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UBS Europe SE

Financial Statement and Complementary Disclosure as of 31 December 2023

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 2023, and the income statement for the fiscal year from 1 January 2023 to 31 December 2023, 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 2023 to 31 December 2023. 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 key performance indicators” of the management report (disclosures on the quota for women on executive boards). We have not audited the content of the company information that is provided outside of the annual financial report and is cross-referenced in the “Non-financial key performance indicators” and/or “Non-financial statement” sections of the management report.

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 2023 and of its financial performance for the fiscal year from 1 January 2023 to 31 December 2023 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 statement on corporate governance 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 2023 to 31 December 2023. 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:

Commission income from the Global Wealth Management division

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

Providing wealth management services for high net worth individuals in Europe is the core business of UBS Europe SE. Wealth management services include custody account and asset management, fund brokerage and the securities brokerage business and are carried on by the Global Wealth Management division.

In view of the non-standardized contractual agreements with clients, the provision of wealth management services by various European branches of the Institution and the materiality of the resulting commission income for financial performance, this matter was a key audit matter.

Auditor’s response

We addressed the correct recognition of commission income from Wealth Management by applying a controls-based audit approach at the main branches in Germany, Luxembourg, Italy and France. To this end, we performed walkthroughs of the relevant business processes, assessed the adequacy of the controls relevant to the audit and implemented in the Wealth Management division and tested the effectiveness of those controls. This primarily relates to the Bank’s processes and controls for recording and modifying the contractually agreed rates and the amount of assets under management as the base value used for the calculation. To test the relevant IT controls, we consulted our internal experts who have particular expertise in IT audits.

Using a representative sample, we assessed whether the contractually agreed terms were correctly reflected in the position-keeping systems by comparing them with the corresponding asset management contracts.

We also checked the mathematical accuracy of the commission income for each transaction type in a representative sample.

In addition, we performed substantive analytical audit procedures on the total amount and development of commission income from the Global Wealth Management division in the fiscal year from 1 January 2023 to 31 December 2023.

Our procedures did not lead to any reservations relating to the recognition of commission income from the Global Wealth Management division.

Reference to related disclosures

The income is reported in the income statement under commission income and explained in the notes under “Management and brokerage services.” Further information can be found in the sections of the management report on the Global Wealth Management division.

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 referred to above (disclosures on the quota for women on executive boards). The other information also comprises additional parts of the annual financial report of which we obtained a copy prior to issuing this auditor’s report, in particular the “Supervisory Board’s report for 2023,” but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor’s report thereon.

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 1 June 2023. We were engaged by the Supervisory Board on 1 June 2023. 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).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Frank Bühring.

Eschborn/Frankfurt am Main, 30 April 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Bühring	Dr. Brüggemann
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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Balance sheet of UBS Europe SE as at 31 December 2023

Assets *EUR thousand*				31.12.2023	31.12.2022
Cash reserve					
a) Cash on hand			78		95
b) Balances with central banks			294,393		269,833
thereof: with Deutsche Bundesbank		*180,000*			*140,861*
				294,471	269,928
Due from banks					
a) payable on demand			5,526,400		4,597,491
b) other amounts due			29,563,652		27,694,365
				35,090,052	32,291,856
Due from customers				7,637,246	5,761,319
thereof: secured by real estate property lines			*187,105*		*182,425*
Debt securities and other fixed-income securities					
a) Money market securities			284,532		
aa) issued by the public sector		235,824			683,090
thereof: eligible as collateral with Deutsche Bundesbank	*0*				*0*
ab) issued by other borrowers		48,708			96,699
thereof: eligible as collateral with Deutsche Bundesbank	*0*				*0*
b) Bonds and debt securities			3,758,585		
ba) issued by the public sector		1,002,553			1,049,126
thereof: eligible as collateral with Deutsche Bundesbank	*999,425*				*1,049,126*
bb) issued by other borrowers		2,756,032			2,828,656
thereof: eligible as collateral with Deutsche Bundesbank	*2,650,082*				*2,688,075*
				4,043,117	4,657,572
Shares and other variable-yield securities				499	675
Trading portfolio				5,348,501	4,432,898
Equity investments				617	618
thereof: in banks			*0*		*0*
thereof: in financial services institutions			*0*		*0*
Shares in affiliates				52,686	305
thereof: in banks			*0*		*0*
thereof: in financial services institutions			*0*		*305*
Trust assets				11,693	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			11,218		343
c) Goodwill			99,875		78,723
				111,093	79,066
Property and equipment				23,759	20,009
Other assets				1,312,141	1,899,842
Prepaid expenses				5,072	1,153
Total assets				53,930,947	49,432,375

Balance sheet of UBS Europe SE as at 31 December 2023

Liabilities *EUR thousand*			31.12.2023	31.12.2022
Liabilities to banks				
a) payable on demand		4,033,155		4,101,540
b) with an agreed term of period of notice		19,612,443		16,101,200
			23,645,598	**20,202,740**
Liabilities to customers				
b) other Liabilities				
ba) payable on demand		13,634,270		16,590,448
bb) with an agreed term of period of notice		5,163,779		2,589,351
			18,798,049	**19,179,799**
Securitized liabilities				
a) debt securities issued		11,736		1,099
			11,736	**1,099**
Trading portfolio			2,502,245	**2,795,712**
Trust liabilities			11,693	**17,133**
thereof: trust loans		*0*		*0*
Other liabilities			2,263,777	**1,222,362**
Deferred income			3,373	**2,237**
Provisions				
a) Provisions for pensions and similar obligations		321,393		318,453
b) Tax provisions		62,406		52,583
c) Other provisions		248,455		220,791
			632,254	**591,827**
Subordinated liabilities			3,139,097	**2,742,223**
Fund for general banking risks			41,789	**24,091**
thereof: special reserve pursuant to Sec. 340 e (4) HGB		*41,789*		*24,091*
Equity				
a) Subscribed capital		446,001		446,001
b) Capital reserves		2,285,769		1,935,076
c) Revenue reserves				
cd) Other revenue reserves	46,429	46,429		46,429
d) Net retained profits		103,137		225,646
			2,881,336	**2,653,152**
Total liabilities and equity			53,930,947	**49,432,375**
Contingent liabilities				
b) Guarantees		131,282		85,170
			131,282	**85,170**
Other obligations				
c) Irrevocable loan commitments		862,559		527,805
			862,559	**527,805**

Income statement of UBS Europe SE for the financial year 2023

EUR thousand				2023	2022
Interest income from					
a) Lending and money market transactions		1,699,962			382,633
thereof: negative interest income from lending and money market transactions	*986*				*81,371*
b) Fixed-income securities and government-inscribed debt		103,550			23,471
			1,803,512		406,104
Interest expense			1,673,808		417,873
thereof: negative interest expense	*1,182*				*67,575*
				129,704	-11,769
Current income from					
a) Shares and other variable-yield securities		73,417			51,312
b) Equity investments		81			53
c) Investments in affiliated companies		6,035			7,222
				79,533	58,587
Commission income			1,114,487		1,117,902
Commission expense			355,998		387,842
				758,489	730,060
Net trading income / expense				159,279	139,559
thereof: Expenses from the allocation to the fund for general banking risks			*17,698*		*15,502*
Other operating income				162,982	293,897
General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		416,396			388,208
ab) Social security contributions, pensions and other benefit costs		54,326			47,591
thereof: for pensions	*10,050*				*14,419*
			470,722		435,799
b) Other administrative expenses			435,379		375,851
				906,102	811,650
Amortization, depreciation and write-downs of intangible assets and property and equipment				24,736	21,521
Other operating expenses				158,150	28,332
Write-downs and allowances on demands due and certain securities as well as allocations to provisions for possible loan losses				46,136	32,240
Income from write-up of amounts due and certain securities as well as from the reversal of provisions for possible loan losses				0	0
Write-downs and allowances on equity investments, shares in affiliates and securities classified as fixed assets				255	0
Income from write-ups on equity investments, shares in affiliates and securities classified as fixed assets				0	810
Result from ordinary activities				154,608	317,401
Income taxes				50,753	91,475
thereof: deferred taxes			*0*		*0*
Other taxes not disclosed under item 12				718	10
Net income for the year				103,137	225,646
Profit carryforward from previous years				0	0
Withdrawals from the capital reserve				0	0
Net retained profit				103,137	225,646

Notes

Notes

General

The financial statements for the fiscal year 2023 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 Finanzdienstleistungs-institute": German Bank and Financial Services Institutions Accounting Directive]. The structure of the balance sheet and income statement follows the forms 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.

