintains a Contingency Funding Plan as a preparation and action plan to ensure ESE can raise sufficient liquidity & funding during stressed liquidity conditions.

UBS Europe SE adheres to the Internal Liquidity Adequacy Assessment Process (ILAAP) regulatory requirements. The key output of the ILAAP is the Management Board's assessment of UBS Europe SE's liquidity adequacy, formalized through the respective statement.

Legal risk

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

UBS Europe SE operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and legal proceedings, including litigation, arbitration and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS Europe SE may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS Europe SE believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. In some cases UBS Europe SE is subject to confidentiality obligations that preclude such disclosure.

Specific litigation matters and external investigations are described below, including matters that the Management Board believes to be of significance due to potential financial, reputational and other effects.

A significant proportion of the value in dispute for UBS Europe SE, legal successor to UBS (Luxembourg) S.A. and UBS Deutschland AG, is attributable to the consequences of the Madoff investment fraud. UBS Europe SE is indemnified by UBS AG up to a contractually defined maximum amount for Madoff-related liabilities that might arise as a result of having become the successor to UBS (Luxembourg) S.A. The indemnity agreement with UBS Europe SE has turned the original litigation risk into a counterparty risk involving UBS AG. As a consequence UBS Europe SE's concentration risk towards the group has increased. In order to appropriately monitor the enhanced concentration risk a "collateral posting process" has been implemented in addition to the already existing monitoring processes. According to the collateral posting process UBS AG needs to provide additional collateral in case its long term credit rating falls below a pre-defined threshold. In addition, the specific litigation risk is monitored by the Legal department on a continuous basis.

Apart from the aforementioned Madoff litigation cases, UBS Europe SE was involved in civil litigation cases in various jurisdictions where it operates and has established provisions for legal risks and damage claims amounting to EUR 26.4 m for these cases.

UBS Europe SE and relevant UBS-individuals are also subject to certain investigations by public authorities in various countries, which may result in reputational and financial impact.

Risk mitigation

Legal risks are curtailed at various stages of work processes by measures put in place by Legal and Compliance among other departments. Main preventive measures include the operational framework as well as the involvement of Legal in the drafting of standard forms and contracts. Non-standardized contracts and/or disclaimers require review and sign-off by the Legal department. Outside legal counsel may only be retained by the Legal department or a unit authorized by the Legal department. During the processing of legal proceedings, the bank regularly reviews whether a provision needs to be recognized or adjusted for specific events. Legal reports on significant developments in existing and new litigation cases are reported to the Risk and Capital Committee of UBS Europe SE on a regular basis.

In individual cases the Legal department and the Compliance department have provided information and specific recommendations on how to lower the risk with regard to operational processes, documentation or product design based on experience gained from processing complaints, actions filed and other events.

Non-Financial Risk

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

Operational risk

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

Conduct risk

Conduct risk is considered as a root cause, contributing to Operational risk, Compliance risk and Financial Crime risk. It is defined as the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system or impairs effective competition to the detriment of consumers.

Model risk

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.

Model risk is induced by relying on models to derive business, risk management and control decisions, to identify and measure risks, valuing exposures, value instruments or positions, conduct stress testing, assess adequacy of capital, manage client and own assets, measure and monitor compliance with rules and regulations, survey activities or meet financial or regulatory reporting requirements and issue public disclosures.

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 with specific metrics and thresholds.

UBS Europe SE ensures that models are independently validated and model risks are identified, measured, monitored, reported, controlled an mitigated to an acceptable level. Model risk appetite with specific metrics and thresholds is articulated at an individual model level and at an aggregated model portfolio level.

At an individual model level, models with critical validation issues are temporarily approved by Model Risk Management & Control (MRMC) only if an agreed remediation plan is in place and interim elevated model risks are mitigated by effective compensating controls. Otherwise, the model is rejected by MRMC. At an aggregated model portfolio level, UBS defines metrics to monitor aggregated model risk. For these metrics, triggers are set an breaches are investigated, escalated and addressed.

