

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

UBS Group AG

Commission file number: 1-36764

(Exact name of registrant as specified in its charter)

Switzerland

(Jurisdiction of incorporation or organization)

Bahnhofstrasse 45, CH-8001 Zurich, Switzerland

(Address of principal executive office)

David Kelly

600 Washington Boulevard

Stamford, CT 06901

Telephone: (203) 719 3000

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Ordinary Shares (par value of USD 0.10 each) | UBS | New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of 31 December 2023:

UBS Group AG

Ordinary shares, par value USD 0.10 per share:

3,462,087,722 ordinary shares

(including 253,233,437 treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes

No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes

No

Cautionary Statement: Refer to the *Cautionary Statement Regarding Forward-Looking Statements* section in the Annual Report 2023 (page 425).

Cross-reference table

Set forth below are the respective items of SEC Form 20-F, and the locations in this document where the corresponding information can be found.

- **Annual Report** refers to the Annual Report 2023 of UBS Group AG annexed hereto, which forms an integral part hereof.
- **Supplement** refers to certain supplemental information contained in this forepart of the Form 20-F, starting on page 11 following the cross-reference table.
- **Financial Statements** refers to the consolidated financial statements of UBS Group AG, contained in the Annual Report.

In the cross-reference table below, page numbers refer either to the Annual Report or the Supplement, as noted.

Please see page 9 of the Annual Report for definitions of terms used in this Form 20-F relating to UBS.

| Form 20-F item | Response or location in this filing |
|---|---|
| Item 1. Identity of Directors, Senior Management and Advisors. | Not applicable. |
| Item 2. Offer Statistics and Expected Timetable. | Not applicable. |
| Item 3. Key Information | |
| B – Capitalization and Indebtedness. | Not applicable. |
| C – Reasons for the Offer and Use of Proceeds. | Not applicable. |
| D – Risk Factors. | Annual Report, <i>Risk factors</i> (61-73). |
| Item 4. Information on the Company. | |
| A – History and Development of the Company | 1-3: Annual Report, <i>Corporate information and Contacts</i> (7). The registrants' agent is David Kelly, 600 Washington Boulevard, Stamford, CT 06901. 4: Annual Report, <i>Our evolution</i> (16); <i>Acquisition and integration of Credit Suisse</i> (17-19); <i>Our strategy</i> (19-20); <i>Our businesses</i> (22-31); Note 30 to the Financial Statements (<i>Changes in organization and acquisitions and disposals of subsidiaries and businesses</i>) (398). 5-6: Annual Report, <i>Our businesses</i> (22-31), as applicable, Note 2 to the Financial Statements (<i>Accounting for the acquisition of the Credit Suisse Group</i>) (308-314); Note 12 to the Financial Statements (<i>Property, equipment and software</i>) (328) and Note 30 to the Financial Statements (<i>Changes in organization and acquisitions and disposals of subsidiaries and businesses</i>) (398). 7: Annual Report, <i>Acquisition and integration of Credit Suisse</i> (17-19). 8: Annual Report, <i>Information sources</i> (424). |
| B – Business Overview. | 1, 2 and 5: Annual Report, <i>Our strategy, business model and environment</i> (17-73), and Note 3a to the Financial Statements (<i>Segment reporting</i>) (314-315) and Note 3b to the Financial Statements (<i>Segment reporting by geographic location</i>) (316). See also Supplement (11-12). 3: Annual Report, <i>Seasonal characteristics</i> (82). 4: Not applicable. 6: None. 7: Information as to the basis for these statements normally accompanies the statements, except where marked in the report as a statement based upon publicly available information or internal estimates, as applicable. Annual Report, <i>Our businesses</i> (22-31), as applicable. 8: Annual Report, <i>Regulation and supervision</i> (50-55) and <i>Regulatory and legal developments</i> (55-60). Supplement (13). |
| C – Organizational Structure. | Annual Report, <i>Our evolution</i> (16) and Note 29 to the Financial Statements (<i>Interests in subsidiaries and other entities</i>) (394-398). |

| | |
|--|---|
| D – Property, Plant and Equipment. | Annual Report, <i>Property, plant and equipment</i> (410), Note 1a, 8) to the Financial Statements (<i>Summary of material accounting policies: Property, equipment and software</i>) (305), Note 12 to the Financial Statements (<i>Property, equipment and software</i>) (328). |
| Information required by SEC Regulation S-K Part 1400 | Annual Report, <i>Information required by Subpart 1400 of Regulation S-K</i> (411-416), <i>Loss history statistics</i> (124), and Note 10 to the Financial Statements (<i>Financial assets at amortized cost and other positions in scope of expected credit loss measurement</i>) (322). |
| Item 4A. Unresolved Staff Comments. | None. |
| Item 5. Operating and Financial Review and Prospects. | |
| A – Operating Results. | <p>1: Annual Report, <i>Our key figures</i> (9), <i>Targets, capital guidance and ambitions</i> (21), <i>Our businesses</i> (22-31), <i>Financial and operating performance</i> (74-95), <i>Income statement</i> (282), Note 1b to the Financial Statements (<i>Changes in accounting policies, comparability and other adjustments</i>) (307), Note 3 to the Financial Statements (<i>Segment reporting</i>) (314-316), and <i>Selected financial data</i> (409-410). The supporting disclosure notes to the Financial Statements provide further details around the components of revenue and expenses.</p> <p>2: Not applicable</p> <p>3: Annual Report, <i>Risk factors</i> (61-73), <i>Capital management</i> (159-169), <i>Currency Management</i> (180) and Note 26 to the Financial Statements (<i>Hedge Accounting</i>) (379-282).</p> <p>4: Annual Report, <i>Our environment</i> (32-35), <i>Regulation and supervision</i> (50-55) and <i>Regulatory and legal developments</i> (55-60), <i>Accounting and financial reporting</i> (74), Note 1b to the Financial Statements (<i>Changes in accounting policies, comparability and other adjustments</i>) (307).</p> <p>A discussion on the results for the year 2022 compared with 2021 can be found on UBS annual report 2022 filed with the SEC in Form 20-F on March 6, 2023, under <i>Financial and operating performance</i> and under <i>Financial statements</i> of UBS Group AG.</p> |
| B – Liquidity and Capital Resources. | <p>1: Annual Report, <i>Risk factors</i> (61-73), <i>Financial and operating performance</i> (74-95), <i>Seasonal characteristics</i> (82), <i>Interest rate risk in the banking book</i> (131-133), <i>Capital, liquidity and funding, and balance sheet</i> (159-182), <i>Asset encumbrance</i> (174), Note 23 to the Financial Statements (<i>Restricted and transferred financial assets</i>) (373-376), Note 24 to the Financial Statements (<i>Maturity analysis of assets and liabilities</i>) (376-378) and Note 29 to the Financial Statements (<i>Interests in subsidiaries and other entities</i>) (394-398).</p> <p>Liquidity and capital management is undertaken at UBS as an integrated asset and liability management function. While we believe our 'working capital' is sufficient for the company's present requirements, it is our opinion that, as a bank, our liquidity coverage ratio (LCR) is the more relevant measure. For more information see, Annual Report, <i>Liquidity coverage ratio</i> (172).</p> <p>2: Annual Report, <i>Capital, liquidity and funding, and balance sheet</i> (159-182), <i>Currency Management</i> (180), Note 11 to the Financial Statements (<i>Derivative instruments</i>) (326-328), Note 16 to the Financial Statements (<i>Debt issued designated at fair value</i>) (331), Note 17 to the Financial Statements (<i>Debt issued measured at amortized cost</i>) (332), Note 19 to the Financial Statements (<i>Other liabilities</i>) (345), and Note 26 to the Financial Statements (<i>Hedge Accounting</i>) (379-282).</p> <p>3: Annual Report, <i>Material cash requirements</i> (158), <i>Liquidity and funding management</i> (150-152), Note 24 to the Financial Statements (<i>Maturity analysis of assets and liabilities</i>) (376-378), and Note 12 to the Financial Statements (<i>Property, equipment and software</i>) (328).</p> |
| C—Research and Development, Patents and Licenses, etc. | Not applicable. |
| D—Trend Information. | Annual Report, <i>Our businesses</i> (22-31), <i>Our environment</i> (32-35), <i>Regulatory and legal developments</i> (55-60), <i>Risk factors</i> (61-73), <i>Financial and operating performance</i> (74-95), <i>Top and emerging risks</i> (100-101) and Note 2 to the Financial Statements (<i>Accounting for the acquisition of the Credit Suisse Group</i>) (308-314). |
| E—Critical Accounting Estimates | Not applicable. |