With effect from 1st March 2023, the Asset Management business in the Netherlands was transferred to UBS Fund Management (Luxembourg) S.A. Furthermore, UBS Holding (France) S.A. and UBS (France) S.A. were merged to UBS Europe SE, French branch. Both merger became effective retrospectively to 1st January 2023. Assets and liabilities with a net book value of EUR 275.7m were transferred.

In the third quarter 2023, UBS Europe SE took over the German Latin America-Wealth Management business from Deutsche Bank AG. Clients with assets under management of EUR 376m were taken over. The transaction led to a goodwill of EUR 5.3m.

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 are offset with income from write-ups 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 amounts 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 derecognition 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 18.7m 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%. In the context of the BEPS negotiations, OECD agreed on the introduction of a global minimum tax. This was implemented in Germany with the introduction of the MindStG [“Mindeststeuergesetz”: German Minimum Taxation Act]. It is applicable for all financial reporting years beginning after the 31 December 2023. UBS Europe SE will in general be affected by the new law due to its size. Whether and to what amount a minimum tax will occur is yet too early to predict.

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 determing 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 2023, 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	31.12.2023	31.12.2022
Other amounts due to banks	**29,563,652**	**27,694,365**
with a residual term of		
three months or less	29,297,774	26,851,256
more than three months and up to one year	34,105	593,065
more than one year and up to five years	62,118	89,693
more than five years	169,655	160,352
Amounts due to customers	**7,637,246**	**5,761,319**
with a residual term of		
three months or less	1,196,286	1,543,848
more than three months and up to one year	1,098,267	509,030
more than one year and up to five years	1,305,112	712,307
more than five years	181,654	117,998
with an indefinite term	3,855,927	2,878,136

Amounts due from affiliates

Amounts due from affiliates

EUR thousand	31.12.2023	31.12.2022
Amounts due from bank	11,259,581	8,862,567
thereof: due from UBS AG	*11,133,686*	*8,768,975*
Amounts due from customers	12,494	21,393

There are no amounts due from companies in which participating interests are held.

Securities

Securities

		Listed		Not listed
EUR thousand	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Debt securities and other fixed-income securities	2,476,890	2,283,523	4,043,117	4,657,572
Shares and other variable-yield securities	0	0	1	675
Equity investments	0	0	0	0
Shared in affiliates	0	0	0	0
Total	**2,476,890**	**2,283,523**	**4,043,119**	**4,658,247**

Securities with a book value of EUR 681.2m are due in the year 2024.

Securities with a book value of EUR 439.5m and a fair value (market value) of EUR 437.5m 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.

Trading portfolio

EUR thousand	31.12.2023	31.12.2022
Trading assets	**5,348,501**	**4,432,898**
Derivative financial instruments	1,413,472	1,816,904
Debt securities and other fixed-income securities	587,766	498,004
Shares and other variable-yield securities	3,349,617	2,119,717
Risk charge	-2,355	-1,728
Trading liabilities	**2,502,245**	**2,795,712**
Derivative financial instruments	1,510,296	1,832,944
Liabilities (from short sales)	991,949	962,768

Equity investments and shares in affiliates

UBS La Maison de Gestion S.A.S. was transferred as a result of the merger of UBS (France) S.A. to UBS Europe SE, French branch. Furthermore, the life insurance brokerage business of the former UBS (France) S.A. was hived off into the newly established UBS Courtage Assurance S.A.S.

Equity investments pursuant to Sec. 285 No. 11 HGB			
Company	Capital in EUR	Share of capital	Net income in EUR
UBS Fiduciaria SpA, Mailand*	866,303.00	100,0%	115,137.00
UBS Private Equity Komplementär GmbH, Frankfurt am Main**	62,429.86	100,0%	4,170.85
UBS La Maison de Gestion S.A.S., Paris*	9,747,625.45	100,0%	5,705,122.28
UBS Courtage Assurance S.A.S., Paris*	15,407,394.00	100,0%	2,907,299.20

*Preliminary Financial Statement as of 31.12.2023
**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 11.7m 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 01.01.2023	**230**	**618**	**305**	**78,723**	**343**	**20,009**
Acquisition or production cost						
Opening balance	4,643	618	305	154,807	22,433	97,251
Additions			385,780	32,518	13,552	11,297
Disposals	4,643	1	333,399		5,073	3,484
Reclassifications						
Translation differences				8,399	10	1,089
Closing balance	0	617	52,686	195,724	30,922	106,153
Cumulative write-downs						
Opening balance	4,413			76,084	22,090	77,242
Additions				14,781	2,675	7,282
Write-ups						
Disposals	4,413				5,073	2,837
Translation differences				4,984	12	707
Reclassifications						
Closing balance	0			95,849	19,704	82,394
Book value 31.12.2023	**0**	**617**	**52,686**	**99,875**	**11,218**	**23,759**

Intangible assets, goodwill and property and equipment

The goodwill stemming from the acquisition of ETRA SIM S.p.A. in 2005 by the former UBS Italia S.p.A. has a remaining useful live of two years; the goodwill resulting from the takeover of Nordea's Luxembourg-based private banking business in 2018 has a remaining useful live of five years.

A goodwill of EUR 27.3m was acquired within the course of the merger of UBS (France) S.A. to UBS Europe SE, French branch. The merger became effective on 1st January 2023. Another goodwill amounting to EUR 5.3m stems from the acquisition of the german Latin America-Wealth Management business from Deutsche Bank AG. Both assets are amortised over a period of ten 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 1,036.3m), receivables from the tax office (EUR 70.7m), accruals of interest for derivatives (EUR 53.9m) and receivables from group allocations (EUR 45.7m).

Prepaid expenses

Prepaid expenses contain income from advance payments of non-staff operating costs (EUR 5.1m).

Maturity structure of liabilities to banks and customers

Maturity structure

EUR thousand	31.12.2023	31.12.2022
Liabilities to banks	**19,612,443**	**16,101,200**
with an agreed term or notice period of		
three months or less	18,764,853	15,672,759
more than three months and up to one year	845,612	422,235
more than one year and up to five years	1,618	5,461
more than five years	360	745
Liabilities to customers	**5,163,779**	**2,589,351**
with an agreed term or period of notice of		
three months or less	4,023,537	2,174,608
more than three months and up to one year	945,824	243,870
more than one year and up to five years	24,762	10,589
more than five years	169,656	160,284

Liabilities to affiliates

Liabilities to affiliates

EUR thousand	31.12.2023	31.12.2022
Liabilities to banks	11,775,829	10,448,632
thereof: liabilities to UBS AG	*11,613,407*	*10,053,612*
Liabilities to customers	114,179	128,412

There are no liabilities to companies in which participating interests are held.

Debt securities issued

All debt securities issued are due in 2024.

Other liabilities

Other liabilities primarily comprise liabilities from variation/initial margins (EUR 1,936.9m), liabilities to the tax office (EUR 79.2m), negative replacement values (EUR 57.7m), accruals of interest for derivatives (EUR 38.9m) and intragroup settlements (EUR 27.3m).

Deferred income

Deferred income primarily contains income received in advance in the amount of EUR 3.3m.

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 actuarial interest rate used is based on information from the publications of the Deutsche Bundesbank as of 31 December 2023. The following parameters were used to calculate the pension provisions:

Actuarial assumptions

	31.12.2023	31.12.2022
Interest rate	1.82%	1.78%
Salary and income threshold progression rate	4.30%	3.22%
Pension increases		
for old commitments	2.10%	2.20%
for new commitments	1.00%	1.00%
Average turnover men	8.20%	9.10%
Average turnover women	7.30%	8.00%

* issued before 1 January 1999

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 1.74% 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 199.3m and EUR 125.1m, respectively.

Applying the corresponding 10-year average interest rate with a remaining term of 15 years in the amount of 1.82%, the pension provision and the deferred compensation provision would amount to EUR 197.4m and EUR 124.0m, respectively. This leads to a difference for pensions and deferred compensation of EUR 3.0m, 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 from the pension plan 2021 are netted against the provisions created for this purpose. As at 31 December 2023, the following values were recorded for these items before offsetting:

EUR thousand	31.12.2023	31.12.2022
Settlement amount	4,688	2,750
Fair value of the plan assets	4,688	2,750

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 1.9m). The historical cost of the plan assets amounted to EUR 4.6m.