The Model Governance Committee (MGC) reviews the metrics defined for the monitoring of model risk on a quarterly basis and reports the outcome to the Risk Control Committee (RCC) via the monthly risk report.

IT risk

IT risk is defined as risks to the security of information processed in the systems of UBS Europe SE with regards to confidentiality, integrity, traceability and availability. This is a risk which is not managed via ICAAP and is therefore not quantified and measured.

In the past years, both the volume of cyber–related attacks and their sophistication have increased in the financial industry with the expectation for this trend to continue. Although the scope and scale of cyber-attacks have continued to intensify since the beginning of the pandemic, UBS Europe SE did not record any impact of cyber-attacks on the company itself in 2022. For UBS Europe SE, the Russia-Ukraine war has not changed this general assessment.

UBS group has increased the investment in cyber security through recent years, allocating significant resources for the operation of the bank's security control infrastructure as well as programs to address the evolving threats encountered. Frequent Management Reporting regarding Cyber Threat Risk has been established and regular status updates are presented to the Risk Control Committee.

Significant areas of focus were also digitalization, the implementation of the cloud strategy as well as the reduction of complexity and improvements of operational stability. The pandemic as well as the Russia-Ukraine war had no discernible impact on the latter. The increased use of agile methodologies and the flexible way of working initiative supported general business success.

Furthermore, UBS group uses cloud computing as a strategic solution and invests in this technology, which is increasingly utilized at UBS Europe SE as well.

UBS Europe SE regularly examines the security measures of the external vendors who connect to the network or are otherwise entrusted with confidential data.

In addition, the bank is committed to raising staff awareness and provides all staff with information regarding effective protection and defensive measures to mitigate IT risks.

The further development of the regulations (MaRisk, DORA) as well as ensuring data security and integrity in data collection and -processing in the IT systems as well as the topics of cyber security and outsourcing (cloud computing) will remain the focus of regulatory regulation in the future and will be closely monitored by UBS Europe SE. These developments are being addressed with a formal risk and governance framework, including multiple levels of internal and external risk assessments, as well as processes for tracking and remediating operational risk.

Reputational risk

Reputational risk is defined as the risk of a less positive opinion of the firm or a decline in UBS's reputation from the point of view of e.g. clients/industries, shareholders, regulators, employees or the general public which may lead to potential financial losses and/or market share. Reputational risk is considered in all business activities, transactions and decisions and as such regarded as an impact rather than a "risk cluster".

Therefore, reputational risk can be a consequence of losses in all risk categories. In the area of Financial Crime Prevention these are generally incidents which become known to the public. Besides negative news with regard to single cases, such incidents typically relate to sanctions because of non-compliance with regulatory requirements.

Year-on-Year numbers of client complaints as indicator for client related reputational risks in Global Wealth Management significantly decreased compared to 2021. The main reason for the decrease was the sustainable remediation of complaint's sources identified in 2021 for the Italy branch. Complaint numbers for the Investment Bank are inconspicuous, even under consideration of the increase of absolute complaints number.

There were no significant incidents in 2022 with regard to reputational risks towards shareholders, employees and the general public.

In terms of reputational risk relating to regulators, the focus is on maintaining a transparent and reliable working relationship with all relevant regulators.

There have been no noteworthy events with respect to the interaction with the regulators regarding reputational risks.

From a press coverage perspective, the sale of the Global Wealth Management businesses in Spain is noteworthy. The transaction, however, did not negatively impact the reputation.

Outsourcing risk

Outsourcing risks arise when an external company or service provider is engaged to perform activities and processes.

UBS Europe SE has a certain concentration risk as critical processes are outsourced to specific intragroup service providers. However, the default risk is low as the outsourced services are intragroup and are underpinned by robust contingency planning as well as by regular performance monitoring and risk assessments. The major parts of the Group Function services are provided by UBS Business Solutions AG, a fully owned subsidiary of UBS Group AG.