| Item 6. Directors, Senior Management and Employees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------------------|-----------------|--|--|-----------------|-----------------|-----------------|-----------------------------------|---------|--------|--------|---------------------------------|--------|--------|--------|---|--------|-------|-------|-------------------------|-------|-------|-------|------------------------|--------|-------|-------|----------------------------|-------|--|--|------------------------|--------|--------|--------|
| A – Directors and Senior Management. | 1, 2 and 3: Annual Report, <i>Board of Directors</i> (193-208) and <i>Group Executive Board</i> (209-217). 4, 5: None. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B – Compensation. | 1: Annual Report, <i>Compensation</i> (223-270), Note 1a, 4) to the Financial Statements (<i>Share-based and other deferred compensation plans</i>) (303-304), Note 28 to the Financial Statements (<i>Employee benefits: variable compensation</i>) (390-394) and Note 31 to the Financial Statements (<i>Related parties</i>) (399-400). 2: Annual Report, <i>Compensation</i> (223-270), Note 27 to the Financial Statements (<i>Post-employment benefit plans</i>) (382-390). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C – Board practices. | 1: Annual Report, <i>Board of Directors</i> (193-208). The term of office for members of the Board of Directors and its Chairman expires after completion of the next Annual General Meeting. The next UBS Group AG Annual General Meeting is scheduled on 24 April 2024. 2: Annual Report, <i>Board of Directors</i> (193-208), <i>Compensation</i> (223-270), <i>Clauses on change of control</i> (218), and Note 31 to the Financial Statements (<i>Related parties</i>) (399-400). 3: Annual Report, <i>Audit Committee</i> (202), <i>Compensation Committee</i> (203) and <i>Auditors</i> (218-220). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| D—Employees. | <p>Annual Report, <i>Employees</i> (38-41).</p> <p>In addition to seeking out employee feedback, we maintain an open dialogue with our formal employee representation groups. We have European works councils representing 17 countries and consider topics related to our performance and operations. Local works councils (such as the UBS Employee Representation Committee and the Credit Suisse Staff Council in Switzerland) discuss benefits, workplace conditions and redundancies, among other topics. Collectively, these groups represent approximately 51.5% of our global workforce.</p> <p>Where applicable, our operations are subject to collective bargaining agreements (CBA). Benefits are aligned with local markets and often go beyond legal requirements or market practice.</p> <p>UBS Group AG (consolidated) personnel by business division and Group functions:</p> <table border="1"> <thead> <tr> <th rowspan="2"><i>Full-time equivalents</i></th> <th colspan="3">As of</th> </tr> <tr> <th>31.12.23</th> <th>31.12.22</th> <th>31.12.21</th> </tr> </thead> <tbody> <tr> <td>Personnel (full-time equivalents)</td> <td>112,842</td> <td>72,597</td> <td>71,385</td> </tr> <tr> <td><i>Global Wealth Management</i></td> <td>29,633</td> <td>24,351</td> <td>24,093</td> </tr> <tr> <td><i>Personal & Corporate Banking</i></td> <td>11,333</td> <td>5,725</td> <td>5,791</td> </tr> <tr> <td><i>Asset Management</i></td> <td>3,714</td> <td>2,848</td> <td>2,693</td> </tr> <tr> <td><i>Investment Bank</i></td> <td>11,251</td> <td>9,177</td> <td>8,667</td> </tr> <tr> <td><i>Non-Core and Legacy</i></td> <td>2,578</td> <td></td> <td></td> </tr> <tr> <td><i>Group functions</i></td> <td>54,334</td> <td>30,497</td> <td>30,142</td> </tr> </tbody> </table> <p>Non-core and Legacy was created in 2023, and includes positions and businesses not aligned with our strategy and policies. Those consist of the assets and liabilities of the Capital Release Unit (Credit Suisse) and certain assets and liabilities of the Investment Bank (Credit Suisse), Wealth Management (Credit Suisse), Swiss Universal Bank (Credit Suisse) and Asset Management (Credit Suisse). Non-core and Legacy also includes the remaining assets and liabilities of UBS's Non-core and Legacy portfolio and smaller amounts of assets and liabilities of UBS business divisions that we have assessed as not strategic in light of the acquisition of the Credit Suisse Group.</p> | <i>Full-time equivalents</i> | As of | | | 31.12.23 | 31.12.22 | 31.12.21 | Personnel (full-time equivalents) | 112,842 | 72,597 | 71,385 | <i>Global Wealth Management</i> | 29,633 | 24,351 | 24,093 | <i>Personal & Corporate Banking</i> | 11,333 | 5,725 | 5,791 | <i>Asset Management</i> | 3,714 | 2,848 | 2,693 | <i>Investment Bank</i> | 11,251 | 9,177 | 8,667 | <i>Non-Core and Legacy</i> | 2,578 | | | <i>Group functions</i> | 54,334 | 30,497 | 30,142 |
| <i>Full-time equivalents</i> | As of | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 31.12.23 | 31.12.22 | 31.12.21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Personnel (full-time equivalents) | 112,842 | 72,597 | 71,385 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Global Wealth Management</i> | 29,633 | 24,351 | 24,093 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Personal & Corporate Banking</i> | 11,333 | 5,725 | 5,791 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Asset Management</i> | 3,714 | 2,848 | 2,693 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Investment Bank</i> | 11,251 | 9,177 | 8,667 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Non-Core and Legacy</i> | 2,578 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Group functions</i> | 54,334 | 30,497 | 30,142 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| E—Share Ownership. | 1 and 2: Annual Report, <i>Compensation</i> (223-270), Note 28 to the Financial Statements (<i>Employee benefits: variable compensation</i>) (390-394) and Note 31b to the Financial Statements (<i>Equity holdings of key management personnel</i>) (399). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| F—Disclosure of a registrant's action to recover erroneously awarded compensation. | Not applicable. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item 7. Major Shareholders and Related Party Transactions. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------|------|-------------|-----------------------|---------------------------------------|-------------|---|-------------|---|-------------|-------------|---|--|--|------|------|------|-------------------|------|------|------|--------------------------|------|------|------|---|------|------|------|
| A—Major Shareholders. | <p>Annual Report, <i>Group structure and shareholders</i> (186), <i>Share capital structure</i> (187-191) and <i>Voting rights, restrictions and representation</i> (191).</p> <p>According to the mandatory FMIA disclosure notifications filed with UBS Group AG and SIX, the following entities disclosed holding of more than 3% of the total share capital of UBS Group AG, with the following number of shares:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of shares held</th> </tr> </thead> <tbody> <tr> <td>Norges Bank, Oslo, on 4 December 2023</td> <td>165,792,053</td> </tr> <tr> <td>BlackRock Inc., New York, on 30 November 2023</td> <td>173,509,685</td> </tr> <tr> <td>Artisan Partners Limited Partnership, Milwaukee, on 29 March 2023</td> <td>106,896,637</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="3">Percentage of shares held (according to last notification received up to end of given year)</th> </tr> <tr> <th>2023</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Norges Bank, Oslo</td> <td>4.79</td> <td>3.01</td> <td>3.01</td> </tr> <tr> <td>BlackRock Inc., New York</td> <td>5.01</td> <td>5.23</td> <td>4.70</td> </tr> <tr> <td>Artisan Partners Limited Partnership, Milwaukee</td> <td>3.03</td> <td>3.15</td> <td>3.15</td> </tr> </tbody> </table> | | | Shareholder | Number of shares held | Norges Bank, Oslo, on 4 December 2023 | 165,792,053 | BlackRock Inc., New York, on 30 November 2023 | 173,509,685 | Artisan Partners Limited Partnership, Milwaukee, on 29 March 2023 | 106,896,637 | Shareholder | Percentage of shares held (according to last notification received up to end of given year) | | | 2023 | 2022 | 2021 | Norges Bank, Oslo | 4.79 | 3.01 | 3.01 | BlackRock Inc., New York | 5.01 | 5.23 | 4.70 | Artisan Partners Limited Partnership, Milwaukee | 3.03 | 3.15 | 3.15 |
| Shareholder | Number of shares held | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Norges Bank, Oslo, on 4 December 2023 | 165,792,053 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BlackRock Inc., New York, on 30 November 2023 | 173,509,685 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Artisan Partners Limited Partnership, Milwaukee, on 29 March 2023 | 106,896,637 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shareholder | Percentage of shares held (according to last notification received up to end of given year) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2023 | 2022 | 2021 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Norges Bank, Oslo | 4.79 | 3.01 | 3.01 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BlackRock Inc., New York | 5.01 | 5.23 | 4.70 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Artisan Partners Limited Partnership, Milwaukee | 3.03 | 3.15 | 3.15 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B—Related Party Transactions. | Annual Report, <i>Loans granted to GEB members</i> (265), <i>Loans granted to BoD members</i> (266) and Note 31 to the Financial Statements (<i>Related parties</i>) (399-400). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C—Interests of Experts and Counsel. | Not applicable. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Item 8. Financial Information. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A—Consolidated Statements and Other Financial Information. | <p>1, 2, 3, 4, 6: Please see Item 18 of this Form 20-F. 5: Not applicable. 7: Information on material legal and regulatory proceedings is in Note 18 to the Financial Statements (<i>Provisions and contingent liabilities</i>) (332-344). For developments during the year, please see also the note <i>Provisions and contingent liabilities</i> in the Consolidated Financial Statements section in our respective quarterly reports for the First, Second and Third Quarters 2023, filed on Forms 6-K dated April 25, 2023, August 31, 2023 and November 7, 2023 (, respectively; as well as the <i>Provisions and contingent liabilities</i> section in the Fourth Quarter 2023 Report, filed on Form 6-K dated February 6, 2024. The disclosures in each such Quarterly Report speak only as of their respective dates. 8: Annual Report, <i>Investors</i> (37-38), <i>Dividend distribution</i> (180), <i>Distributions to shareholders</i> (190-191).</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B—Significant Changes. | None. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Item 9. The Offer and Listing. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A – Offer and Listing Details. | <p>1, 2, 3, 5, 6, 7: Not applicable. 4: Annual Report, <i>Listing of UBS Group AG shares</i> (182).</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B—Plan of Distribution. | Not applicable. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C—Markets. | Cover page (3). Annual Report, <i>Listing of UBS Group AG shares</i> (182) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| D—Selling Shareholders. | Not applicable. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| E—Dilution. | Not applicable. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| F—Expenses of the Issue. | Not applicable. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item 10. Additional Information. | |
|---|---|
| A—Share Capital. | Not applicable. |
| B—Memorandum and Articles of Association. | <p>1: Supplement (14-17).</p> <p>2: Annual Report, <i>Compensation governance (234-235), Compensation for the Board of Directors (255-257)</i>. Supplement (14-17).</p> <p>3: Annual Report, <i>Share capital structure (187-191), Shareholders' participation rights (191-193), Elections and terms of office (201), Change of control and defense measures (218)</i>. Supplement (14-17).</p> <p>4: Supplement (14-17).</p> <p>5: Annual Report, <i>Shareholders' participation rights (191-193)</i>. Supplement (14-17).</p> <p>6: Annual Report, <i>Transferability, voting rights and nominee registration (191), Shareholders' participation rights (191-193)</i>. Supplement (14-17).</p> <p>7: Annual Report, <i>Change of control and defense measures (218)</i>.</p> <p>8: Annual Report, <i>Significant Shareholders (186)</i>.</p> <p>9: Supplement (14-17) and Annual Report, <i>Differences from corporate governance standards relevant to US-listed companies (185), Compensation governance (234-235), Compensation for the Board of Directors (255-257), Share capital structure (187-191), Shareholders' participation rights (191-193), Elections and terms of office (201), Transferability, voting rights and nominee registration (191), Change of control and defense measures (218), Significant Shareholders (186)</i>.</p> <p>10: Supplement (14-17).</p> |
| C—Material Contracts. | <p>The Terms & Conditions of the several series of capital instruments issued to date, and to be issued pursuant to Deferred Capital Contingent Plans, are exhibits 4.1 through 4.20 to this Form 20-F. These notes are described under <i>Swiss SRB total loss-absorbing capacity framework</i> on pages 160-162 of the Annual Report and <i>Our deferred compensation plans</i> on pages 248-249 of the Annual Report.</p> <p>The Asset Transfer Agreement by which certain assets and liabilities of UBS AG were transferred to UBS Switzerland AG is filed as Exhibit 4.21, and is described under <i>Joint liability of UBS AG and UBS Switzerland AG</i> on page 166 of the Annual Report.</p> <p>The merger agreement between UBS Group AG and Credit Suisse Group AG, as well as the parent bank merger agreement between UBS AG and Credit Suisse AG dated 7 December 2023 filed as Exhibit 4.22 hereto and the Swiss banks merger agreement between UBS Switzerland AG and Credit Suisse (Schweiz) AG dated 9 February 2024 filed as Exhibit 4.23 hereto, are described under <i>Acquisition and integration of Credit Suisse</i> on pages 17-19 of the Annual Report.</p> <p>The mergers described in the parent bank merger agreement and the Swiss banks merger agreement will be carried out with some procedural simplifications and without any consideration given that both companies are or – in the case of the merger between UBS Switzerland AG and Credit Suisse (Schweiz) AG – will be wholly-owned by the same parent entity. Upon completion, all assets and liabilities of Credit Suisse AG and Credit Suisse (Schweiz) AG, respectively, will, in principle, transfer automatically to UBS AG and UBS Switzerland AG, respectively.</p> |
| D—Exchange Controls. | <p>Other than in relation to economic sanctions, there are no restrictions under the Articles of Association of UBS Group AG, nor under Swiss law, as presently in force, that limit the right of non-resident or foreign owners to hold UBS's securities freely. There are currently no Swiss foreign exchange controls or other Swiss laws restricting the import or export of capital by UBS or its subsidiaries, nor restrictions affecting the remittance of dividends, interest or other payments to non-resident holders of UBS securities. The Swiss federal government may impose sanctions on particular countries, regimes, organizations or persons which may create restrictions on exchange of control. A current list, in German, French and Italian, of such sanctions can be found at www.seco-admin.ch. UBS may also be subject to sanctions regulations from other jurisdictions where it operates imposing further restrictions.</p> |
| E—Taxation. | Supplement (18-20). |
| F—Dividends and Paying Agents. | Not applicable. |
| G—Statement by Experts. | Not applicable. |
| H—Documents on Display. | <p>UBS files periodic reports and other information with the Securities and Exchange Commission. You may read and copy any document that we file with the SEC on the SEC's website, www.sec.gov. Much of this information may also be found on the UBS website at www.ubs.com/investors.</p> |