Other provisons

Other provisions include the following main items:

EUR thousand	31.12.2023	31.12.2022
Bonuses	109,325	102,579
Legal risks and damages claims	35,033	26,362
VAT	27,754	21,429
Restructuring and severances	21,347	18,679
Early retirement obligations	14,081	12,307
Accrual for untaken holidays	15,351	9,501
Buildings	3,128	3,340
Storage costs	2,239	2,071
Fee reimbursement claims from retrocessions	907	921
Total	**229,166**	**197,190**

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	400,000,000.00	Euribor 3M + 198 BP	20 June 2025	MREL eligible
EUR	200,000,000.00	Euribor 3M + 128 BP	14 June 2027	MREL eligible
EUR	975,000,000.00	Euribor 3M + 127 BP	27 February 2028	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 45.6m in the financial year 2023.

Fund for general banking risk

The Bank allocated an amount of EUR 17.7 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 2023.

Subscribed capital and shares

The subscribed capital of EUR 446,001,084 is divided into 446,001,084 registered shares with a par-value or EUR 1.00. In the current financial year the subscribed capital increased by 84 shares in the course of the merger of UBS (France) S.A. to UBS Europe SE, French branch. The 84 new shares were initially held by the former shareholders of UBS (France) S.A. At the Annual General Meeting of UBS Europe SE on August 29, 2023 it was decided upon resolution by UBS AG as main shareholder to transfer these shares according to Sec 327 a et seq. AktG to UBS AG in exchange for an appropriate cash compensation. The transfer of the 84 shares to UBS AG became legally effective with the entry in the Commercial Register on September 14, 2023 and therefore UBS AG is the sole shareholder of UBS Europe SE again.

Capital and revenue reserves

The capital reserve pursuant to Sec. 272 (2) No. 4 HGB increased by EUR 350.7m as a result of the merger of UBS France Holding S.A. with UBS Europe SE, French branch. Following this, capital reserves amount to EUR 2,285.8m.

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 61.5m as of 31 December 2023.

EUR 3.0m 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 June 2023, the entire net retained profit reported for fiscal year 2022 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 17.3m 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. As of 31 August 2023, the total amount of liabilities transferred to the purchaser for which UBS Europe SE is jointly and severally liable has decreased to EUR 24.7m. As a result, the maximum amount of UBS AG's guarantee for the current year has been reduced to EUR 100 million.

Repurchase agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement amount to EUR 613.2m.

Foreign currency assets and liabilities

Foreign currency assets totaled EUR 11,455.8m, foreign currency liabilities totaled EUR 12,990.0m and foreign currency position below the line item totaled EUR 295.5m.

Notes to the income statement

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 73.4m.
Furthermore, the dividend payment of EUR 5.9m received from UBS La Maison de Gestion S.A.S., Paris, France 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 commission business

The income from these services is included in commission income.

Other operating income

This item primarily contains group allocations (EUR 112.8m), reversals of provision (EUR 4.6m), rental income (EUR 8.5m) and revenues from the sale of the asset management business in the Netherlands (EUR 24.4m).

Other operating expenses

This item mainly includes the loss from the merger of UBS (France) S.A. to UBS Europe SE, French branch (EUR 74.9m), payments and provision allocations in connection with customer complaints resulting in court proceedings (EUR 17.4m) as well as expenses of EUR 5.9m from unwinding discounts on provisions as of 31 December 2023 (thereof pension obligations and deferred compensation of EUR 5.6m).

Geographical breakdown of income

Geographical breakdown

EUR thousand				31.12.2023
	Net interest income	Current income from shares, equity investments and investments in affiliated companies	Net commission income	Other operating income
Denmark	7	0	0	7
Germany	1,634,403	73,497	650,027	65,771
France	77,791	5,898	131,967	21,371
Italy	37,452	137	141,301	10,719
Luxembourg	52,104	0	146,819	18,184
Netherlands	601	0	8,201	27,354
Poland	21	0	0	463
Sweden	78	0	20,359	1,321
Switzerland	2	0	0	4,820
Spain	1,053	0	15,813	12,972
Total UBS Europe SE	**1,803,512**	**79,532**	**1,114,487**	**162,982**

Net income or net expense from trading book positions relates exclusively to Germany.

Other disclosures for the fiscal year 2023 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 2023 reports a net retained profit of EUR 103.1m.

The Management Board proposes the distribution of the full amount of the net retained profit reported as of 31 December 2023 to the shareholder. This corresponds to a dividend of EUR 0.23 per share, for 446,001,084 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. This lease agreement was extended in October 2022 until September 2035. Rent obligations until 2035 for all buildings come to EUR 210.2m, EUR 87.3m 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 2023.

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			31.12.2023
			Fair Value
	Nominal amount	positive	negative
Currency transactions			
Foreign currency forward transactions	806,167	3,882	4,133
Interest/Currency swaps	110,968,166	1,285,933	1,322,351
Foreign currency options	1,032,618	29,158	37,207
Other foreign currency transactions	4,565	1,296	4,072
Total	**112,811,516**	**1,320,269**	**1,367,763**
Interest rate transactions			
Forward transactions	8,716	19	0
Interest rate swaps	0	800	800
Total	**8,716**	**819**	**800**
Equity/Index-related transactions			
Equity/Index options	97,117	1,971	43,041
Equity/Index swaps	271,999	0	0
Other contracts	5,329	11,642	10,895
Total	**374,445**	**13,613**	**53,936**
Other transactions			
Credit derivatives	3,150,748	9,935	19,094
Commodity related contracts	1,958,055,501	10,926	10,926
Other contracts	12,101,751	57,910	57,777
Total	**1,973,307,999**	**78,771**	**87,797**

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 18.1m (book value) is hedged with these transactions.

No currency risks were hedged by the valuation units as of the reporting date. Hedges protect against interest rate risks with a fair value of EUR 18.3m. 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			31.12.2023
			Fair Value
	Nominal amount	positive	negative
Equity/Index swaps	3,493	0	3,434

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 56.8m) and other liabilities (EUR 40.3m).

Derivative financial instruments not measured at fair value

EUR thousand			31.12.2023
			Fair Value
	Nominal amount	positive	negative
Currency transactions			
Foreign currency forward transactions	35,108,634	430,107	428,396
Interest/Currency swaps	34,164,200	412,148	326,724
Foreign currency options	52,804	158	158
Total	**69,325,638**	**842,413**	**755,278**
Interest rate transactions			
Interest options	0	82	82
Total	**0**	**82**	**82**
Equity/Index-related option	2,242,207	20,463	20,479
Equity/Index-swaps	94	0	3,434
Other	0	0	0
Total	**2,242,302**	**20,463**	**23,913**
Other transactions			
Other contracts	418,545	2,451	2,279
Total	**418,545**	**2,451**	**2,279**

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			31.12.2023
			Fair Value
	nominal amount	positive	negative
Currency transactions			
Foreign currency forward transactions	48,665,773	282,308	282,308
Interest/Currency swaps	311,618,524	8,002,193	8,002,193
Foreign currency options	46,510,863	5,329	5,329
Total	**406,795,160**	**8,289,830**	**8,289,830**
Interest rate transactions			
Forward transactions	281,507	0	0
Interest options	178,720,282	2,536,261	2,536,261
Total	**179,001,789**	**2,536,261**	**2,536,261**
Equity/Index-related transactions			
Equity/Index options	17,099,303	1,309,234	1,309,234
Equity/Index swaps	6,253,094	170,520	170,520
Other	2,008,270	130,362	130,362
Total	**25,360,668**	**1,610,116**	**1,610,116**
Other transactions			
Credit derivatives	363,452	1,488	1,488
Other	467,535	5,668	5,668
Total	**830,987**	**7,156**	**7,156**

Auditor’s fees
The auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft invoiced EUR 1.7m for the audit of the financial statements in the financial year. The auditor invoiced EUR 0.7m for other assurance services (audit in accordance with the German Securities Trading Act, agreed investigative procedures in connection with the annual contributions to the bank levy and audit activities in relation to financial statements).