Third party risk is low as the services are provided by multiple service providers. In addition, it is managed through the existence of exit plans for critical services, regular vendor risk assessments and robust monthly performance monitoring.

There have been no service deviations in 2022 causing a material adverse impact on the operations of UBS Europe SE. Also, until today there has been no material impact on UBS outsourcing operations from COVID-19 or the energy crisis due to the heightened risk of energy supply shortage as a result of the lower availability of Russian gas/petroleum.

The results of the evaluation processes are used to ensure full compliance with MaRisk and EBA Guideline requirements.

The strategy of the bank is to continue using intragroup outsourcings provided mainly by UBS Business Solutions AG, in order to leverage existing centers of competence for effective business and risk governance.

In addition, it will also continue leveraging Group infrastructure in order to share the investments and benefits of scale economies as well as to ensure standardization and alignment of the operating models across multiple locations.

For the efficient outsourcing management UBS Europe SE has set up teams and governance (1st and 2nd line) to ensure early and effective implementation of any new regulatory requirements. Additionally all staff of UBS Europe SE responsible for outsourcing are adequately trained to fulfill MaRisk and EBA Guideline requirements in their daily business.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of 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.

UBS Europe SE's Non-Financial Risk exposure is systematically monitored, assessed and reported by Operational Risk Control (ORC), Compliance and Financial Crime Prevention respectively, in line with the holistic Non-Financial Risk Framework (NFRF) based on the three-lines-of-defense model, including the approved non-financial risk appetite, comprehensive control frameworks and key non-financial risk assessment and reporting processes.

The NFRF is managed on enterprise level, considering UBS Europe SE including its branches and subsidiaries, and on individual branch/subsidiary level, if required. UBS Europe SE's governance bodies are fully updated on the Operational, Compliance and Financial Crime risk exposure and mitigation actions on a monthly basis.

During 2022, the key non-financial risk topics have been mainly driven by:

– the Russia-Ukraine war and the potential scenarios of heightened cyber threats and energy shortages;
– successful sale of the Spanish wealth management business and discontinuing of the IB business in Poland;
– closure of all 13 ECB recommendations resulting from onsite compliance inspection;
– closure of the NFR issues and significant improvement of the control framework (including a 2-year measure regarding transaction monitoring) as well as the timely execution of controls;
– new FCP structure completed, stabilizing the existing teams and creating new roles and functions; and
– no material non-financial risk loss (>= 10bps CET1) occurred.

The set of top-NFR taxonomies remains fairly stable and aligned with the core business activities. Overall, the measures that were taken led to a significant reduction in number of NFR issues.

Business risk

Business risk is defined as a decrease in income due to lower volumes, margins and other factors that may negatively impact business performance. It relates to a decline in income which is not offset by reduced expenses. The output of the model is the stress loss under adverse conditions.

UBS Europe SE regularly monitors and reports income and expenses by divisions in order to track earnings generated by fees and interest margins. To mitigate risk 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

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

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.

Risk position

The bank's own funds pursuant to Article 72 CRR amounted to EUR 3,041.0 bn (prior year: 3,054.0 bn), which corresponds to a CET1 capital ratio of 22.76% (prior year: 22.42%) and an overall ratio of 28.35% (prior year: 24.77%). The capital requirements according to Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) have been fulfilled at all times during the fiscal year.

The bank's risk-weighted assets as of the balance sheet date break down as follows:

Risk-weighted assets

EUR million	31.12.2022	31.12.2021
Credit risk	7,249	8,679
Settlement and delivery risk	69	49
Market risk	655	800
Operational risk	1,930	2,127
Credit value adjustments	823	639
Risk-weighted assets total	10,726	**12,294**

Summary presentation of the risk position

UBS Europe SE carries out a regular risk identification process at enterprise level, at least once a year, to determine the material risks the bank is exposed to.