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| I—Subsidiary Information. | Not applicable. |
| J—Annual Report to Security Holders | Not applicable |
| Item 11. Quantitative and Qualitative Disclosures About Market Risk. | |
| (a) Quantitative Information About Market Risk. | Annual Report, <i>Market risk</i> (126-134). |
| (b) Qualitative Information About Market Risk. | Annual Report, <i>Market risk</i> (126-134). |
| (c) Interim Periods. | Not applicable. |
| Item 12. Description of Securities Other than Equity Securities. | |
| A – Debt Securities | Not applicable. |
| B – Warrants and Rights | Not applicable. |
| C – Other Securities | Not applicable. |
| D – American Depositary Shares | Not applicable. |
| Item 13. Defaults, Dividend Arrearages and Delinquencies. | There has been no material default in respect of any indebtedness of UBS or any of its significant subsidiaries or any arrearages of dividends or any other material delinquency not cured within 30 days relating to any preferred stock of UBS Group AG or any of its significant subsidiaries. |
| Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds. | None. |
| Item 15. Controls and Procedures. | |
| (a) Disclosure Controls and Procedures | Annual Report, <i>US disclosure requirements</i> (221), and Exhibit 12 to this Form 20-F. |
| (b) Management’s Annual Report on Internal Control over Financial Reporting | Annual Report, <i>Management’s report on internal control over financial reporting</i> (272). |
| (c) Attestation Report of the Registered Public Accounting Firm | Annual Report, <i>Reports of Independent Registered Public Accounting Firm</i> (272-274). |
| (d) Changes in Internal Control over Financial Reporting | None. |
| Item 16A. Audit Committee Financial Expert. | Annual Report, <i>Audit Committee</i> (202) and <i>Differences from corporate governance standards relevant to US-listed companies</i> (185). All Audit Committee members have accounting or related financial management expertise and, in compliance with the rules established pursuant to the US Sarbanes-Oxley Act of 2002, at least one member, the Chairperson Jeremy Anderson, qualifies as a financial expert. |
| Item 16B. Code of Ethics. | Annual Report, <i>Our Code of Conduct and Ethics</i> (43) UBS's Code of Conduct and Ethics ("the Code") is published on our website under https://www.ubs.com/code . The Code does not include a waiver option, and no waiver from any provision of the Code was granted to any employee in 2023. |
| Item 16C. Principal Accountant Fees and Services. | Annual Report, <i>Auditors</i> (218-220). None of the non-audit services so disclosed were approved by the Audit Committee pursuant to paragraph (c) (7)(i)(C) of Rule 2-01 of Regulation S-X. |
| Item 16D. Exemptions from the Listing Standards for Audit Committees. | Not applicable. |
| Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers. | Annual Report, <i>Holding of UBS Group AG shares</i> (181-182), <i>Letter to Shareholders</i> (2-6). |
| Item 16F. Changes in Registrant’s Certifying Accountant. | Not applicable. |

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| Item 16G. Corporate Governance. | Annual Report, <i>Differences from corporate governance standards relevant to US-listed companies</i> (185), <i>Governance and Nominating Committee</i> (204). |
| Item 16H. Mine Safety Disclosure. | Not applicable. |
| Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections | Not applicable. |
| Item 16J. Insider trading policies. | Not applicable. |
| Item 16K. Cybersecurity. | Annual Report, <i>Operational risks affect our business</i> (62-63), <i>Risk management and control</i> (98-157), <i>Board of Directors</i> (193-208), <i>Cybersecurity governance</i> (206), and <i>Group Executive Board</i> (209-217). |
| Item 17. Financial Statements. | Not applicable. |
| Item 18. Financial Statements. | Annual Report, <i>Financial statements</i> (272), <i>Significant regulated subsidiary and sub-group information</i> (405-407) and <i>Additional regulatory information</i> (408-416). |
| Item 19. Exhibits | Supplement (21-22). |

Supplemental information

Item 4. Information on the Company

B – Business Overview

Item 4.B.2. Geographic breakdown of total revenues of UBS Group AG consolidated

The allocation of total revenues by geographical region for the Credit Suisse subgroup is not available on the same allocation basis as for UBS Group for 2023 and the cost to develop this information would be excessive. The below information is disclosed for UBS AG subgroup and for Credit Suisse AG subgroup, in their own accounting standards.

UBS AG consolidated

UBS AG's Financial Statements are prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board and are stated in USD. The operating regions shown in the table below correspond to the regional management structure of UBS AG. The allocation of revenues to these regions reflects, and is consistent with, the basis on which the business is managed and its performance is evaluated. These allocations involve assumptions and judgments that management considers to be reasonable, and may be refined to reflect changes in estimates or management structure.

The main principles of the allocation methodology are that client revenues are attributed to the domicile of the client, and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy and Group Items, are managed at a Group level. These revenues are included in the *Global* column.

USD billion

| Business Division | FY | Americas | Asia Pacific | EMEA | Switzerland | Global | Total |
|------------------------------|------|----------|--------------|------|-------------|--------|-------|
| Global Wealth Management | 2023 | 10.2 | 2.5 | 3.6 | 2.4 | (0.1) | 18.6 |
| | 2022 | 10.6 | 2.6 | 3.9 | 1.9 | 0.0 | 19.0 |
| | 2021 | 10.7 | 2.9 | 3.9 | 1.9 | 0.0 | 19.4 |
| Personal & Corporate Banking | 2023 | 0.0 | 0.0 | 0.0 | 5.3 | 0.0 | 5.3 |
| | 2022 | 0.0 | 0.0 | 0.0 | 4.3 | 0.0 | 4.3 |
| | 2021 | 0.0 | 0.0 | 0.0 | 4.3 | 0.0 | 4.3 |
| Asset Management | 2023 | 0.6 | 0.3 | 0.4 | 0.8 | (0.0) | 2.1 |
| | 2022 | 0.5 | 0.4 | 0.4 | 0.7 | 0.8 | 3.0 |
| | 2021 | 0.6 | 0.5 | 0.5 | 0.8 | 0.0 | 2.6 |
| Investment Bank | 2023 | 2.5 | 2.3 | 2.2 | 0.8 | 0.0 | 7.8 |
| | 2022 | 2.7 | 2.7 | 2.6 | 0.7 | 0.0 | 8.7 |
| | 2021 | 3.2 | 3.0 | 2.5 | 0.8 | (0.0) | 9.5 |
| Non-core and Legacy | 2023 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| | 2022 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| | 2021 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Group Items | 2023 | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) | (0.1) |
| | 2022 | 0.0 | 0.0 | 0.0 | 0.0 | (0.3) | (0.3) |
| | 2021 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| UBS AG subgroup | 2023 | 13.3 | 5.2 | 6.1 | 9.2 | (0.1) | 33.7 |
| | 2022 | 13.8 | 5.6 | 7.0 | 7.7 | 0.8 | 34.9 |
| | 2021 | 14.5 | 6.5 | 7.0 | 7.8 | 0.1 | 35.8 |

Credit Suisse AG consolidated

Credit Suisse AG's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). Responsibility for each product is allocated to a specific segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions, and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

The designation of net revenues and income/(loss) before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Credit Suisse AG is managed.

| Net revenues (CHF million) | | | |
|---|--------------------|---------------|---------------|
| | 2023 | 2022 | 2021 |
| Wealth Management | 3,058 | 4,904 | 5,549 |
| Swiss Bank | 3,515 | 4,228 | 4,457 |
| Asset Management | 659 | 1,214 | 1,352 |
| Non-core and Legacy (including Investment Bank) | (1,185) | 4,635 | 11,347 |
| Corporate Center | 14,586 | (61) | (9) |
| Adjustments ¹ | (743) ² | 293 | 346 |
| Net revenues | 19,890 | 15,213 | 23,042 |

¹ Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain revenues and expenses that were not allocated to the segments.

² Includes a gain of CHF 894 million from the write-down of additional tier 1 capital notes relating to Credit Suisse Group.

| Net revenues by geographic location (CHF million) | | | |
|--|---------------|---------------|---------------|
| | 2023 | 2022 | 2021 |
| Switzerland | 17,210 | 7,154 | 8,382 |
| EMEA | (1,488) | 523 | 2,916 |
| Americas | 4,270 | 6,134 | 8,896 |
| Asia Pacific | (102) | 1,402 | 2,848 |
| Net revenues | 19,890 | 15,213 | 23,042 |

Disclosure Pursuant To Section 219 of the Iran Threat Reduction And Syrian Human Rights Act

Section 219 of the US Iran Threat Reduction and Syria Human Rights Act of 2012 (“ITRA”) added Section 13(r) to the US Securities Exchange Act of 1934, as amended (the “Exchange Act”) requiring each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports whether it or any of its affiliates have knowingly engaged in certain activities, transactions or dealings relating to Iran or with the Government of Iran or certain designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the report. The required disclosure may include reporting of activities not prohibited by US or other law, even if conducted outside the US by non-US affiliates in compliance with local law. Pursuant to Section 13(r) of the Exchange Act, we note the following for the period covered by this annual report:

UBS has a Group Sanctions Policy that prohibits transactions involving sanctioned countries, including Iran, and sanctioned individuals and entities. However, UBS Switzerland AG maintains one account involving the Iranian government under the auspices of the United Nations in Geneva after agreeing with the Swiss government that it would do so only under certain conditions. These conditions include that payments involving the account must: (1) be made within Switzerland; (2) be consistent with paying rent, salaries, telephone and other expenses necessary for its operations in Geneva; and (3) not involve any Specially Designated Nationals (SDNs) blocked or otherwise restricted under US or Swiss law. In 2023, the gross revenues for this UN-related account were approximately USD 5,731.46. We do not allocate expenses to specific client accounts in a way that enables us to calculate net profits with respect to any individual account. UBS AG intends to continue maintaining this account pursuant to the conditions it has established with the Swiss Government and consistent with its Group Sanctions Policy.

As previously reported, UBS had certain outstanding legacy trade finance arrangements issued on behalf of Swiss client exporters in favor of their Iranian counterparties. In February 2012 UBS ceased accepting payments on these outstanding export trade finance arrangements and worked with the Swiss government who insured these contracts (Swiss Export Risk Insurance "SERV"). On December 21, 2012, UBS and the SERV entered into certain Transfer and Assignment Agreements under which SERV purchased all of UBS's remaining receivables under or in connection with Iran-related export finance transactions. Hence, the SERV is the sole beneficiary of said receivables. There was no financial activity involving Iran in connection with these trade finance arrangements in 2023, and no gross revenue or net profit.

In connection with these trade finance arrangements, UBS Switzerland AG has maintained one existing account relationship with an Iranian bank. This account was established prior to the US designation of this bank and maintained due to the existing trade finance arrangements. In 2007, following the designation of the bank pursuant to sanctions issued by the US, UN and Switzerland, the account was blocked under Swiss law and remained subject to blocking requirements until January 2016. Client assets as of 31 December 2023 were CHF 3,097.40. Gross revenues were USD 3.69 equivalent.

In addition to the above, during 2023, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and related to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Item 10. Additional Information.

B—Memorandum and Articles of Association.

Please see the Articles of Association of UBS Group AG (Exhibit 1.1 to this Form 20-F) and the Organization Regulations of UBS Group AG (Exhibit 1.2 to this Form 20-F).

Set forth below is a summary of the material provisions of the Articles of Association of UBS Group AG (the “Articles”), Organization Regulations of UBS Group AG (the “Organization Regulations”) and relevant Swiss laws, in particular the Swiss Code of Obligations, relating to the ordinary shares of UBS Group AG (the “shares”). This description does not purport to be complete and is qualified in its entirety by references to Swiss law, including Swiss company law, and to the Articles and Organization Regulations.

The principal legislation under which UBS Group AG operates, and under which the shares are issued, is the Swiss Code of Obligations.

Shares and Shareholders

Shares

The shares are registered shares (*Namenaktien*) with a par value of USD 0.10 per share and are issued as uncertificated securities (*einfache Wertrechte*) (in the sense of the Swiss Code of Obligations). The shares are fully paid up, and there is no liability of shareholders to further capital calls by UBS Group AG. The shares rank *pari passu* in all respects with each other, including voting rights, entitlement to dividends, share of the liquidation proceeds in case of the liquidation of UBS Group AG, preemptive rights in the event of a share issue (*Bezugsrechte*) and advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*).

The Articles provide that we may elect to print and deliver certificates for shares at any time. However, shareholders have no right to request the printing and delivery of certificates for shares or the conversion of the shares into another form.

Share Register

Swiss law distinguishes between registration with and without voting rights. Shareholders must be registered in our share register as shareholders with voting rights in order to vote and participate in shareholders’ meetings or to assert or exercise other rights related to voting rights.

Swiss law and the Articles require UBS Group AG to keep a share register in which the names, addresses and nationality (or registered office in the case of legal entities) of the owners of the shares are recorded. The main function of the share register is to register shareholders entitled to vote and participate in shareholders’ meetings, or to assert or exercise other rights related to voting rights.

A shareholder will be registered in our share register with voting rights upon disclosure of its name, address and nationality (or registered office in the case of legal entities). However, we may decline a registration with voting rights if the shareholder does not declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, it will be registered in our share register as a shareholder without voting rights.