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
In March 2023, UBS Group AG announced that it plans to acquire its former competitor Credit Suisse (CS). The merger of Credit Suisse Group AG to UBS Group AG took place on 12 June 2023. Since then, the combined entity operates as one banking group.
With respect to the impact of the acquisition, UBS Europe developed a plan to ensure the proper implementation of the EU Capital Requirements Directive (2013/36/EU) and the simplification of the legal entity structure in Europe including the EU entities of Credit Suisse. It is underlined that the business strategy of UBS Europe SE does not change due to the integration of Credit Suisse.

Furthermore, it was decided to consolidate the European Asset Management business of UBS Group under UBS Fund Management (Luxembourg) S.A. In this context, the Asset Management business of the branches in Spain, Sweden and France will be carved out to UBS Fund Management (Luxembourg) S.A. in 2024.

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 2023 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 2023 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
Chairman
Fully qualified lawyer, Brugg, Switzerland

Iqbal Khan (until 30th June 2023)
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 (since 1st July 2023)
Head Group Treasury, UBS AG, London Branch, United Kingdom

Christine Novakovic (since 1st January 2024)
Head Global Wealth Management EMEA, UBS AG, Zurich, Switzerland

Natasha Meaney
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 (until 31st December 2023)
CFO Investment Bank, UBS Business Solutions, London Branch, United Kingdom

*Employee representatives

In accordance with the resolution of the ordinary General Meeting dated 25 May 2022, remuneration totaling EUR 240k was paid in 2023 for the fiscal year 2022 to the employee representatives on the Supervisory Board. Remuneration totaling EUR 625k was paid to the independent members of the Supervisory Board.

Management Board

Tobias Vogel
Chairman of the Board
Head Global Wealth Management, UBS Europe SE, Frankfurt, Germany

Christine Novakovic (until 30th June 2023)
Chairman of the Board
Head Global Wealth Management Italy and Spain, UBS Europe SE, Frankfurt, Germany

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

Heinrich Baer (until 31st December 2023)
Head Global Wealth Management Luxembourg & Nordics and Head 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

Filippo Bianco (since 1st October 2023)
Head Investment Bank, UBS Europe SE, Frankfurt, Germany

Miriam Godoy Suarez (since 1st October 2023)
Chief Operating Officer, UBS Europe SE, Frankfurt, Germany

Remuneration for the members of the Management Board amounted to EUR 10.7m 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 3.4m was paid to former members of the Management Board and their survivors; the pension provisions for this group were EUR 67.6m on 31 December 2023.

Employees

The average number of employees during 2023 was 2,146, thereof 916 female and 1,230 male employees. The increase in the number of employees in the French branch is due to the merger of UBS (France) S.A. and UBS Holding (France) S.A.

As of 31 December 2023, the headcount was 2,290 and 21 employees were on parental leave.
The distribution of employees was as follows:

Employees

	31.12.2023	31.12.2022
… by locations		
Denmark	7	6
Germany	732	734
France	355	88
Italy	392	394
Luxembourg	429	436
Netherlands	17	35
Poland	253	200
Sweden	34	30
Switzerland	2	2
Spain	69	71

Employees

	31.12.2023	31.12.2022
… by business division		
Asset Management	29	37
Global Wealth Management	865	696
Investment Bank	275	279
Operating office	632	583
Non-Core and Legacy	18	
Other	471	401

Frankfurt / Main, 25th April 2024

UBS Europe SE - Management Board

Tobias Vogel

Georgia Paphiti

Pierre Chavenon

Dr. Denise Bauer-Weiler

Filippo Bianco

Miriam Godoy Suarez

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 the company's headquarters in Germany.

In Q1 2023, UBS Group AG announced its plans to acquire Credit Suisse AG. The combination creates a business with more than USD 5 trillion in total invested assets and sustainable value opportunities globally. The merger of Credit Suisse Group AG and UBS Group AG has successfully been completed on 12 June 2023. A legal entity integration plan for UBS Europe SE is currently in progress.

The Asset Management business in the Netherlands was successfully transferred to UBS Fund Management (Luxembourg) S.A. in 1Q2023. The overall European Asset Management business of UBS group shall be combined under UBS Fund Management (Luxembourg) S.A. Following this, the Asset Management business in Spain, Sweden and France shall be transferred to UBS Fund Management (Luxembourg) S.A. in 2024. This simplifies both UBS Europe SE and the Asset Management division’s governance, while providing a more efficient platform for the Asset Management business across EMEA.

Additionally, the French Wealth Management business has been successfully integrated with the existing UBS Europe SE French branch through two cross-border mergers between UBS Europe SE (absorbing entity) and UBS Holding (France) S.A. and UBS (France) S.A. as transferring entities. The mergers implemented the EU Capital Requirements Directive under which banks in the European Union that are subsidiaries of third-country groups are obliged to set up a single intermediate parent undertaking (IPU). As a result of the merger, former UBS (France) S.A. subsidiary UBS La Maison de Gestion and newly founded UBS Courtage Assurance S.A.S. become subsidiaries of UBS Europe SE.

Global Wealth Management

UBS Europe SE has Global Wealth Management as its core business and provides 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 the clients related to succession, financial, retirement and relocation planning while ensuring that the 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

UBS Europe SE is committed to deliver through its Investment Bank division the best-in-class services and solutions to corporate, institutional and wealth management clients through an integrated, solutions-led approach. It consists of two business divisions: Global Banking and Global Markets, which are supported by Investment Bank Research.

Global Banking provides corporate, institutional and wealth management clients with strategic 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 with focus on sales, trading and market-making across a range of securities. From origination and distribution to managing risk and providing liquidity in foreign exchange, rates, credit and precious metals. Each business unit is organized by product.

The Investment Bank has a global reach relying on UBS' international industry expertise and product. 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 and leverages on digital capabilities, with a commitment to only consume up to 25% 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, Independent Financial Advisors - 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

UBS key levelers to drive profitability

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.

Acquisition of Credit Suisse

In March 2023, UBS Group AG announced its intention to acquire former competitor Credit Suisse. As of 12 June 2023, UBS completed the acquisition of Credit Suisse (Credit Suisse Group AG was merged into UBS Group AG and the combined entity operates as a consolidated banking group).

With regard to impact of the merger, UBS Europe SE is planning to either wind down or consolidate the European Credit Suisse banking entities into UBS Europe SE in accordance with the intermediate EU parent undertaking requirement, which in agreement with the ECB is to be implemented by June 2025. It is underlined that the business strategy for UBS Europe SE remains unchanged as a result of the integration of Credit Suisse.

The target state legal entity structure in Europe continues to be UBS Europe SE with a branch network:
- For Wealth Management, there is no change to the strategy: continue to be the leading Wealth Manager for (Ultra)High Net Worth- and Global Family & Institutional Wealth clients in Europe. Clients will be migrated from Credit Suisse entities to UBS Europe SE;
- For the Investment Bank, there is no change to the strategy: UBS Europe SE continues to operate a capital-light business model focused on advice and execution. A small number of Investment Bank positions are expected to be transferred to UBS Europe SE, where this aligns to the existing UBS Europe SE booking model and risk appetite;
- For Asset Management, there is no change to the strategy: the Asset Management businesses will be transferred to UBS Fund Management (Luxembourg) S.A.; and
- Non-Core and Legacy businesses will be wound down as economically as possible outside UBS Europe SE, while controlling risks and associated costs.

Business pillars for growth

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, Ultra-High Net Worth and Group Family Office clients in Europe;
- Leverage leading investment advice, lending and wealth planning capabilities to clients; and
- Further enhance business opportunities and client satisfaction through cross-divisional synergies with 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: Focus resources on selected markets, sectors & clients, 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 solutions in China, Asia, Emerging Markets and sustainable investment products;
- Drive operational excellence and simplify to increase efficiency and scale; and
- Prioritize client-centricity and cross-divisional business opportunities.

Treasury

At UBS Europe SE, Treasury is responsible for establishing and maintaining a comprehensive governance and control frameworks for capital and liquidity & funding management. It enables the sustainable growth of the business franchise by designing and operating a robust framework, providing advice, and efficiently managing the firm's financial resources. A series of financial resource optimization measures has already been completed since the inception of UBS Europe SE.

Priorities:
- The long term goal is to bring return on CET1 (RoCET1) up to 8-9% over the next five years by targeted measures such as capital reductions.

Service-aligned Operating Model

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.

In Q2 2023, a new Service Delivery Operating Model was established to serve UBS Europe SE, building a client centric service delivery organization. The main goal of the renovated Operating Model is to align operational services across Europe while also increasing their quality and the specialization of the employees.