Within the ICAAP, potential risk exposures for material risks are calculated on a quarterly basis and compared with the own funds available at the respective reporting date. This results in necessary capital ratios after stress in the normative view and in remaining internal capital („excess capital") in the economic view.

Conceptually the ICAAP encompasses a normative as well as an economic view. The normative view aims to prove adherence to regulatory (minimum) ratios in a baseline scenario as well as under severe adverse conditions and simulates a three year forward looking time horizon.

The economic view represents a point in time risk calculation based on internal methodologies under a 99.9% confidence level and a one year forward looking time horizon. Risk exposures are being compared to internal capital in order to prove sufficient capital resources are available.

The following tables show the normative and the economic perspective of ICAAP as of 31 December 2022:

	Baseline scenario		Adverse scenario			
	3-year planned capital requirement		3-year adverse capital requirement and cumulative capital impacts			
	Going Concern Capital Requirement = 15.56%		*Total SREP Capital Requirement = 10.00%*			
	Planned RWA	RWA x Capital Requirement	Adverse RWA	Adverse RWA x TSCR	Capital impacts	Total
Credit Risk	9,738	1,493	8,079	808	59	867
Market Risk	3,009	461	3,210	321	8	329
Operational Risk	2,059	316	1,868	187	177	364
Business Risk				-	(13)	(13)
Funding Risk				-	205	205
Pension Risk				-	63	63
Total	**14,806**	**2,270**	**13,157**	**1,316**	**499**	**1,815**
Total capital requirement and scenario impact		**2,270**		**1,316**	**499**	**1,815**
Early warning indicator headroom		248		263		263
Total early warning indicator level		**2,517**		**1,579**	**499**	**2,078**
Total capital target level (incl. management buffer)		**3,211**		**1,484**	**499**	**1,983**
Capital resources						
Total available capital resources		3,216				3,041
Capital surplus / (deficit) to trigger level		**699**				**963**

							31.12.2022
EUR million	WM	IB	AM	GALM	CC Services	NCL	Total
Credit and issuer risk incl. country risk	115	129	0	169	0	3	416
Market risk and Pension risk	2	6	0	211	1	0	221
Operational risk incl. legal risk	392	154	11	19	11	20	607
Funding cost risk incl. FVA	17	0	0	56	0	0	74
Business Risk	145	7	-5	2	52	-1	201
Aggregated risk exposure	**672**	**296**	**6**	**457**	**64**	**23**	**1,519**
Management buffer							300
Aggregated risk exposure incl. management buffer							**1,819**
Capital resources							
Total available internal capital							2,167
Capital surplus/(deficit) after management buffer							**348**

Forecast Report

3-Year strategic plan

Despite strong macroeconomic headwinds, UBS Europe SE is expected to remain profitable with a strong capital base and business model. Total revenues are expected to decrease to the global decline in business activities due to the extraordinary macroeconomic backdrop. The sale of GWM business in Spain and carve-out of AM Netherlands also contribute to the decrease. However, there is expected to be an increase in PbT in 2024 and 2025 due to consolidation of business operations and expected economic rebound. However, for now the uncertainty still persists amidst the Russia-Ukraine war, growing US-China tensions and possibilities of reaching inflection points on Monetary policy of different countries. Nevertheless, the forecasted global economic activity will continue to grow although at a slower pace than in 2022.

Key points over the 3-year planning cycle include:
- Focus on core markets and steady growth YoY;
- Cost control / optimization;
- Improved C/I ratio of 72% and RoCET1 of 10% in Y2024; and
- Strengthening UBS Europe SE's footprint by the integration of GWM France in UBS Europe SE.

On March 19 2023, UBS Group announced that it plans to acquire Credit Suisse. The merger is expected to create a company with more than USD 5 trillion in total assets under management and sustainable value opportunities. This transaction is also expected to have an impact on UBS Europe SE. Effects from this transaction are not yet included in the current three-year plan.