In order to register shares in our share register, a shareholder must file a share registration form with the share register. Failing such registration, a shareholder may not vote at or participate in shareholders’ meetings, but will be entitled to receive dividends and other rights with financial value, such as preemptive rights in the event of a share issue (*Bezugsrechte*) and advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*), and its share of liquidation proceeds. Shareholders registered in our share register may at any time request from us a confirmation of the shares that they hold according to our share register.

UBS Group AG’s share register is kept by UBS Shareholder Services, P.O. Box, 8098 Zurich, Switzerland. UBS Shareholder Services is responsible for the registration of the shares. The share register is split into two parts – a Swiss register, which is maintained by UBS Group AG, acting as Swiss share registrar, and a US register, which is maintained by Computershare Trust Company NA, c/o Computershare Investor Services, P.O. Box 505000, Louisville, KY 40233-5000, United States, as US transfer agent.

Transfer of Shares

The transfer of shares constituting intermediated securities (*Bucheffekten*) (within the meaning of the Swiss Federal Intermediated Securities Act) is effected by entries in securities accounts in accordance with applicable law. The transfer of shares that do not constitute intermediated securities is effected by way of a written declaration of assignment and requires notice to UBS Group AG.

Shareholders' Meetings

A shareholders' meeting is convened by the Board of Directors (the "BoD") or, if necessary, by the company's statutory auditors upon notification of the shareholders at least 20 days prior to such meeting. An invitation to any shareholders' meeting will be sent to all registered shareholders. The Articles do not require a minimum number of shareholders to be present in order to hold a shareholders' meeting.

Unless otherwise provided by Swiss law or the Articles (as indicated below), resolutions require the approval of a majority of the votes represented, excluding blank and invalid ballots, at a shareholders' meeting in order to be passed.

Under Swiss corporate law (or Swiss banking law, as the case may be), a resolution passed at a shareholders' meeting with the approval of at least a two-thirds of the votes, and a majority of the nominal value of shares, in each case represented at such meeting is required in order to approve:

- A change in the corporation's stated purpose in its articles of association;
- The consolidation of shares, unless the consent of all the shareholders concerned is required;
- The restriction or exclusion of preemptive rights in the event of a share issue (*Bezugsrechte*);
- The conversion of participation certificates into shares;
- The introduction of shares with preferential voting rights;
- Any restriction on the transferability of registered shares;
- Any change in the currency of the share capital;
- The introduction of a casting vote for the person chairing the shareholders' meeting;
- A provision of the articles of association on holding the shareholders' meeting abroad;
- The delisting of the equity securities of the corporation;
- The creation of conditional capital, the introduction of a capital band or, in accordance with Swiss banking law, the introduction of reserve capital;
- An increase in share capital in consideration of contributions in kind, or by off-set of a claim, or involving the granting of special privileges, or from the transformation of reserves into share capital;
- A change of domicile of the corporation;
- The introduction of an arbitration clause in the articles of association;
- Dissolution of the corporation.

Under the Articles, a resolution passed at a shareholders' meeting with the approval of at least two-thirds of the votes represented at such meeting is required in order to approve:

- A change to the provisions in the Articles regarding the number of members of the BoD;
- Removal of one-quarter or more of the members of the BoD; or
- The deletion or modification of the provision of the Articles establishing these supermajority requirements.

At shareholders' meetings, a shareholder can be represented by a legal representative or under a written power of attorney by a proxy who does not need to be a shareholder or, under a written or electronic power of attorney, by the independent proxy. Votes are taken electronically, by written ballot or by a show of hands. Shareholders representing at least 3% of the votes represented may always request that a vote or election take place electronically or by a written ballot.

Net Profits and Dividends

Swiss law requires that at least 5% of the annual net profits of a corporation must be retained and booked as statutory retained earnings until these retained earnings equal, together with the corporation's statutory capital reserve, no less than 50% of the corporation's share capital registered in the commercial register. Holding companies, such as UBS Group AG, must increase their statutory retained earnings until these equal, together with their statutory capital reserve, no less than 20% of the holding company's share capital registered in the commercial register. Any remaining net profit of the corporation may be allocated by the shareholders represented at the applicable shareholders' meeting.

Under Swiss law, dividends may be paid by a corporation only if, based on its audited standalone statements prepared in accordance with Swiss law, the corporation has sufficient distributable profits from the previous financial years or if the reserves of the corporation are sufficient to allow distribution of a dividend. In either event, dividends may be paid by the corporation only after approval by the shareholders' meeting. The BoD may propose to the shareholders that a dividend be paid, but cannot itself set the dividend. The corporation's statutory auditors must confirm that any dividend proposal of the BoD is in accordance with Swiss law and the corporation's articles of association.

Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of dividend payments is five years.

Preemptive and Advance Subscription Rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or for no consideration, is subject to the prior approval of the shareholders' meeting. Existing shareholders of a Swiss corporation have certain preemptive rights in the event of a share issue (*Bezugsrechte*) and advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*) to subscribe for the new shares or equity-linked securities, as the case may be, in proportion to the nominal amount of shares held. However, the articles of association of the corporation or a resolution approved at a shareholders' meeting by at least two-thirds of the votes and a majority of the nominal value of the shares, in each case represented at the meeting, may limit or exclude such preemptive or advance subscription rights in certain limited circumstances.

Notices

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The BoD may designate further means of communication for publishing notices to shareholders.

Mandatory Tender Offer

Under the applicable provisions of the Swiss Financial Market Infrastructure Act, anyone who directly or indirectly or acting in concert with third parties acquires more than 33 1/3% of the voting rights (whether exercisable or not) of a Swiss-listed company will have to submit a takeover bid to acquire all other listed equity securities of such company. A waiver from the mandatory bid rule may be granted by the Swiss Takeover Board or the Swiss Financial Market Supervisory Authority FINMA. If no waiver is granted, the mandatory takeover bid must be made pursuant to the procedural rules set forth in the Swiss Financial Market Infrastructure Act and its implementing ordinances.

Board of Directors Borrowing Power

Neither Swiss law nor the Articles restrict in any way our power to borrow and raise funds, provided that any such borrowing is entered into on arms' length terms.

UBS Group AG, as a listed company, may grant loans to members of its BoD based on the Articles. The Articles restrict UBS Group AG's ability to grant loans to BoD members as follows: First, loans to the independent members of the BoD shall be made in accordance with the customary business and market conditions. Second, loans to the non-independent members of the BoD shall be made in the ordinary course of business on substantially the same terms as those granted to UBS employees. Third, the total amount of such loans shall not exceed CHF 20m per member.

Conflicts of Interests

Swiss law requires directors and members of senior management to inform the BoD immediately and comprehensively of any conflicts of interest affecting them. The BoD then has to take the measures required to safeguard the interests of the corporation. Directors and officers are personally liable to the corporation for any breach of these provisions. In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated therewith, other than at arm's length, must be repaid to the corporation if the shareholder or director was acting in bad faith.

In addition, the Organization Regulations provide that the member of the BoD or senior management with a conflict of interest shall participate in discussions and a double vote (meaning a vote with and a vote without the conflicted individual) shall take place. A binding decision on the matter requires the same outcome in both votes. This is subject to exceptional circumstances in which the best interests of UBS dictate that the member of the BoD or senior management with a conflict of interest shall not participate in the discussions and decision-making involving the interest at stake.

Retirement of Board Members

There is no age-limit requirement for retirement of the members of the BoD. The term of office for each BoD member is until the next annual general meeting of shareholders, and no BoD member may serve for more than 10 consecutive terms of office. In exceptional circumstances the BoD can extend this limit.

The Company

Repurchase of Shares

Swiss law limits a corporation's ability to hold or repurchase its own shares. We and our subsidiaries may repurchase shares only if and to the extent that (i) we have freely distributable reserves in the amount of the purchase price and (ii) the aggregate nominal value of all shares held by us and our subsidiaries does not exceed 10% of our nominal share capital (or 20% of our nominal share capital in specific circumstances). Repurchases for cancellation purposes approved by the shareholders' meeting are not subject to the 10% threshold for own shares within the meaning of article 659 paragraph 2 of the Swiss Code of Obligations. We must create a special reserve in our standalone financial statements prepared in accordance with Swiss law in the amount of the purchase price of any repurchased shares. Furthermore, in our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares held by us or any of our subsidiaries do not carry any rights to vote at shareholders' meetings.

Sinking Fund Provisions

There are no provisions in Swiss law or in the Articles requiring us to put resources aside for the exclusive purpose of redeeming bonds or repurchasing shares.

Registration and Business Purpose

UBS Group AG was incorporated and registered as a corporation limited by shares (*Aktiengesellschaft*) under the laws of Switzerland. UBS Group AG was entered into the commercial register of Canton Zurich on June 10, 2014 under the registration number CHE-395.345.924 and has its registered domicile in Zurich, Switzerland. The business purpose of UBS Group AG, as set forth in article 2 of the Articles, is the acquisition, holding, management and sale of direct and indirect participations in enterprises of any kind, in particular in the area of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS Group AG may establish enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS Group AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS Group AG may provide loans, guarantees and other types of financing and security for group companies and borrow and invest capital on the money and capital markets.

Duration and Liquidation

UBS Group AG has an unlimited duration.

Under Swiss law, we may be dissolved at any time by way of liquidation or in the case of a merger in accordance with the Swiss Federal Act on Merger, Demerger, Transformation of Assets of October 3, 2002, as amended, based on a resolution passed at a shareholders' meeting with the approval of at least a two-thirds majority of the votes, and a majority of the nominal value of shares, in each case represented at such meeting. As UBS Group AG is the Swiss parent of a financial group, the Swiss Financial Market Supervisory Authority FINMA is the only competent authority to open restructuring or liquidation (bankruptcy) proceedings with respect to UBS Group AG.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) must be used first to repay the nominal share capital of UBS Group AG. Thereafter, any balance must be distributed to shareholders in proportion to the paid-up nominal value of shares held.

Other

Ernst & Young Ltd, Aeschengraben 9, 4051 Basel, Switzerland, PCAOB number 1460, have been appointed as statutory auditors and as auditors of the consolidated accounts of UBS Group AG. The auditors are subject to election each year by the shareholders at the annual general meeting.

E—Taxation.

This section outlines the material Swiss tax and US federal income tax consequences of the ownership of UBS Group AG's ordinary shares (defined as "UBS ordinary shares" in this section) by a US holder (as defined below) who holds UBS ordinary shares as capital assets. This discussion addresses only US federal income taxation and Swiss income and capital taxation and does not discuss all of the tax consequences that may be relevant to holders in light of their individual circumstances, including other foreign tax consequences, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. It is designed to explain the major interactions between Swiss and US taxation for US persons who hold UBS ordinary shares.

The discussion does not address the tax consequences to persons who hold UBS ordinary shares in particular circumstances, such as tax-exempt entities, banks, financial institutions, life insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, holders that actually or constructively own 10% or more of the total combined voting power of the voting stock of UBS Group AG or of the total value of stock of UBS Group AG, holders that hold UBS ordinary shares as part of a straddle or a hedging or conversion transaction, holders that purchase or sell UBS ordinary shares as part of a wash sale for tax purposes or holders whose functional currency for US tax purposes is not the US dollar. This discussion also does not apply to holders who acquired their UBS ordinary shares through a tax-qualified retirement plan, nor generally to unvested UBS ordinary shares held under deferred compensation arrangements.

If a partnership (or other entity treated as a partnership for US federal income tax purposes) holds UBS ordinary shares, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the UBS ordinary shares should consult its tax advisor with regard to the US federal income tax treatment of an investment in the ordinary shares.

The discussion is based on the tax laws of Switzerland and the United States, including the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, as in effect on the date of this document, as well as the Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income (the "Treaty"), all of which may be subject to change or change in interpretation, possibly with retroactive effect.

For purposes of this discussion, a "US holder" is any beneficial owner of UBS ordinary shares that is for US federal income tax purposes:

- A citizen or resident of the United States;
- A domestic corporation or other entity taxable as a corporation;
- An estate, the income of which is subject to US federal income tax without regard to its source; or
- A trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

Holders of UBS ordinary shares are urged to consult their tax advisors regarding the US federal, state and local and the Swiss and other tax consequences of owning and disposing of these shares in their particular circumstances.