Priorities:
- Enhancing the UBS client experience through continuous process enhancements, effective risk management, and sustainable cost discipline.

Key Strategic Imperatives Collaboration

One Bank Collaboration

The collaboration between business divisions is critical to the success of the 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.

To further drive synergies and foster our position as continental Europe's leading wealth manager, three key levers have been identified to support cross-collaboration initiatives across the bank: One Bank training, incentivization schemes, and reporting capabilities.

Priorities:
- Focus on One UBS for Entrepreneurs initiative with enhanced measures in High Net Worth-, Ultra High Net Worth- and Asset Servicing segment;

- Structured Products / Hedging ideas with the support of Global Markets specialists;
- Deploy Investment Bank, Global Wealth Management and Asset Management resources more effectively across the bank and leverage them across divisions; and
- Leverage Credit Suisse integration synergies.

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. UBS Europe SE aims to be the financial provider of choice for clients who want to use their capital to achieve specific environmental or social goals. As one of the largest global asset managers, the company has a responsibility to lead the way in shaping a positive future. Sustainable finance is also an area in which collaboration between the divisions of UBS Europe SE can create added value for clients.

Priorities:
- Planet: UBS Europe SE continues addressing and progressing within the Climate Strategy and Net Zero Commitment. Furthermore, the bank intends to articulate the planet targets and key performance indicators defined at Group level across UBS Europe SE and its business model. This allows the bank to have a more tailored-made approach for monitoring and progressing within the topic;
- People: UBS Europe SE made sustainable progress when it comes to the goals for People. Diversity, equity and inclusion are core to the culture. UBS Europe SE has achieved all the established targets with regard to female positions across the business and aims to continue leading in this area and further enhancing the initiatives across people; and
- Partnerships: to build strategic, resilient, and innovative partnerships is also one of the priorities of UBS Europe SE. Through cooperation with different stakeholders and initiatives UBS Europe SE promotes a positive impact at a global scale.

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); and
- Reduce operational complexity.

Talent, conduct and culture

UBS Europe SE believes that the right strategy and a strong culture drive strong performance. We have expressed this conviction in our “three keys to success”. Our Pillars, Principles and Behaviors and our purpose underscore our strategy and our culture, defining what we stand for as a firm and as individuals and how we do it. 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 equally diverse clients’ needs.

Priorities:
With the topic of talent, conduct and culture inherently being interlinked, we have determined the following topics as our Human Capital priorities:
- Talent: Define clear talent & people agenda for UBS ESE);
- Leadership: Ensure robust leadership structures, suitability, and training & development opportunities; and
- Diversity, Equity, and Inclusion (DE&I): Develop DE&I agenda in UBS Europe SE including expansion of signature initiatives across the legal entity.

Further, we have determined the following topics as our Conduct & Culture priorities:
Priorities:

- Tone from the top: promote communication from the Board of Directors in line with UBS's pillars, principles and behaviours;
- Tone from the top: promote communication from the Board of Directors in line with UBS's pillars, principles and behaviours; and
- Becoming a joint company: Supporting the convergence of Credit Suisse and UBS through a common corporate culture.

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 2023 resulted in EUR 1,243.6m revenues compared to EUR 1,178.9m in the previous year. Adjusted for the non-recurring effects from the sale of the Asset Management business in the Netherlands in 2023 and the sale of the Wealth Management Business in Spain in 2022, the revenues increased by 22% compared to the previous year. The increase was mainly the result of higher interest income and the income from the merged entities in France. Costs increased to EUR 1,089.0m compared to EUR 861.5m in the previous year. This includes the loss from the merger of UBS (France) S.A. in the amount of EUR 74.9m. Adjusted for this non-recurring effect, cost increased by 18% compared to the previous year. Costs include the costs from the merged entities in France for the first time. Overall, the cost/income ratio based on HGB figures results to 88% (prior year 73%) – without the non-recurring effects cost/income ratio would be 83% compared to 87% in the previous year.

The budget for the current financial year is based on IFRS figures and stipulated a cost/income ratio of 79%. Cost/Income ratio according to IFRS is 75%. 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 2023 the profit before tax results to EUR 295m excluding proceeds from the sale of GWM's business in Spain which is 30% above the plan of EUR 227m.

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 (Germany EUR +57m, France EUR +26m, Spain EUR +16m, Netherlands EUR +7m, Sweden EUR +5m and Denmark EUR +1m). Luxembourg (EUR -23m), Italy (EUR -19m) and Switzerland (EUR -1m) report profits before tax below plan.

Global Wealth Management (+1%) and Asset Management (+107%) increased the profit before tax compared to the previous year, while the profit before tax in the division Investment Bank (-25%) 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 6% for the financial year 2023 which is below the plan of 5%. The Return on CET1 (RoCET1) is 8% and also below the plan of 7%.

Invested Assets

Invested assets increased to EUR 170.0bn in the financial year. An increase of EUR 18bn is related to the merger of UBS (France) S.A.

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 of an employee 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 creates a pleasant working environment. 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, a 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 2023, the representation of women on the UBS Europe SE Supervisory Board was 44%, exceeding the minimum female representation threshold of 30% for Supervisory Boards. The representation of women on the Management Board stood at 43% as of 31 December 2023. As of the same date, the representation of women on the first management level stood at 26.3% (against an aspirational goal of 27%). For the second management level, women represented 35.4% (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 6.3%. In Germany, the largest location, the annual voluntary resignation rate was 7.0%. The average length of service of permanent employees is 10.3 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 a disclosure 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 2023 was affected by mild growth, with the interest rates hike slowly coming to a halt and decreasing inflation, amidst substantial geopolitical turmoil. Both equity and gold market outperformed original expectations.

In overall, the economy suffered from a loss of momentum in 2023; a slowdown of economic activity set the global GDP growth at 3.3%, falling short of 2022 results and original forecasts. Tightening policies and an unstable geopolitical environment led developed economies to grow as little as 1.7% and emerging economies by 4.3%.

International tensions arising from the Russia-Ukraine war, conflicts in the Middle East and US-China trade relations have added an inflationary shock to a world already navigating resurgent demand, tight labor markets, and supply chain disruption. Economies managed to substantially halt inflation to 6.2% globally.

The US GDP growth demonstrated the strongest recovery among developed economies. US inflation was at 4.1% by year end, still higher than originally forecasted. Meanwhile, US interest rates remained stable in the second half of 2023 at 5.3%, in line with the FED's expectation. Despite the high rate, indicators suggest that rate is expected to face cuts throughout 2024.

Similarly to the US, the Eurozone also paved its path towards recovery in 2023, though in a much slower pace. GDP upswing for 2023 was estimated at 0.5%, with such minimal growth being influenced by low global trade levels and higher costs of living. The ECB kept interest rates in the Eurozone at an all-time high of 4%.

The European banking sector continued to benefit from higher interest rates as well as overall economic stability and declining inflation in Europe. Towards the end of 2023, however, there were signs of a weakening in bank stocks in the context of expected interest rate cuts as well as macroeconomic uncertainties.

Most equity markets faced significant divergence throughout 2023, driving much more complex valuations. Usage of artificial intelligence (AI) fueled markets' performance for this year, supporting growth. Despite a turbulent global environment, the S&P 500 managed to reach one of its all-time highs, surpassing a gain of 24% overall. Monetary policies and labor markets allowed bond yields to continue to rise, contrary to original expectations.

The US Dollar finished 2023 marginally weaker than it started against the Euro, Pound, and Swiss Franc. An unexpected outlier of 2023 was a loss of value of the Yen, due to Japan's loose monetary policy. The Swiss franc's safe-haven remained appealing in 2023, as it outperformed all other G-10 currencies.

Geopolitical events often spark volatility in financial markets but rarely change the broad trajectory of economic growth. 2023 can be described as a year where elevated political risk was capable of shaping growth outcomes. While the Russia-Ukraine war posed energy and security threats to Europe in 2022, conflicts in the Middle East raised political, security and human-rights uncertainty. US-China tensions remained strained given Beijing's increased protective policies and conflicting view with the Biden administration.

Business in 2023

In 2023, 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 2023

On IFRS basis, UBS Europe SE recorded a profit before tax for 2023 of EUR 295m.