Global Wealth Management

Global Wealth Management top line will continue to be supported by high USD interest rates. Overall revenue increased YoY in 2022 by 5% and is expected to grow by 6% per year for 2023-2024, driven by the following actions:
- Growth of the Loan portfolio and higher interest rates materializing in 2022-2024.
- Transactional revenues growth through structured products and alternative investment opportunities.
- Higher recurring fees driven through "UBS Manage" and elevated investing activity as well as higher IA valuations and building up NFGA.
- Pricing initiatives and exiting unprofitable relations.

Investment Bank

Investment Bank revenues are predicted to decrease with lower revenues from diminishing tailwinds in Global Markets after a stellar 2022. Client activity is muted in Global Banking, especially ECM, which consequently affects the top line negatively. Here are the key levers that affect the IB business:
- Macroeconomic and Market Conditions;
- Lower client activity in Global Banking; and
- Diminishing tailwinds in Global Markets (mostly in D&S).

Asset Management

As of 1 March 2023, the Asset Management business in the Netherland branch was transferred to UBS Fund Management (Luxembourg) S.A., expected to reduce complexities and aligned with the UBS Europe SE strategic direction and focus on the core businesses (GWM & IB). The Asset Management activities will be consolidated under UBS Asset Management AG. Further, UBS Europe SE will integrate France Asset Management along with GWM France in Q3 2023, which will create a positive impact on revenues in 2023.

Excluding the impact of the Dutch carve-out and the integration of France, operating expenses are expected to decrease and partly offset the expected lower revenues.

Overall Statement

In summary, UBS Europe SE expects a moderate decline in revenues for the coming financial year due to the developments and one-off effects described above. Costs are expected to increase moderately, leading to a increase in the cost-income ratio. The return on CET1 (RoCET1) is expected to reach 7% in 2023. Effects from the planned acquisition of Credit Suisse have not yet been taken into account in the current figures.

Dependency Report according to Article 312 AktG (3) sentence 3

The Management Board of UBS Europe SE has provided a report on the relations with affiliated companies for the fiscal year, which includes the following declaration:

"For all known legal relationships with the obligation to be reported in the Dependency Report according to § 312 with related parties and affiliated entities, UBS Europe SE received appropriate compensation in return. The company has not been prejudiced by any act or omission".

Frankfurt / Main, 5th May 2023

UBS Europe SE
Management Board

Christine Novakovic	Georgia Paphiti	Heinrich Baer
Pierre Chavenon	Tobias Vogel	Dr. Denise Bauer-Weiler

Other disclosures according to Art 26a (1) Sentence 2 and 4 KWG

["Kreditwesengesetz": German Banking Act] for fiscal year 2020
Arts. 89 and 90 of Directive 2013/36/EU

Other disclosures for the financial year 2022

Country-by-Country reporting according to Sec 26a (1) Sentence 2 KWG

Scope of consolidation

UBS Europe SE is included in the scope of consolidation of UBS Group AG, Zurich.

UBS Group AG, Zurich, prepared exempted consolidated financial statements. These are available at UBS Europe SE and are published by UBS Europe SE, Frankfurt am Main, in English language in the Electronic Federal Gazette ["Elektronischer Bundesanzeiger"].

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

Foreign Branches

UBS Europe SE has foreign branches in the following locations:

- Copenhagen, Denmark
- Paris, France
- Milan, Italy
- Naples, Italy
- Treviso, Italy
- Modena, Italy
- Padua, Italy
- Turin, Italy
- Brescia, Italy
- Florence, Italy
- Bologna, Italy
- Rome, Italy
- Luxembourg, Luxembourg
- Amsterdam, Netherlands
- Krakow, Poland
- Warsaw, Poland
- Stockholm, Sweden
- Opfikon, Switzerland
- Madrid, Spain

Key services

UBS Europe SE offers the following key services:

- Wealth Management and advice for private customers
- Custody business (including custodian bank function)
- Distribution of funds
- Consultancy in Mergers & Acquisitions
- Research in German equities
- Issuance of certificates, promissory note loans and registered bonds

Revenues

UBS Europe SE generated total revenues of EUR 1,221.6m. This amount includes net interest income, net commission income, current income from shares and other variable-yield securities, equity investments and investments in affiliated companies, net trading income and other operating income.