(a) Ownership of UBS Ordinary Shares - Swiss Taxation

Dividends and Distributions

Dividends paid by UBS Group AG to a holder of UBS ordinary shares (including dividends on liquidation proceeds and stock dividends) are in principle subject to a Swiss federal withholding tax at a rate of 35%.

Under the Capital Contribution Principle, the repayment of capital contributions, including share premiums made by the shareholders after December 31, 1996 is in principle no longer subject to Swiss withholding tax if certain requirements regarding the booking of these capital contributions are met.

Swiss companies listed on a Swiss stock exchange such as UBS Group AG can repay reserves from capital contributions to their shareholders without deduction of Swiss withholding tax only if they distribute at least the same amount of taxable dividends. For this reason UBS Group AG pays half of the dividend from capital contribution reserves and half of the dividend from taxable dividends which is subject to 35% Swiss withholding tax.

A US holder resident in the US that qualifies for Treaty benefits may apply for a refund of the withholding tax withheld in excess of the 15% Treaty rate (or for a full refund in case of qualifying retirement arrangements). The claim for refund must be filed with the Swiss Federal Tax Administration, Eigerstrasse 65, CH-3003 Berne, Switzerland no later than December 31 of the third year following the end of the calendar year in which the income subject to withholding was due. The form used for obtaining a refund is one of the Swiss Tax Forms 82 (82 C for US companies; 82 E for other US entities; 82 I for individuals; 82 R for regulated investment companies), which may be obtained from the Swiss Federal Tax Administration at the address above or downloaded from the web page of the Swiss Federal tax Administration. The form must be filled out in triplicate with each copy duly completed and signed before a notary public in the United States. The form must be accompanied by evidence of the deduction of withholding tax withheld at the source.

A US holder resident outside the US may be eligible for a withholding tax reclaim. If the US holder is resident in Switzerland, a full reclaim based on the Swiss withholding tax Act is possible provided all necessary conditions are met. A US holder resident neither in the US nor in Switzerland may be eligible for a partial reclaim provided that a Treaty between Switzerland and the country of residence is applicable and that all necessary conditions are met.

Transfers of UBS Ordinary Shares

The purchase or sale of UBS ordinary shares, whether by Swiss resident or non-resident holders (including US holders), may be subject to a Swiss securities transfer stamp duty of up to 0.15% calculated on the purchase price or sale proceeds if it occurs through or with a bank or other securities dealer as defined in the Swiss Federal Stamp Tax Act in Switzerland or the Principality of Liechtenstein. In addition to the stamp duty, the sale of UBS ordinary shares by or through a member of a recognized stock exchange may be subject to a stock exchange levy.

Capital gains realized by a US holder upon the sale of UBS ordinary shares are not subject to Swiss income or gains taxes, unless such US holder holds such shares as business assets of a Swiss business operation qualifying as a permanent establishment. In the latter case, gains are taxed at ordinary Swiss individual or corporate income tax rates, as the case may be, and losses are deductible for purposes of Swiss income taxes. Furthermore, a US holder who is an individual resident in Switzerland and holds such shares as business assets (as he qualifies as a professional trader of securities as per Swiss tax law) may be liable to Swiss income taxes on gains.

(b) Ownership of UBS Ordinary Shares - US Federal Income Taxation

The tax treatment of the UBS ordinary shares will depend in part on whether or not UBS Group AG is classified as a passive foreign investment company, or PFIC, for US federal income tax purposes. Except as discussed below under “—Passive Foreign Investment Company (PFIC) Rules”, this discussion assumes that UBS Group AG is not classified as a PFIC for United States federal income tax purposes.

Dividends and Distributions

A US holder will include in gross income and treat as a dividend the gross amount of any distribution paid, before reduction for Swiss withholding taxes, by UBS Group AG out of its current or accumulated earnings and profits (as determined for US federal income tax purposes), other than certain pro-rata distributions of UBS ordinary shares, when the distribution is actually or constructively received by the US holder. Distributions in excess of current and accumulated earnings and profits (as determined for US federal income tax purposes) will be treated as a return of capital to the extent of the US holder's basis in its UBS ordinary shares and thereafter as capital gain. However, UBS Group AG does not expect to calculate earnings and profits in accordance with US federal income tax principles. Accordingly, a US holder should expect to generally treat distributions made on UBS ordinary shares as dividends.

Dividends paid to a noncorporate US holder that constitute qualified dividend income will be taxable to the holder at preferential rates, provided that the holder has a holding period in the shares of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends paid by UBS Group AG with respect to the ordinary shares will generally be qualified dividend income provided that, in the year that the US holder receives the dividend, the UBS ordinary shares are readily tradable on an established securities market in the United States. The UBS ordinary shares are listed on the New York Stock Exchange, and UBS Group AG therefore expects that dividends will be qualified dividend income.

For US federal income tax purposes, a dividend will include a distribution characterized under Swiss law as a repayment of capital contributions if the distribution is made out of current or accumulated earnings and profits, as described above.

Dividends will generally be income from sources outside the United States for foreign tax credit limitation purposes, and will generally be "passive" income for purposes of computing the foreign tax credit allowable to the holder. However, if (a) we are 50% or more owned, by vote or value, by US persons and (b) at least 10% of our earnings and profits are attributable to sources within the United States, then for foreign tax credit purposes, a portion of our dividends would be treated as derived from sources within the United States. With respect to any dividend paid for any taxable year, the US source ratio of our dividends for foreign tax credit purposes would be equal to the portion of our earnings and profits from sources within the United States for such taxable year, divided by the total amount of our earnings and profits for such taxable year. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to preferential rates. The dividend will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

Dividends on the UBS ordinary shares are taxable to a US holder when the US holder receives the dividends, actually or constructively. In the case of dividends that are paid in Swiss francs, the amount of the dividend distribution included in income of a US holder will be the US dollar value of the Swiss franc payments made, determined at the spot Swiss franc/US dollar rate on the date such dividend distribution is includible in the income of the US holder, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in income to the date such dividend payment is converted into US dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Subject to US foreign tax credit limitations, the nonrefundable Swiss tax withheld and paid over to Switzerland will generally be creditable or deductible against the US holder's US federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a reduction or refund of the tax withheld is available to a US holder under the laws of Switzerland or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the US holder's US federal income tax liability, whether or not the refund is actually obtained. See "(a) Ownership of UBS Ordinary Shares – Swiss Taxation" above, for the procedures for obtaining a tax refund.

Transfers of UBS Ordinary Shares

A US holder that sells or otherwise disposes of UBS ordinary shares generally will recognize capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realized and its tax basis, determined in US dollars, in such UBS ordinary shares. Capital gain of a non-corporate US holder is generally taxed at preferential rates if the UBS ordinary shares were held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. A US holder will not be allowed a foreign tax credit in respect of any stamp duty or stock exchange levy that is imposed upon a transfer of UBS ordinary shares.

Passive Foreign Investment Company (PFIC) Rules

UBS Group AG believes that it should not currently be classified as a PFIC for US federal income tax purposes, and it does not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination made annually and thus may be subject to change. In addition, UBS Group AG's current position that it is not currently, and it does not expect to become, a PFIC is based on the position that UBS Group AG qualifies for a special rule that treats income recognized by a bank in the active conduct of a banking business as active income for PFIC purposes (the "active bank exception"). It is possible, however, that UBS Group AG may not satisfy the requirements of the active bank exception in the current or a future taxable year, or that the U.S. Internal Revenue Service may issue guidance in the future under which UBS Group AG would not satisfy the requirements of the active bank exception. It is therefore possible that UBS Group AG could become a PFIC in a future taxable year. In general, UBS Group AG will be a PFIC with respect to a US holder if, for any taxable year in which the US holder held UBS ordinary shares, either (i) at least 75% of the gross income of UBS Group AG for the taxable year is passive income or (ii) at least 50% of the value, determined on the basis of a quarterly average, of UBS Group AG's assets is attributable to assets that produce or are held for the production of passive income (including cash). "Passive income" generally includes dividends, interest, gains from the sale or exchange of investment property rents and royalties and certain other specified categories of income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If UBS Group AG were to be treated as a PFIC, special rules apply with respect to (i) any gain a US holder realizes on the sale or other disposition of UBS ordinary shares, and (ii) any excess distribution that UBS Group AG makes to a US holder (generally, any distributions to the US holder during a single taxable year, other than the taxable year in which the US holder's holding period in the UBS ordinary shares begins, that are greater than 125% of the average annual distributions received by the US holder in respect of the UBS ordinary shares during the three preceding taxable years or, if shorter, the US holder's holding period for the UBS ordinary shares that preceded the taxable year in which the US holder receives the distribution). Under these rules: (i) the gain or excess distribution will be allocated ratably over the US holder's holding period for the UBS ordinary shares, (ii) the amount allocated to the taxable year in which the US holder realized the gain or excess distribution or to prior years before the first year in which UBS Group AG is a PFIC with respect to the US holder will be taxed as ordinary income, (iii) the amount allocated to each other prior year will be taxed at the highest tax rate in effect for that year, and (iv) the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC. With certain exceptions, a US holder's UBS ordinary shares will be treated as stock in a PFIC if UBS Group AG was a PFIC at any time during the holder's holding period in the UBS ordinary shares. In addition, dividends received from UBS Group AG would not be eligible for the preferential tax rate applicable to qualified dividend income if UBS Group AG were to be treated as a PFIC either in the taxable year of the distribution or the preceding taxable year, but would instead be taxable at rates applicable to ordinary income. If a US holder owns UBS ordinary shares during any year that UBS Group AG is PFIC with respect to the US holder, the US holder may be required to file Internal Revenue Service Form 8621.

Item 19. Exhibits.

| Exhibit number | Description |
|----------------|---|
| 1.1 | Articles of Association of UBS Group AG dated 5 April 2023. (Incorporated by reference to Form 6-K of UBS Group AG filed on April 25, 2023) |
| 1.2 | Organization Regulations of UBS Group AG dated 1 March 2024. |
| 2(b) | Instruments defining the rights of the holders of long-term debt issued by UBS Group AG and its subsidiaries. We agree to furnish to the SEC upon request, copies of the instruments, including indentures, defining the rights of the holders of our long-term debt and of our subsidiaries' long-term debt. |
| 2(d) | Description of securities registered under Section 12 or the Securities Exchange Act of 1934. |
| 4.1 | Terms and Conditions of Tier 2 Subordinated Notes of UBS AG due 2024, issued 15 May 2014. (Incorporated by reference to Exhibit 4.3 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.2 | Terms and Conditions of USD 1.25 billion 7% Tier 1 Subordinated Notes issued by UBS Group AG on 19 February 2015. (Incorporated by reference to Exhibit 4.4 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.3 | Terms and Conditions of USD 1.575 billion Tier 1 Subordinated Notes issued by UBS Group AG on 7 August 2015. (Incorporated by reference to Exhibit 4.8 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2015) |
| 4.4 | Terms and Conditions of AUD 700 million 4.375% Tier 1 Subordinated Notes issued on 27 August 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.17 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.5 | Terms and Conditions of SGD 750 million 4.85% Tier 1 Subordinated Notes issued on 04 September 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.6 | Terms and Conditions of CHF 275 million 3.00% Tier 1 Subordinated Notes issued on 13 November 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.7 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2019/20. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.8 | Terms and Conditions of USD 750 million 5.125% Tier 1 Subordinated Notes issued on 29 July 2020 by UBS Group AG. (Incorporated by reference to Exhibit 4.20 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.9 | Terms and Conditions of USD 1.5 billion 4.375% Tier 1 Subordinated Notes issued on 10 February 2021 by UBS Group AG. (Incorporated by reference to Exhibit 4.21 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.10 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2020/21. (Incorporated by reference to Exhibit 4.22 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |
| 4.11 | Terms and Conditions of USD 750 million 3.875% Tier 1 Subordinated Notes issued on 02 June 2021 by UBS Group AG. (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021) |

- 4.12 [Terms and Conditions of USD 1.5 billion 4.875% Tier 1 Subordinated Notes issued on 12 January 2022 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.13 [Terms and Conditions of CHF 265 million 3.375% Tier 1 Subordinated Notes issued on 16 February 2022 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.20 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.14 [Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2021/22.](#) (Incorporated by reference to Exhibit 4.21 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.15 [Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2022/23.](#) (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2022)
- 4.16 [Terms and Conditions of USD 1.75 billion 9.250% Tier 1 Subordinated Notes issued on 13 November 2023 by UBS Group AG, first call date 13 November 2028.](#)
- 4.17 [Terms and Conditions of USD 1.75 billion 9.250% Tier 1 Subordinated Notes issued on 13 November 2023 by UBS Group AG, first call date 13 November 2033.](#)
- 4.18 [Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2023/24.](#)
- 4.19 [Terms and Conditions of USD 1 billion 7.750% Tier 1 Subordinated Notes issued on 12 February 2024 by UBS Group AG, first call date 12 April 2031.](#)
- 4.20 [Terms and Conditions of SGD 650 million 5.750% Tier 1 Subordinated Notes issued on 21 February 2024 by UBS Group AG, first call date 21 August 2029.](#)
- 4.21 [Asset Transfer Agreement between UBS AG and UBS Switzerland AG dated 12 June 2015.](#) (Incorporated by reference to Form 6-K of UBS AG filed on June 17, 2015)
- 4.22 [Merger Agreement between UBS AG and Credit Suisse AG dated 7 December 2023.](#)
- 4.23 [Merger Agreement between UBS Switzerland AG and Credit Suisse \(Schweiz\) AG dated 9 February 2024.](#)
- 8 Significant Subsidiaries of UBS Group AG.