- Profit before tax for 2023 is at EUR 295m, 30% above plan and -19% compared to the previous year;
- Profit before tax for Global Wealth Management was EUR 127m, being -17% above plan;
- Profit before tax for the Investment Bank was EUR 74m, being 51% above plan;
- Profit before tax for Asset Management was EUR 30m being -8% below plan; and
- Group Functions reported a profit before tax of EUR 63m, recovering from the profit loss endured in 2022

Global Wealth Management revenues in 2023 accounted for EUR 647m, being 6% below plan. Excluding one-off effects (sale of the Wealth Management business in Spain) revenues increased slightly by 2% compared to the previous year. This is mostly driven by net positive impact from the integration of France into UBS Europe SE. Higher net interest income from core locations primarily due to higher deposit margins and despite lower average volumes as clients moved cash into more profitable solutions also accounted for results.

For the Investment Bank, revenues in 2023 were 22% higher than planned, reaching EUR 329m. 2023 was negatively affected due to macro conditions and economic uncertainties which slowed down deal-making activities. Following the outbreak of the war between Russia and Ukraine and macro disruptions resulting from the global pandemic and aggressive interest rate policy from central banks worldwide, market uncertainty still lingers and creates headwinds to deal-making and underwriting activities.

Asset Management observed EUR 41m in revenues, above the plan of 43m and compared to 31m in the previous year. The carve out of the Asset Management business in the Netherlands executed in February 2023 is one of the main drivers resulting in 24m income.

Finally, compared to 2022, 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 2023 were at 885m compared to 794m in the previous year (+11%), mainly due to litigation costs. Personnel expenses remained above projections at EUR 448m, mainly due to additional expenses in the Investment Bank and integration costs for France and Credit Suisse.

Financial position

Net assets

The bank's net assets are in order. The balance sheet total increased to EUR 53.9bn for the current year (prior year: EUR 49.4bn).

Key items were receivables from credit institutions (65% of total assets) and customer receivables (14%). Further items affecting net assets are described below.

Cash reserve

As of the balance sheet date 2023, the credit balance with central banks was EUR 0.3bn (prior year: EUR 0.3bn), thereof EUR 0.2bn (prior year: EUR 0.1bn) with Deutsche Bundesbank.

Receivables from credit institutions and customers

Total receivables from banks increased by EUR 2.8bn compared to the previous year. The deposit facility with Deutsche Bundesbank decreased by EUR 0.5bn while receivables from repurchase agreements are EUR 3.0bn higher compared to the previous year. Receivables from customers increase by EUR 1.9bn.

	31.12.2023	31.12.2022	Change	
	EUR million	*EUR million*	*EUR million*	%
Receivables from credit institutions	35,090	32,292	2,798	8.7%
Receivables from customers	7,637	5,761	1,876	32.6%
Total receivables	**42,727**	**38,053**	**4,674**	**12.3%**

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	34,354	3,604	23,392	7,272
France	38	1,714	118	1,351
Italy	22	801	1	1,316
Luxembourg	610	1,516	133	8,858
Netherlands	27	0	0	0
Poland	0	0	0	0
Sweden	6	1	0	0
Switzerland	1	0	1	0
Spain	33	1	0	0
Total	**35,090**	**7,637**	**23,646**	**18,798**

Trading assets

Trading assets include shares and other variable yield securities amounting to EUR 3.3bn and positive replacement values from derivatives amounting to EUR 1.4bn.

Securities

Debt securities and other fixed-income securities decreased by EUR 0.6bn compared to the previous year. The shares and other variable securities portfolio is nearly unchanged .

	31.12.2023	31.12.2022	Change	
	EUR million	*EUR million*	*EUR million*	%
Money market instruments, bonds and debt securities from public issuers	1,238	1,732	-494	-28.5%
Money market instruments, bonds and debt securities from other issuers	2,805	2,925	-121	-4.1%
Debt and other fixed-income securities	**4,043**	**4,658**	**-614**	**-13.2%**
Shares and other variable-yield securities	**0**	**1**	**-1**	**-50.1%**
Total securities	**4,044**	**4,659**	**-615**	**-13.2%**

Liabilities to credit institutions and customers

Total liabilities increased by EUR 3.1bn compared to the prior year value. The intercompany liabilities increased by EUR 1.3bn.

	31.12.2023	31.12.2022	Change	
	EUR million	*EUR million*	*EUR million*	%
Liabilities to credit institutions	23,646	20,203	3,443	17.0%
Liabilities to customers	18,798	19,180	-382	-2.0%
Total liabilities	**42,444**	**39,383**	**3,061**	**7.8%**

Equity

The bank's subscribed capital is at EUR 446,001,084 and is divided into 446,001,084 registered shares. In the current financial year the subscribed capital increased by 84 shares in the course of the merger of UBS (France) S.A. to UBS Europe SE, French branch. The 84 new shares were initially held by the former shareholders of UBS (France) S.A. At the Annual General Meeting of UBS Europe SE on August 29, 2023 it was decided upon resolution by UBS AG as main shareholder to transfer these shares according to Sec 327 a et seq. AktG to UBS AG in exchange for an appropriate cash compensation. The transfer of the 84 shares to UBS AG became legally effective with the entry in the Commercial Register on September 14, 2023 and therefore UBS AG is the sole shareholder of UBS Europe SE again. The capital reserve pursuant to Sec. 272 (2) No. 4 HGB increased by EUR 350.7m due to the side step merger with UBS Holding (France) S.A. Following this, capital reserves amount to EUR 2,285.8m. Profit reserves remained unchanged amounting to EUR 46.4m.

The Common Equity Tier 1 (CET 1) ratio according to Article 92 CRR was 21.20%% (prior year: 22.76%%).

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

There was no obligation as of 31 December 2023. 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 2023, the LCR for UBS Europe SE amounted to 156.5% (prior year: 162.1%).

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 2023, the NSFR for UBS Europe SE amounted to 131.5% (prior year: 172.8%).

Result of operations

The financial year 2023 resulted in a net profit of EUR 103.1m after EUR 225.6 m in the previous year. This includes as non-recurring items in 2023 the gain from the sale of the Asset Management business in the Netherlands (EUR 24.5m) and the loss from the merger of UBS (France) S.A. to UBS Europe SE, French branch, (EUR 74.9m). The net profit in 2022 included the gain from the sale of the Wealth Management business in Spain (EUR 183.6).

Net interest income totaled EUR 129.7m. The increase is due to higher margins despite lower average volumes; interest income from securities increased by EUR 43.6m compared to the previous year. Furthermore, the merged French entities contributed with EUR 48.6m. Net commission income is EUR 758.5m. Net trading income was positive with EUR 159.3m.

Regarding costs, the most significant items were personnel expenses with EUR 470.7m. Other administrative expenses amount to EUR 435.4m. Largest part of the other administrative expenses with 53.9% 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:

Tausend EUR	**2023**
Dänemark	-1,427
Deutschland	74,769
Frankreich	-45,070
Italien	6,489
Luxemburg	73,048
Niederlande	28,069
Polen	592
Schweden	6,272
Schweiz	292
Spanien	10,856
Total UBS Europe SE	**153,890**

The result of Germany includes treasury activities for all branches. In addition, the result of the branch in France includes the loss from the merger with UBS (France) S.A. and the branch in Netherlands include the gain from the sale of the Asset Management business.

Opportunities and risk report

Opportunities and risks

Acquisition of Credit Suisse and Impact on UBS ESE

In March 2023, UBS Group AG announced its intention to acquire former competitor Credit Suisse. As of 12 June 2023, UBS completed the acquisition of Credit Suisse (Credit Suisse Group AG was merged into UBS Group AG and the combined entity operates as a consolidated banking group).

With regard to impact of the merger, UBS Europe SE is planning to either wind down or consolidate the European Credit Suisse banking entities into UBS Europe SE in accordance with the intermediate EU parent undertaking requirement, which in agreement with the ECB is to be implemented by June 2025. It is underlined that the business strategy for UBS Europe SE remains unchanged as a result of the integration of Credit Suisse.

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 the Russia-Ukraine war, conflicts in the Middle East and US-China trade relations, 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 wealth creation within key client groups, specifically female clients and entrepreneurs;
- Younger client generation with significant inherited wealth; and
- New client groups interested in driving change to society with a longer investment horizon perspective.