Country-specific information is provided on a gross basis (i.e. before elimination of transactions between branches).

Geographical breakdown of revenues

EUR thousand	2022
Denmark	1,011
Germany	420,049
France	51,552
Italy	194,657
Luxembourg	244,700
Netherlands	21,179
Poland	4,448
Sweden	23,656
Switzerland	5,219
Spain	255,098
Total UBS Europe SE	**1,221,569**

Employees

The number of employees in full-time equivalents was 1,946 in 2022.

Geographical breakdown

	31.12.2022
… by locations	
Denmark	6
Germany	706
France	88
Italy	390
Luxembourg	420
Netherlands	34
Poland	200
Sweden	30
Switzerland	2
Spain	70

Net profit for the year

The following table shows the net profit before and after taxes as well as the taxes on profit or loss. Information is provided on a gross basis (i.e. before elimination of transactions between branches.)

EUR thousand	Result before taxes on profit and loss	Taxes on profit and loss	Result after taxes on profit and loss
Denmark	-1,520	0	-1,520
Germany	18,971	10,856	8,115
France	1,844	706	1,138
Netherlands	7,533	691	6,842
Italy	27,766	23,953	3,814
Luxembourg	82,952	20,490	62,462
Poland	-3,780	0	-3,780
Sweden	6,652	1,115	5,537
Switzerland	191	49	142
Spain	176,780	33,886	142,895
Total UBS Europe SE	**317,391**	**91,745**	**225,646**

Public subsidies

UBS Europe SE did not receive any public subsidies in the reporting year.

Disclosure of return on capital (Sec. 26a (1) Sentence 4 KWG)

Return on assets (as ratio of net profit by total assets) for UBS Europe SE is 0.46%.

Report of the Supervisory Board for 2022

English / Englisch

Report of the Supervisory Board for 2022

The Supervisory Board fulfilled all its tasks according to law and according to the articles of association. The Supervisory Board advised and supervised the Management Board on a regular basis and was involved in decisions which were of fundamental importance for the entity.

In 2022 the Management Board regularly informed the Supervisory Board about the business strategy as well as general questions of corporate governance and corporate planning, financial development, profitability and risk management. Important topics and decisions were regularly discussed in meetings between the Chair of the Management Board and the Chair of the Supervisory Board.

In the financial year 2022, the Supervisory Board has had four ordinary and two extra-ordinary meetings. In these meetings, all relevant issues and topics were discussed, and appropriate decisions were taken. Moreover, all relevant topics and developments on strategies were discussed together with the Management Board. Additionally, the four Supervisory Board committees (Risk Committee, Audit Committee, Nomination Committee and Remuneration Committee) support the Supervisory Board in performing its tasks and functions, in accordance with the Rules of Procedures and the legal requirements. According to the Rules of Procedure of the Supervisory Board, the Supervisory Board performed its annual self-assessment.

The auditor Ernst & Young GmbH, Wirtschaftprüfungsgesellschaft, Eschborn / Frankfurt, elected as auditors by the Annual General Meeting in the previous year, has audited the financial statement of UBS Europe SE and the Management Report for 2022 and issued their unqualified certification.

The Supervisory Board approvingly acknowledges the result of the auditor. The Supervisory Board follows the assessment of the auditor and does not raise any objections to the final assessment after its own examination and therefore approves the annual financial statement provided by the Management Board. The annual financial statement is adopted respectively.

The last time, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, can be appointed as statutory auditor, is the fiscal year 2023. Hence the Audit Committee has carried out a selection procedure according to Art 16 EU-Directive 537/2014. As a result of this, the Audit Committee has recommended to the Supervisory Board to recommend to the Annual General Meeting, held in 2024, to appoint Mazars GmbH & Co KG, Hamburg, as Statutory Auditor for the fiscal year 2024. The Supervisory Board has decided to follow this recommendation.