Please see Note 29 to the Financial Statements (*Interests in subsidiaries and other entities*), on pages 394-398 of the Annual Report.

- 12 [The certifications required by Rule 13\(a\)-14\(a\) \(17 CFR 240.13a-14\(a\)\).](#)
- 13 [The certifications required by Rule 13\(a\)-14\(b\) \(17 CFR 240.13a-14\(b\)\) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code \(18 U.S.C. 1350\).](#)
- 15 [Consent of Ernst & Young Ltd. with respect to UBS Group AG.](#)
- 97 [UBS Group U.S Listing Standards Clawback Policy.](#)
- 101 Interactive Data Files (sections of the Annual Report formatted in inline XBRL (Extensible Business Reporting Language)). Furnished electronically herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused the undersigned to sign this annual report on its behalf.

UBS Group AG

/s/ Sergio Ermotti

Name: Sergio Ermotti

Title: Group Chief Executive Officer

/s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Chief Financial Officer

/s/ Steffen Henrich

Name: Steffen Henrich

Title: Group Controller

Date: March 28, 2024

Annual Report 2023

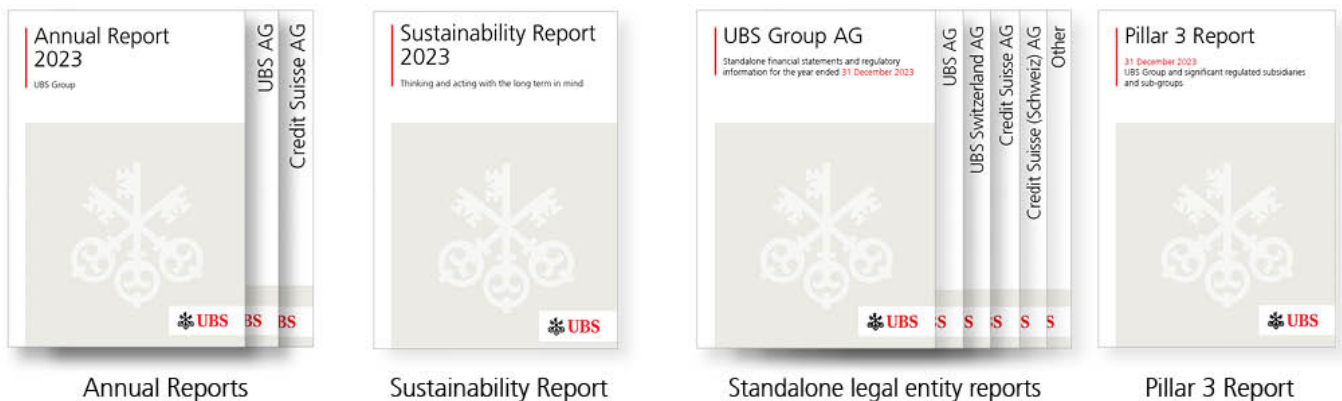
UBS Group



Our external reporting approach

The scope and content of our external reports are determined by Swiss legal and regulatory requirements, accounting standards, relevant stock and debt listing rules, including regulations promulgated by the Swiss Financial Market Supervisory Authority (FINMA), the SIX Swiss Exchange, the US Securities and Exchange Commission (the SEC) and other regulatory requirements, as well as by our financial reporting policies.

At the center of our external reporting approach is the annual report of the UBS Group, which consists of disclosures for UBS Group AG and its consolidated subsidiaries. Due to the acquisition of the Credit Suisse Group in 2023 and our Group structure as of 31 December 2023, we also provide separate annual reports for UBS AG and for Credit Suisse AG, on a sub-consolidated basis. The aforementioned three annual reports are the basis for the corresponding 2023 SEC Form 20-F filings for each entity.



Annual Reports

The UBS Group Annual Report 2023, UBS AG Annual Report 2023 and Credit Suisse AG Annual Report 2023 include the consolidated financial statements of UBS Group AG, UBS AG and Credit Suisse AG, respectively, and together provide comprehensive information about our Group, including strategy, businesses, financial and operating performance, and other key information.

The consolidated financial statements of UBS Group AG and UBS AG have been prepared in accordance with IFRS Accounting Standards. The sections within "Risk, capital, liquidity and funding, and balance sheet" include certain audited financial information, which forms part of the consolidated financial statements. The UBS Group and UBS AG reports are presented in US dollars.

The consolidated financial statements of Credit Suisse AG have been prepared in accordance with US generally accepted accounting principles (GAAP). The Credit Suisse AG report is presented in Swiss francs.

The UBS Group Annual Report 2023 is partly translated into German, with the German translation available under "Annual reporting" at ubs.com/investors.

Sustainability Report

The UBS Group Sustainability Report 2023 provides disclosures on environmental, social and governance topics for the UBS Group, UBS AG, Credit Suisse AG, UBS Switzerland AG, UBS Europe SE. Selected information on environmental, social and governance is also included in our annual reports.

Standalone reports of UBS Group AG and significant regulated entities

We publish separate statutory financial statements 2023 of UBS Group AG, which are the basis for our appropriation of profit and the proposed distribution of dividends, subject to shareholder approval at the Annual General Meeting. We also publish standalone reports for UBS AG, UBS Switzerland AG, Credit Suisse AG and Credit Suisse (Schweiz) AG. Selected financial and regulatory key figures for our significant regulated subsidiaries and sub-groups are also included in this report.

Pillar 3 Report of UBS Group AG including significant regulated entities and sub-groups

The Pillar 3 Report as of 31 December 2023 provides detailed quantitative and qualitative information about risk, capital, leverage and liquidity and funding for the UBS Group and prudential key figures and regulatory information for our significant regulated subsidiaries and sub-groups. Scopes subject to disclosure are UBS Group AG consolidated, UBS AG consolidated and standalone, UBS Switzerland AG standalone, UBS Europe SE consolidated, UBS Americas Holding LLC consolidated, Credit Suisse AG consolidated and standalone, Credit Suisse (Schweiz) AG consolidated and standalone, Credit Suisse International standalone, Credit Suisse Holdings (USA), Inc. consolidated.

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Dear shareholders,

2023 was a defining moment in the 162-year history of UBS. The acquisition of the Credit Suisse Group (Credit Suisse) was momentous as the first-ever combination of two global systemically important financial institutions (G-SIFIs). As that extraordinary weekend in March 2023 unfolded, the Swiss financial center was a source of worry, even embarrassment, for many in the country. One of its largest banks was on the brink of collapse after years of reputational and financial distress. Two days later, with UBS, the government found a Swiss solution that will benefit our stakeholders and strengthen Switzerland's role as a global leader in wealth management.

Thanks to our strategy focused on delivering outstanding client services, sustainable profitability, financial strength and sound risk management, we were able to answer the call to help stabilize the financial system at home and abroad. The Swiss government did not have to execute a resolution plan under the too-big-to-fail regulation, nationalize Credit Suisse or call a foreign bank to the rescue. Aside from the idiosyncratic failure of Credit Suisse, the resilience of UBS and other large institutions is a testament to the substantial regulatory reforms introduced, and coherently implemented, over the past decade.

The transaction succeeded not just in restoring financial stability and preventing contagion. We are confident it will also create enduring value for you, our shareholders. The acquisition vaulted us into a new league by giving us a highly complementary footprint in our key markets and increased scale and capabilities. To that end, the acquisition has accelerated – not changed – our existing strategy.

By adding client assets equivalent to seven to ten years' worth of organic growth, the acquisition solidified our primacy as a leading and truly global wealth manager and the leading bank in Switzerland, with stronger asset management and investment bank franchises. The scale we achieve with the combination and the efficiencies we expect to create will enable us to deepen our relationships with clients at every level in every geography. And as we position our firm to deliver sustainably higher returns and long-term growth, we are committed to maintaining our UBS culture at the heart of everything we do.

Building on a proven track record

Following the transaction, the Board of Directors asked Sergio Ermotti, who had previously served as Group CEO from 2011 to 2020, to return in April 2023. Sergio has committed to stay at least until the completion of the integration process, if not longer. Additionally, he is supported by an executive team with a proven track record in managing and executing complex restructuring and a qualified and experienced Board of Directors.

We recognize the extraordinary responsibility with which we have been entrusted with the Credit Suisse acquisition. Although we expect to forego until 2027 the levels of profitability we have previously delivered, it reinforces the promising long-term trajectory for our firm, our clients, our industry and the communities where we live and work.

The need to build scale and efficiencies to enhance capabilities and services for clients, often through inorganic growth, is a reality for every company in every industry, and we are no exception. Dating back to its founding as The Bank in Winterthur in 1862, UBS can claim a heritage of consolidation encompassing more than 500 different firms, from cantonal and regional banks that needed saving, to wealth managers and Wall Street brokerages. Many of these enterprises contribute to the DNA of today's UBS. Credit Suisse, adding its own legacy brands such as Schweizerische Kreditanstalt, First Boston, Bank Leu and Swiss Volksbank, joins a family of historic franchises, including PaineWebber, S.G. Warburg, Swiss Bank Corporation and Union Bank of Switzerland, to name just a few.

Integration at pace

Since the acquisition closed in June 2023, we have been off to a strong start in enabling Credit Suisse's market-competitive franchises and talented people to flourish and make us even stronger. Our immediate focus was on stabilizing Credit Suisse's client base and employees. At the same time, we began swiftly executing our integration plans, which we aim to substantially complete by the end of 2026.

We made significant progress on these ambitions in 2023. We decided to integrate Credit Suisse (Schweiz) AG, following a careful review of strategic options, and defined the new Non-core and Legacy perimeter.

We experienced robust momentum in our client win-back initiatives, as evidenced by net new assets of USD 77 billion in Global Wealth Management and USD 77 billion of net new deposits across Global Wealth Management and Personal & Corporate Banking since the close. This enabled us to terminate and hand back Swiss government support at the end of August. We also repaid Credit Suisse's emergency liquidity facilities, generating substantial funding cost efficiencies. We were also encouraged by the high demand for our first additional tier 1 capital bond issue since the acquisition.

The support that investors extended to us during 2023 has given us confidence and energy as we embark on the next phase of the integration. Total shareholder returns in 2023 were 56%¹ including dividends, compared to a 7% return for the Swiss Market Index² and 20% for the STOXX Europe 600 / Banks.³ In addition, our cost of funding improved, with 5-year credit default swap spreads for UBS AG tightening from 78 basis points at year-end 2022 to 53 basis points at year-end 2023.

In 2024, we will continue to restructure and optimize the assets we acquired. Completing the merger of our significant legal entities by the end of the third quarter of 2024, subject to regulatory approvals, is a key step in enabling us to unlock the next phase of the cost, capital and funding synergies that we expect to realize in 2025 and 2026.