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. Despite the Global Wealth Management business model being is traditionally based on direct client interactions, 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. Clients increasingly trust digital solutions and are now demanding even more seamless, customized digital products and services tailored to their needs. Furthermore, UBS is focused on automation of systems and processes that can lead to an improvement of the banks' operational efficiency. In sum, the industry faces and can benefit from:

- Increasing acceptance and demand for e-channels and customized digital products and services; and
- Ability to reduce operational 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).
The national implementation of the Basel framework remains another important focus area, but there is a significant risk of divergence in the timing of implementation, as well as the content of the provisions. EU authorities have proposed a package of measures aimed at implementing the remaining Basel III elements by 2025.
Additionally, regulators remain focused in policy areas which have already been under constant debate over the past years, including prudential regulation and anti-money laundering (AML), and to emerging policy topics, particularly in the areas of digital innovation and environmental, social and governance (ESG).

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, conflicts in the Middle East and US-China trade relations, 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. Constant monetary policy efforts to control the 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, conflicts in the Middle East and US-China trade relations); and
- Minor 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 an 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 her clients.

Moreover, addressing these industry trends requires a multi-faceted toolkit. A key focus in this effort is investor and regulatory demand for greater data transparency. As a priority, UBS Europe SE continues to engage with governments and policymakers to foster alignment with a broadly accepted framework for sustainability reporting that provides the guidance and transparency required to address the challenges facing investors.

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). In addition, with the conclusion of the multi-year ECB Desk Mapping Review, UBE Europe SE has 18-months to comply with ECB's outlined requirements including the delivery of an Operational Plan with key milestones and further reporting requirements. The business strategy for the Investment Bank remains fundamentally unaffected by this.

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. The Investment Bank aims to develop new products and solutions consistent with its capital-efficient business model, which are most often related to new technologies or changing market standards.

Environmental and social risk

The Investment Bank continues to observe an increasing client demand for sustainable investing. Helping clients to reshape business models and investment opportunities and to develop sustainable finance products and solutions is at the core of the Invest Bank's business. It provides investment solutions through socially responsible and impact exchange-traded funds and index-linked notes. Following the formation of the Global ESG Advisory team within Global Banking in 2021, the Investment Bank provides strategic advisory and capital-raising services by specifically recognizing the structural shift in investor preferences toward ESG investment opportunities.

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 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

– Further rise of FinTech and new technology entering into financial services sector;
– Increased margin and consolidation pressure; and
– Need for enhanced operational excellence.

Following the sale of the Asset Management business in the Netherlands in 2023, the Asset Management businesses in Sweden, Spain and France shall be transferred to UBS Fund Management (Luxembourg) S.A. in 2024.

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 mainly limited qualitatively by policies and process descriptions, the bank's financial risks are mainly steered by quantitative limits and complementary indicators.

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

Credit risk in the Investment Bank business activities is largely driven by the derivatives and SFT business. Mitigants such as collateralization or margining are a structural element of many Investment Bank 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. A second source of non-trading market risk is market-wide credit and liquidity spread risk in the banking book (CSRBB) mostly originating from the HQLA portfolio and UBS Europe SE debt issuances. 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. Lastly, within IRRBB the economic value of equity (EVE) and its change under different scenarios is used to complement the income perspective provided by NII sensitivity.

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 Internal Liquidity Adequacy Assessment Process (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 maintain sufficient liquidity to meet payment obligations in a liquidity & funding stress.

UBS Europe SE adheres to the 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 is attributable to the consequences of the Madoff investment fraud. Potential payment obligations of UBS Europe SE as the successor to UBS (Luxembourg) S.A., which could arise from Madoff related litigation are indemnified by UBS AG up to a contractually defined maximum amount. 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 related litigation cases, UBS Europe SE was involved in civil litigation cases in various jurisdictions where it operates. It has established provisions for legal risks and damage claims amounting to EUR 35.0 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.

Measures to reduce legal and reputational risk

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 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 or control decisions, to identify or measure risks, valuing exposures, value instruments or positions, conduct stress testing, assess adequacy of capital, manage client and own assets, measure or 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 were set and 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.

All relevant stakeholders must complete a bi-annual computer-based model governance training. Completion is tracked according to UBS standards.

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 general, both the volume of cyber-attacks and their quality have increased globally in recent years and this trend is expected 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 see any significant impact of cyber-attacks on the company itself in 2023. In recent years, UBS group has increased its investment in cyber security and devoted significant resources to the operation of its security control infrastructure as well as to the company's programs to address the growing threat. Reporting on cyber risks, including status reports, is provided to the Risk Control Committee on a regular basis.

UBS Europe SE also regularly assesses the security measures of its external service providers and suppliers who are connected to the networks or otherwise engaged to process confidential date.

As in the previous year, the Russia-Ukraine war had not discernible impact on operational stability and security.

The further development of regulations (MaRisk, DORA) as well as ensuring data security and integrity in data collection and processing in the IT systems as well as cyber security and outsourcing issues (cloud services) will remain focal points in regulatory regulation in the coming years and will be intensively pursued by UBS Europe SE.

All of this is part of a formalized risk and management framework for both the bank as a whole and UBS Europe SE, which combines all levels and aspects of internal and external risk assessment with the processes for assessing and managing operational risks. Therefore, the Bank is committed to raising awareness among its employees and providing them with the necessary information and resources to ensure efficient and adequate protection against IT risks.

UBS Group is applying cloud computing as a strategic solution and investing in these technologies, which are also being used to a growing extent by UBS Europe SE. However, the focus was also on the areas of digitalization as well as reducing complexity and strengthening operational stability. The increased use of agile forms of work (Agile@UBS), which have not only found their way into IT, and the "Flexible Ways of Working Initiative" for the introduction of flexible working models supports operational processes.

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 were overall inconspicuous.
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 underpinned by robust contingency planning and 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 2023 causing a material adverse impact on the operations of UBS Europe SE. In fact, on 31 January 2023 a third party vendor, ION XTP used for Exchange Trade Derivatives Client clearing, suffered a ransomware attack resulting in UBS being unable to clear trades, but there was no severe impact to UBS ESE as connections to ION were cut immediately after notification. There was no theft of UBS data or spread of malware to UBS systems and the rollback to the prior system made quickly possible by the existence of a legacy vendor."

Also, until today there has been no material impact on UBS outsourcing operations from 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 bank's strategy is to continue using intragroup outsourcings provided mainly by UBS Business Solutions AG, to leverage existing centers of competence for effective business and risk governance.

In addition, it will continue leveraging Group infrastructure to share the investments and benefits of scale economies and 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, corruption, money laundering or any other unauthorized activities as well as regulatory requirements like customer due diligence (know your customer), sanctions or embargoes.
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 2023, the key non-financial risk topics have been mainly driven by:
- the continuing Russia-Ukraine war and the potential scenarios of heightened cyber threats and energy shortages as well as the changing sanctions requirements;
- Merger of UBS France (S.A.) (GWM business) into UBS Europe SE in July 2023; and
- One internal Non Financial risk event reaching the materiality threshold (>= 10bps CET1) has been registered in the form of a financial provision. The event is currently in remediation and is likely that the final financial impact will decrease below the materiality threshold.

Overall, the mitigation and remediation measures implemented have been proved efficient to reduce the exposure to Non-Financial Risks and to keep the Non-Financial Risk Profile controlled and stable.

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 position 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 pension obligations due to changes in the actuarial assumptions (e.g. discount rate, life expectancy, rate of pension increase) and / or changes to plan designs.