The Supervisory Board would like to thank all employees who have contributed significantly through their great commitment to this result and the good of the bank.

German / Deutsch

Bericht des Aufsichtsrats für 2022

Der Aufsichtsrat hat im abgelaufenen Jahr die ihm nach Gesetz und Satzung obliegenden Aufgaben wahrgenommen. Er hat den Vorstand regelmäßig beraten, überwacht und war in Entscheidungen von grundlegender Bedeutung für die Bank eingebunden.

Der Vorstand hat dem Aufsichtsrat im Geschäftsjahr 2022 regelmäßig über die Geschäftsstrategie und andere grundsätzliche Fragen der Unternehmensführung und -planung, finanzielle Entwicklung und Ertragslage der Bank sowie das Risikomanagement berichtet. Aktuelle Einzelthemen und Entscheidungen wurden in regelmäßigen Gesprächen zwischen dem Vorstandsvorsitzenden und dem Vorsitzenden des Aufsichtsrats erörtert.

Der Aufsichtsrat trat im Geschäftsjahr 2022 zu insgesamt vier ordentlichen und zwei außerordentlichen Sitzungen zusammen. In diesen Sitzungen wurden alle für den Aufsichtsrat relevanten Themen diskutiert und die notwendigen Beschlüsse gefasst. Die Berichte und Entwicklung der einzelnen Geschäftsbereiche wurden zudem gemeinsam mit der Geschäftsleitung erörtert sowie die strategischen Fragestellungen diskutiert. Weiterhin hat der Aufsichtsrat seine Aufgaben gemeinsam mit den vier bestehenden Ausschüssen (Risikoausschuss, Prüfungsausschuss, Nominierungsausschuss und Vergütungskontrollausschuss) gemäß den regulatorischen Vorgaben und der Geschäftsordnung wahrgenommen. Entsprechend der Geschäftsordnung des Aufsichtsrats wurde die jährliche Selbsteinschätzung des Aufsichtsrates durchgeführt.

Die von der Hauptversammlung des vergangenen Jahres zum Abschlussprüfer gewählte Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, hat den Jahresabschluss der UBS Europe SE und den Lagebericht für das Geschäftsjahr 2022 geprüft und mit einem uneingeschränkten Bestätigungsvermerk versehen.

Der Aufsichtsrat nimmt das Ergebnis der Abschlussprüfung zustimmend zur Kenntnis. Er schließt sich dem Ergebnis der Abschlussprüfung an und erhebt auch nach dem abschließenden Ergebnis seiner eigenen Prüfung keine Einwendungen, sondern billigt den vom Vorstand aufgestellten Jahresabschluss der UBS Europe SE. Der Jahresabschluss ist damit festgestellt.

Die Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, darf letztmalig für das Geschäftsjahr 2023 als Abschlussprüfer beauftragt werden. Daher hat der Prüfungsausschuss ein Auswahlverfahren auf Grundlage des Art. 16 EU-Verordnung 537/2014 durchgeführt. Daraufhin hat der Prüfungsausschuss dem Aufsichtsrat empfohlen, der Hauptversammlung im Jahr 2024 die Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Hamburg, als Abschlussprüfer für das Geschäftsjahr 2024 vorzuschlagen. Der Aufsichtsrat hat daraufhin beschlossen, der Empfehlung zu folgen.

Besonderer Dank gilt allen Mitarbeiterinnen und Mitarbeitern, die durch ihren großen Einsatz maß-geblich zum Wohle der Bank beigetragen haben.

Frankfurt, 25 May / Mai 2023

The Supervisory Board / Der Aufsichtsrat

R. Francioni

Prof. Dr. Reto Francioni
Chair of the Supervisory Board / Vorsitzender des Aufsichtsrat

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

UBS