Our financial performance and capital position in 2023

UBS achieved underlying profitability in 2023, despite the fact that Credit Suisse was, and remains, structurally loss making. Following the publication of our unaudited fourth quarter 2023 financial report on 6 February 2024, we have refined our acquisition-date fair value estimates. This has resulted in certain adjustments to our financials. Full-year profit before tax therefore stood at USD 28.7 billion, including USD 27.7 billion of negative goodwill. Capital strength is a key pillar of our strategy, and we remain committed to maintaining a balance sheet for all seasons. Our common equity tier 1 (CET1) capital ratio increased to 14.4% at year-end, comfortably above our guidance as we expect to maintain a CET1 capital ratio of around 14% throughout the integration timeline. Our year-end CET1 ratio supports us in building capacity for higher capital returns while, at the same time, it prepares us to absorb integration charges as we integrate Credit Suisse. The CET1 leverage ratio was 4.6%, also in excess of our guidance. We maintained healthy liquidity buffers with a liquidity coverage ratio of 216% and a net stable funding ratio of 125%.

Setting UBS's trajectory for years to come

UBS today boasts an appealing business mix that stands out among global peers. The integration of Credit Suisse has further shifted us toward Global Wealth Management, Asset Management and Personal & Corporate Banking. Over a third of our risk-weighted assets (RWA) are dedicated to our Global Wealth Management and Asset Management businesses, which are attractive from a risk, growth and capital perspective. These businesses generated 60% of our revenues in 2023. Roughly another third of our RWA are in Personal & Corporate Banking in Switzerland, a prosperous, stable and well-diversified economy with low historic credit losses.

In the Investment Bank, we have gained accretive expertise in global banking in key sectors such as technology, health-care and financial sponsors. In markets, we bolstered our capabilities in services that are most relevant to our clients, including execution and research coverage. While we now have a broader and more diversified business, we reduced the overall weighting of the Investment Bank to no more than 25% of group RWA.

Our complementary footprints in Asia Pacific have reinforced our leading position in the fastest-growing wealth market. With USD 645 billion in invested assets in Global Wealth Management, we have scale as the largest wealth manager in the region, supported by our premium brand, a strong Investment Bank with leading research capabilities and our significant China presence. We expect Global Wealth Management margins in the region to eventually exceed 40% as we capture the benefits of our leadership positions and integration-related synergies.

In the US, our other key wealth management growth market, we have scope to improve our profitability, also thanks to our strengthened investment bank and asset management franchises. In addition, over the next three years, we will build out our core banking infrastructure in the US to provide clients with a more comprehensive loan and deposit offering, and roll out more products and services to ultra high net worth, family and institutional wealth clients.

We will further leverage our advisory capabilities in the US through our global Chief Investment Office platform. Our international clients who have interests in the US will benefit from better access to our American advisors and products. These actions will help produce mid-teen profit margins by the end of 2026 and put us in a position to explore opportunities to further narrow the gap to our peers.

¹ Total shareholder returns based on shares in Swiss francs
² Swiss Market Index SMI TR (SMIC), source: SIX Group AG
³ Based on delta price, source: FactSet



Colm Kelleher
Chairman of the Board of Directors



Sergio P. Ermotti
Group Chief Executive Officer

Fit for the future

We intend to remain at the forefront of technological change, providing a more personalized, relevant, on-time and seamless experience for our clients. We will continue to invest and innovate to benefit our clients and shareholders.

While we remain focused on providing world-class digital-led solutions, recent geopolitical, macroeconomic and societal shifts have highlighted the relevance of our core values such as superior service, security and stability. We are convinced that technology will continue to boost our ability to help our clients manage risks and capture opportunities in good times as well as during moments of economic uncertainty and geopolitical instability.

Most importantly, however, it will be our employees that determine our future success as they continue to shape our bank for clients and shareholders today and generations to come. We want our employees to be able to build long and successful careers, driving innovation for our stakeholders. Investing in our people and culture therefore remains a key priority. Together with Credit Suisse, we invested more than USD 100 million in training activities in 2023.

Our targets and capital returns

While our financial progress in the integration of Credit Suisse will not be delivered in a straight line, our ambitions are clear. We aim to realize an underlying return on CET1 capital of around 15% and a cost-to-income ratio of less than 70% as we exit 2026. By the end of 2028, we endeavor to achieve a return on CET1 capital of around 18%. We expect the execution of our integration plans and the run-down of Non-core and Legacy to result in around USD 13 billion in gross cost saves by the end of 2026, with around 45% of the cumulative gross cost reductions expected by the end of 2024. This will provide us with capacity to invest in talent, products and services, and reinforce the resilience of our infrastructure.

As we follow through on the integration, we remain focused on client retention and win-back initiatives, while also taking actions to improve capital efficiency. We will aim to capture around USD 100 billion of net new assets per annum through 2025, building to around USD 200 billion per annum by 2028 and surpassing USD 5 trillion of invested assets in Global Wealth Management by the end of 2028.

In 2023, we bought back USD 1.3 billion of our shares before the acquisition required us to temporarily suspend share repurchases. In 2024, we expect to repurchase up to USD 1 billion of our shares, commencing after the completion of the merger of UBS AG and Credit Suisse AG, which is expected to occur by the end of the second quarter of 2024.

At the upcoming Annual General Meeting (AGM), the Board of Directors intends to propose an ordinary dividend per share of USD 0.70 for the 2023 financial year, a 27% year-on-year increase. We remain committed to progressive dividends and are accruing for a mid-teen percentage increase in the dividend per share for the 2024 financial year. Our goal is for share repurchases to exceed our pre-acquisition levels by 2026.

Our sustainability ambition

We remain steadfast in our ambition to be a global leader in sustainability. This is underpinned by our continued commitment to supporting our clients in the transition to a low-carbon world, leading by example in our own operations, and sharing our lessons learned along the way.

Recognizing the acquisition of Credit Suisse has increased our exposures to certain carbon-intensive sectors, we have expanded our Sustainability & Climate Risk framework and associated processes to reflect the full suite of activities of the combined business and ensure a consistent approach. We have also moved swiftly to transition portfolios in carbon-intensive sectors that do not align with our approach and risk appetite into Non-Core and Legacy to be managed off our balance sheet over time.

In addition, we have established new baselines and set decarbonization targets for 2030 across seven key sectors: fossil fuels, power generation, iron and steel, cement, Swiss residential real estate, Swiss commercial real estate, and shipping, using the latest science-based pathways available to us. We believe these targets are among the most ambitious in the industry. By way of example, our target for the fossil fuel sector is to reduce our absolute financed emissions by 70% from the 2021 baseline to 2030.

We are proud of the progress we have made so far. We remain committed to our ambition to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3 activities by 2050, with decarbonization targets for 2025, 2030 and 2035. At the same time, we fully acknowledge we have more work to do, in phasing in additional scope 3 activities and further embedding our new targets. For more information, please refer to our UBS Group Sustainability Report 2023.

By working collectively, philanthropists and public and private organizations have the potential to create lasting change and maximize a positive impact for people and planet. To this end, we also provide comprehensive advice, insights and execution services, working with our clients and finding ways to tackle some of the world's most pressing social and environmental problems. We aim to mobilize USD 1 billion in philanthropic capital and positively impact more than 26.5 million people by 2025 (cumulative total since 2021).

In 2023, the UBS Optimus network of foundations raised USD 328 million in donations, including UBS matching contributions, and committed USD 306 million in grants from Optimus. Our engagement addressed humanitarian crises around the globe in 2023. Optimus also continued to distribute the USD 56 million raised for the Ukraine Relief Fund launched in 2022. To date, USD 43 million has been granted to our partners on the ground.

Lessons learned

The failure of Credit Suisse and some US regional financial institutions in the first half of 2023 will unquestionably provide global investors, managers, policymakers and regulators alike with important lessons. Most of the post-mortems from regulators and expert bodies since March 2023 have devised specific recommendations in the areas of supervision, stress testing, liquidity and accountability. We endorse many of these targeted adjustments and will continue to actively contribute to this discussion.

But having analyzed the causes of Credit Suisse's troubles following the takeover, we have some clear takeaways. First, there can be no regulatory solution for a broken business model. That is a job for executives and managers who must also be held accountable by engaged shareholders. And second, trust cannot be regulated.

Furthermore, it was not a lack of capital that forced Credit Suisse into a historic weekend rescue. The capital requirements for G-SIFIs have been transformed over the past 15 years, bolstering the resilience of the world's largest banks and the safety of the financial system. Effective loss-absorbing capacity increased around 20-fold since the 2008 global financial crisis, and at our firm now is around USD 200 billion.

The fact that we were in a position to rescue Credit Suisse, despite both firms operating under the same regulatory regime, shows the framework and capital requirements were not the problem. This has also been confirmed by various international and domestic experts. Therefore, we welcome the ongoing analysis by the Swiss parliamentary commission into the collapse of Credit Suisse, so that appropriate and focused actions can be taken both in respect of how regulation is potentially fine-tuned and subsequently implemented.

A pillar for Switzerland

There has been much debate about our size relative to the Swiss economy and its impact on competition. We are convinced that our size and business model are fit for the purpose for which they are intended: to act as an engine of credit creation and prosperity to our clients and the economies we serve.

It is important to consider the composition and risk profile of the balance sheet, as not every position represents the same risk. We hold around 20% of total assets in high-quality liquid assets and another 15% in private client mortgages, which bear very low risk. When looking at the risk profile of a balance sheet, it is crucial to look at risk-weighted assets, which totaled around USD 547 billion at year-end and are expected to further decrease. We expect our Group RWA to be at around USD 510 billion by the end of 2026, which are supported by our strong capital position, including around USD 200 billion of loss-absorbing capacity.

The collapse of Credit Suisse unleashed an extraordinary race for clients, talent and market share in the Swiss banking market. This is the ultimate proof that the competition provided by both domestic and foreign banks active in Switzerland is robust.

Over the past decade, UBS, Credit Suisse and our combined staff paid around CHF 25 billion in Swiss taxes and bought some CHF 3.5 billion in goods and services in Switzerland as well. Last year we collectively offered more than 2,300 trainee positions – a number we pledge to maintain in 2024 as well.

We are convinced that the acquisition will make us an even better diversified and stronger pillar in Switzerland, and an even more reliable economic partner, employer and taxpayer in the communities where we operate.

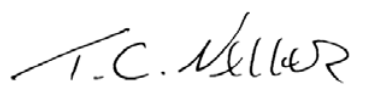
The 2024 Annual General Meeting

At the upcoming AGM, we are proposing Gail Kelly for election to the Board of Directors as Dieter Wemmer will not stand for re-election after eight years of Board membership. We thank him for his invaluable collaboration and significant contribution to the strong governance at our firm. Gail has an outstanding reputation as one of the most influential voices in the Asia-Pacific financial industry and an acknowledged leader. She is recognized as an excellent bank CEO who successfully navigated a merger. You will also be asked to vote on our first combined UBS Group Sustainability Report and the proposed increase in dividends.

We are excited about our long-term value proposition. Our strategy is clear and augmented by the acquisition of Credit Suisse. We have an opportunity to create an even better experience for clients while generating sustainably higher returns on capital and allowing us to provide you, our shareholders, with attractive shareholder returns.

Thank you for your support in one of the most decisive years in our history. We look forward to your feedback and to welcoming you to the 2024 AGM, which will take place on 24 April in Basel, Switzerland.

Yours sincerely,



Colm Kelleher
Chairman of the Board of Directors



Sergio P. Ermotti
Group Chief Executive Officer

Corporate information

UBS Group AG is incorporated and domiciled in Switzerland and operates under Art. 620ff. of the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41-44-234 11 11, and its corporate identification number is CHE-395.345.924. UBS Group AG was incorporated on 10 June 2014 and was established in 2014 as the holding company of the UBS Group. UBS Group AG shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange (ISIN CH0244767585; CUSIP H42097107). UBS Group AG owns 100% of the outstanding shares in UBS AG and Credit Suisse AG.