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 3,225.0 bn (prior year: 3,041.0 bn), which corresponds to a CET1 capital ratio of 21.20% (prior year: 22.76%) and an overall ratio of 26.05% (prior year: 28.35%). 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	31.12.2023	31.12.2022
Credit risk	8,807	7,249
Settlement and delivery risk	25	69
Market risk	700	655
Operational risk	2,163	1,930
Credit value adjustments	686	823
Risk-weighted assets total	12,382	**10,726**

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 2023:

	Baseline scenario		Adverse scenario			
	3-year planned capital requirement		3-year adverse capital requirement and cumulative capital impacts			
	Going Concern Capital Requirement = 15.09%		*Total SREP Capital Requirement = 10.00%*			
	Planned RWA	RWA x Capital Requirement	Adverse RWA	Adverse RWA x TSCR	Capital impacts	Total
Credit Risk	9,356	1,412	9,032	903	58	961
Market Risk	2,583	390	2,752	275	11	287
Operational Risk	2,843	429	2,485	249	188	437
Business Risk				-	37	37
Funding Risk				-	179	179
Pension Risk				-	75	75
Total	**14,782**	**2,231**	**14,269**	**1,427**	**548**	**1,976**
Total capital requirement and scenario impact		**2,231**		**1,427**	**548**	**1,976**
Early warning indicator headroom		282		285		285
Total early warning indicator level		**2,513**		**1,712**	**548**	**2,261**
Capital resources						
Total available capital resources		3,225				3,225
Capital surplus / (deficit) to trigger level		**712**				**964**

							31.12.2023
EUR million	WM	IB	AM	GT	Services	NCL	Total
Credit and issuer risk incl. country risk	79	129	0	176	0	3	387
Market risk and Pension risk	4	3	0	166	1	0	174
Operational risk incl. legal risk	368	135	9	21	38	12	583
Funding cost risk incl. FVA	68	1	0	60	0	0	129
Business Risk	144	-11	-9	-9	69	-3	181
Aggregated risk exposure	**663**	**257**	**0**	**413**	**107**	**12**	**1,455**
Early warning indicator headroom							250
Aggregated risk exposure incl. management buffer							**1,705**
Capital resources							
Total available internal capital							2,338
Capital surplus/(deficit) after management buffer							**634**

Forecast Report

Pre-face: Acquisition of Credit Suisse Group AG

On 19 March 2023, UBS Group announced its intentions to acquire Credit Suisse. The merger creates a company with more than USD 5 trillion in total assets under management and sustainable value opportunities. Following the announcement of the merger, UBS Group AG acquired Credit Suisse Group AG on 12 June 2023, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG. With regard to the impact of the merger, UBS Europe SE is planning to either wind down or consolidate the European Credit Suisse banking entities into UBS Europe SE in accordance with the intermediate EU parent undertaking requirement, which in agreement with the ECB is to be implemented by June 2025.

3-Year strategic plan

With a strong capital base and business model, UBS Europe SE is expected to remain profitable across the planning horizon and reach its profitability goals. Planning is based on IFRS results of UBS Europe SE.

An increase in underlying revenues is driven by a variety of factors, namely (i) the impact of the integration of Global Wealth Management France, (ii) revenue increases in other Wealth Management locations mostly driven by net fee and commission income, and (iii) gain from the sale of the Asset Management business in Spain, Sweden and France. Further integration activities will also have a positive impact on revenues.
Additionally, expected underlying expenses increase in 2024 is driven by numerous factors, namely (i) increase in personnel expenses due to higher run-rates in the Investment Bank, (ii) impact of the integration of Global Wealth Management France and (iii) non-personnel expenses (such as integration costs and other smaller increases) partly offset by reduced costs for bank levies. Additionally, the market and economic environment remain uncertain with risks expected to be skewed to the downside in the near term. Global growth expected to slow down under the weight of central bank tightening, resulting in continued pressure on real purchasing power due to high – though now receding – inflation, and fading fiscal support.

Key points over the 3-year planning cycle include:
- Focus on core markets and steady growth YoY;
- Restructuring and cost control / optimization;
- Sustainable profitability with a target profit before tax of EUR 345m in 2026; and
- Improved cost/income ratio of 77% and Return on CET1 of 7% in 2026.

Global Wealth Management

Global Wealth Management total revenue growth by an average of 8% until 2026 over the planning horizon is primarily driven by higher asset-based revenues from market performance, focus on client inflows across locations and a continued effort to promote the mandated wealth management offering and engaging more actively with clients to address their investment needs. For 2024, it is expected that the growth of revenues is offset by increased expenses leading overall to a slightly increased profit before tax and a marginally increased cost/income ratio. It is expected that expenses will slightly decrease in subsequent years and revenues will increase leading to correspondingly higher profits before taxes.

Investment Bank

Investment Bank revenues are expected to increase slightly in subsequent years. A high increase in costs for 2024, however, leads to a profit before tax significantly lower compared to 2023. The cost increase is driven by:
- Global transfer pricing method updates for Rates & Credit sales ERT; and
- Credit Suisse integration costs.

It is expected that the costs will decrease slightly in subsequent years. Thus, an increase of the profit before tax is expected and a cost/income ratio in the range of the cost/income ratio in 2023.

Asset Management

It is expected that the carve out of the Asset Management businesses in Spain and Sweden in 2024 will lead to gains from the sale. The Asset Management business in France is also foreseen to be carved out in 2024, with no estimated gain at this point in time. Subsequently, the revenues as well as the expenses will be reduced due to the discontinuation of the business. Excluding the one-off effects from the carve outs, it is expected that the revenues in 2024 will slightly decrease, mostly due to market headwinds.

Overall Statement

In summary, UBS Europe SE expects a slight increase in revenues for the coming financial year due to the developments and one-off effects described above. Due to a significant increase of the expenses – in particular in the Investment Bank – a noticeable lower profit before tax is expected. Expenses are expected to remain materially flat during the planning horizon until year-end 2026 and revenues are expected to increase, which leads to a significant increase in the profit before tax. Return on CET1 (RoCET1) is expected to reach 7% in 2026.

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, 25th April 2024

UBS Europe SE
Management Board

Tobias Vogel	Georgia Paphiti	Pierre Chavenon
Dr. Denise Bauer-Weiler	Filippo Bianco	Miriam Godoy Suarez

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

["Kreditwesengesetz": German Banking Act] for fiscal year 2023
Arts. 89 and 90 of Directive 2013/36/EU

Other disclosures for the financial year 2023

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
- Strasbourg, France
- Lyon, France
- Bordeaux, France
- Nantes, 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 1,313.0m. 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).

Geographische Verteilung des Umsatzes

Tausend EUR	**2023**
Dänemark	1,043
Deutschland	595,118
Frankreich	197,167
Italien	170,454
Luxemburg	230,263
Niederlande	36,810
Polen	12,390
Schweden	24,741
Schweiz	5,367
Spanien	39,659
Total UBS Europe SE	**1,313,013**

Employees

The number of employees in full-time equivalents was 2,239 in 2023.

Geographical breakdown

	31.12.2023
… by locations	
Denmark	7
Germany	707
France	350
Italy	388
Luxembourg	414
Netherlands	17
Poland	253
Sweden	34
Switzerland	2
Spain	68

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.)

Euro Tausend	Ergebnis vor Steuern	Steuern auf Gewinn oder Verlust	Ergebnis nach Steuern auf Gewinn oder Verlust
Dänemark	-1,427	0	-1,427
Deutschland	74,769	33,243	41,527
Frankreich	-45,070	7,289	-52,359
Niederlande	28,069	1,517	26,551
Italien	6,489	-10,217	16,706
Luxemburg	73,048	17,909	55,139
Polen	592	0	592
Schweden	6,272	1,120	5,151
Schweiz	292	58	234
Spanien	10,856	-166	11,022
Total UBS Europe SE	**153,890**	**50,753**	**103,137**

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 0.19%.

Report of the Supervisory Board for 2023

English / Englisch

Report of the Supervisory Board for 2023

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 2023 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 2023, the Supervisory Board has had five ordinary and three 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 2023 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.

UBS ESE is subject to mandatory firm rotation pursuant to Article 17 para 1 EU-Directive 537/2014; as a result Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, cannot be appointed as statutory auditor for the fiscal year 2024, because the maximum term of ten years appointment has exceeded. Consequently, 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 proposed to the Supervisory Board to recommend to the HV, held in 2024, to appoint Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Zweigniederlassung Frankfurt am Main, 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 2023

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 2023 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 2023 zu insgesamt fünf ordentlichen und drei 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 2023 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.

UBS ESE unterliegt einer obligatorischen Firmenrotation gemäß Artikel 17 Abs. 1 EU-Verordnung 537/2014. Dies hat zur Folge, dass die Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, für das Geschäftsjahr 2024 nicht zum Abschlussprüfer bestellt werden kann, da die maximale Amtszeit von zehn Jahren überschritten wurde. Folglich hat der Prüfungsausschuss ein Auswahlverfahren nach Art 16 EU-Verordnung 537/2014 durchgeführt. Infolgedessen hat der Prüfungsausschuss dem Aufsichtsrat vorgeschlagen, der HV im Jahr 2024 vorzuschlagen, die Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Zweigniederlassung Frankfurt am Main, zum Abschlussprüfer für das Geschäftsjahr 2024 zu bestellen. Der Aufsichtsrat hat beschlossen, dieser Empfehlung zu folgen.

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

Frankfurt, 16 May / Mai 2024

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