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Shareholder Services

UBS's Shareholder Services team, a unit of the Group Company Secretary's office, manages relationships with shareholders and the registration of UBS Group AG registered shares.

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Corporate calendar UBS Group AG

More information about future publication dates is available at
ubs.com/global/en/investor-relations/events/calendar.html

Imprint

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Our key figures

| USD m, except where indicated | As of or for the year ended | | |
|--|-----------------------------|-----------|-----------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Group results | | | |
| Total revenues | 40,834 | 34,563 | 35,393 |
| Negative goodwill | 27,748 | | |
| Credit loss expense / (release) | 1,037 | 29 | (148) |
| Operating expenses | 38,806 | 24,930 | 26,058 |
| Operating profit / (loss) before tax | 28,739 | 9,604 | 9,484 |
| Net profit / (loss) attributable to shareholders | 27,849 | 7,630 | 7,457 |
| Diluted earnings per share (USD) ¹ | 8.45 | 2.25 | 2.06 |
| Profitability and growth^{2,3,4} | | | |
| Return on equity (%) | 37.4 | 13.3 | 12.6 |
| Return on tangible equity (%) | 41.3 | 14.9 | 14.1 |
| Underlying return on tangible equity (%) ⁵ | 4.1 | 12.8 | |
| Return on common equity tier 1 capital (%) | 42.3 | 17.0 | 17.5 |
| Underlying return on common equity tier 1 capital (%) ⁵ | 4.2 | 14.6 | |
| Return on leverage ratio denominator, gross (%) | 2.9 | 3.3 | 3.4 |
| Cost / income ratio (%) ⁶ | 95.0 | 72.1 | 73.6 |
| Underlying cost / income ratio (%) ^{5,6} | 87.2 | 74.5 | |
| Effective tax rate (%) | 3.0 | 20.2 | 21.1 |
| Net profit growth (%) | 265.0 | 2.3 | 13.7 |
| Resources² | | | |
| Total assets | 1,717,246 | 1,104,364 | 1,117,182 |
| Equity attributable to shareholders | 86,108 | 56,876 | 60,662 |
| Common equity tier 1 capital ⁷ | 78,485 | 45,457 | 45,281 |
| Risk-weighted assets ⁷ | 546,505 | 319,585 | 302,209 |
| Common equity tier 1 capital ratio (%) ⁷ | 14.4 | 14.2 | 15.0 |
| Going concern capital ratio (%) ⁷ | 16.9 | 18.2 | 20.0 |
| Total loss-absorbing capacity ratio (%) ⁷ | 36.5 | 33.0 | 34.7 |
| Leverage ratio denominator ⁷ | 1,695,403 | 1,028,461 | 1,068,862 |
| Common equity tier 1 leverage ratio (%) ⁷ | 4.6 | 4.4 | 4.2 |
| Liquidity coverage ratio (%) ⁸ | 215.7 | 163.7 | 155.5 |
| Net stable funding ratio (%) | 124.7 | 119.8 | 118.5 |
| Other | | | |
| Invested assets (USD bn) ^{3,9,10} | 5,714 | 3,981 | 4,614 |
| Personnel (full-time equivalents) | 112,842 | 72,597 | 71,385 |
| Market capitalization ^{11,12} | 107,355 | 65,608 | 66,684 |
| Total book value per share (USD) ¹¹ | 26.83 | 18.30 | 17.84 |
| Tangible book value per share (USD) ¹¹ | 24.49 | 16.28 | 15.97 |

1 Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. 2 Refer to the "Targets, capital guidance and ambitions" section of this report for more information about our performance targets. 3 Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. 4 Profit or loss information for 2023 includes seven months (June to December 2023, inclusive) of Credit Suisse data for the return measures. 5 Refer to the "Group performance" section of this report for more information about underlying results. 6 Negative goodwill is not used in the calculation as it is presented in a separate reporting line and is not part of total revenues. 7 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 8 The disclosed ratios represent averages for the fourth quarter of each year presented, which were calculated based on an average of 63 data points in the fourth quarter of 2023, 63 data points in the fourth quarter of 2022 and 66 data points in the fourth quarter of 2021. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 9 Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 32 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information. 10 Starting with the second quarter of 2023, invested assets include invested assets from associates in the Asset Management business division, to better reflect the business strategy. Comparative figures have been restated to reflect this change. 11 Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information. 12 In the second quarter of 2023, the calculation of market capitalization was amended to reflect total shares issued multiplied by the share price at the end of the period. The calculation was previously based on total shares outstanding multiplied by the share price at the end of the period. Market capitalization has been increased by USD 7.8bn as of 31 December 2022 and by USD 5.5bn as of 31 December 2021 as a result.

Adjustment made within the IFRS 3 measurement period after publication of the fourth quarter 2023 report

The acquisition of the Credit Suisse Group in the second quarter of 2023 resulted in provisional negative goodwill of USD 28.9bn. Following the publication of the unaudited fourth quarter 2023 report on 6 February 2024, UBS has refined its acquisition-date fair value estimates in accordance with the 12-month measurement period requirements provided by IFRS 3, *Business Combinations*. This has resulted in an adjustment of USD 1.2bn, decreasing the negative goodwill to USD 27.7bn. As a result, 2023 operating profit before tax and 2023 net profit attributable to shareholders decreased by USD 1.2bn, basic earnings per share decreased by USD 0.38 to USD 8.83 and diluted earnings per share decreased by USD 0.36 to USD 8.45. In addition, the CET1 capital ratio decreased to 14.4% from 14.5%.

› Refer to "Note 2 Accounting for the acquisition of the Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information

Alternative performance measures

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

› Refer to the "Group performance" section of this report and to "Alternative performance measures" in the appendix to this report for additional information about underlying results

Terms used in this report, unless the context requires otherwise

| | |
|---|--|
| "UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our" | UBS Group AG and its consolidated subsidiaries |
| "UBS Group excluding the Credit Suisse AG sub-group" | All UBS Group entities, excluding the Credit Suisse AG sub-group |
| "UBS Group excluding Credit Suisse" and "UBS sub-group" | All UBS Group entities, excluding Credit Suisse AG and its consolidated subsidiaries, Credit Suisse Services AG, and other small former Credit Suisse Group entities now directly held by UBS Group AG |
| "UBS AG," "UBS AG consolidated" and "UBS AG sub-group" | UBS AG and its consolidated subsidiaries |
| "Pre-acquisition UBS" | UBS before the acquisition of the Credit Suisse Group |
| "Credit Suisse AG," "Credit Suisse AG consolidated" and "Credit Suisse AG sub-group" | Credit Suisse AG and its consolidated subsidiaries |
| "Credit Suisse Group" and "Credit Suisse Group AG consolidated" | Credit Suisse Group AG and its consolidated subsidiaries, before the acquisition by UBS |
| "Credit Suisse" and "Credit Suisse sub-group" | Credit Suisse AG, its consolidated subsidiaries, Credit Suisse Services AG, and other small former Credit Suisse Group entities now directly held by UBS Group AG |
| "UBS Group AG" and "UBS Group AG standalone" | UBS Group AG on a standalone basis |
| "Credit Suisse Group AG" and "Credit Suisse Group AG standalone" | Credit Suisse Group AG on a standalone basis |
| "UBS AG standalone" | UBS AG on a standalone basis |
| "Credit Suisse AG standalone" | Credit Suisse AG on a standalone basis |
| "UBS Switzerland AG" | UBS Switzerland AG on a standalone basis |
| "UBS Europe SE consolidated" | UBS Europe SE and its consolidated subsidiaries |
| "UBS Americas Holding LLC" | UBS Americas Holding LLC and its consolidated subsidiaries |
| "Pre-acquisition Global Wealth Management" | The UBS Global Wealth Management business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group) |
| "UBS AG Global Wealth Management" | The Global Wealth Management business division of UBS AG and its consolidated subsidiaries |
| "Wealth Management (Credit Suisse)" | The Wealth Management business division of Credit Suisse AG and its consolidated subsidiaries |

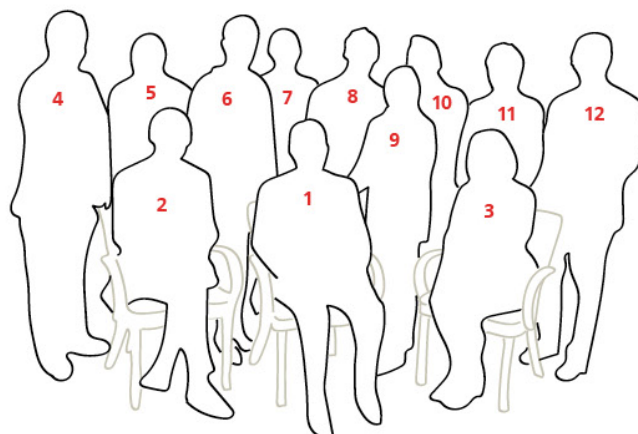
Terms used in this report, unless the context requires otherwise (continued)

| | |
|--|---|
| “Pre-acquisition Personal & Corporate Banking” | The Personal & Corporate Banking business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group) |
| “UBS AG Personal & Corporate Banking” | The Personal & Corporate Banking business division of UBS AG and its consolidated subsidiaries |
| “Swiss Bank (Credit Suisse)” | The Swiss Bank business division of Credit Suisse AG and its consolidated subsidiaries |
| “Pre-acquisition Asset Management” | The Asset Management business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group) |
| “UBS AG Asset Management” | The Asset Management business division of UBS AG and its consolidated subsidiaries |
| “Asset Management (Credit Suisse)” | The Asset Management business division of Credit Suisse AG and its consolidated subsidiaries |
| “Pre-acquisition Investment Bank” | The Investment Bank business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group) |
| “UBS AG Investment Bank” | The Investment Bank business division of UBS AG and its consolidated subsidiaries |
| “Investment Bank (Credit Suisse)” | The Investment Bank business division of Credit Suisse AG and its consolidated subsidiaries |
| “1m” | One million, i.e., 1,000,000 |
| “1bn” | One billion, i.e., 1,000,000,000 |
| “1trn” | One trillion, i.e., 1,000,000,000,000 |

In this report, unless the context requires otherwise, references to any gender shall apply to all genders.

Our Board of Directors

- 1. Colm Kelleher**
Chairman of the Board of Directors / Chairperson of the Corporate Culture and Responsibility Committee / Chairperson of the Governance and Nominating Committee
- 2. Lukas Gähwiler**
Vice Chairman of the Board of Directors / member of the Governance and Nominating Committee / member of the Risk Committee
- 3. Julie G. Richardson**
Chairperson of the Compensation Committee / member of the Risk Committee
- 4. Mark Hughes**
Chairperson of the Risk Committee / member of the Corporate Culture and Responsibility Committee
- 5. Jeremy Anderson**
Senior Independent Director / Chairperson of the Audit Committee / member of the Governance and Nominating Committee
- 6. Nathalie Rachou**
Member of the Governance and Nominating Committee / member of the Risk Committee
- 7. Fred Hu**
Member of the Governance and Nominating Committee
- 8. Dieter Wemmer**
Member of the Audit Committee / member of the Compensation Committee
- 9. Jeanette Wong**
Member of the Audit Committee / member of the Compensation Committee
- 10. William C. Dudley**
Member of the Corporate Culture and Responsibility Committee / member of the Risk Committee
- 11. Claudia Böckstiegel**
Member of the Corporate Culture and Responsibility Committee
- 12. Patrick Firmenich**
Member of the Audit Committee / member of the Corporate Culture and Responsibility Committee





The Board of Directors of UBS Group AG (the BoD), led by the Chairman, consists of between 6 and 12 members, as per our Articles of Association. The BoD decides on the strategy of the Group, upon recommendation by the Group Chief Executive Officer (the Group CEO), and is responsible for the overall direction, supervision and control of the Group and its management. It is also responsible for supervising compliance with applicable laws, rules and regulations. The BoD exercises oversight over UBS Group AG and its subsidiaries, and is responsible for establishing a clear Group governance framework to provide effective steering and supervision of the Group, taking into account the material risks to which UBS Group AG and its subsidiaries are exposed. The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It approves all financial statements and appoints and removes all Group Executive Board (GEB) members.

Our Group Executive Board

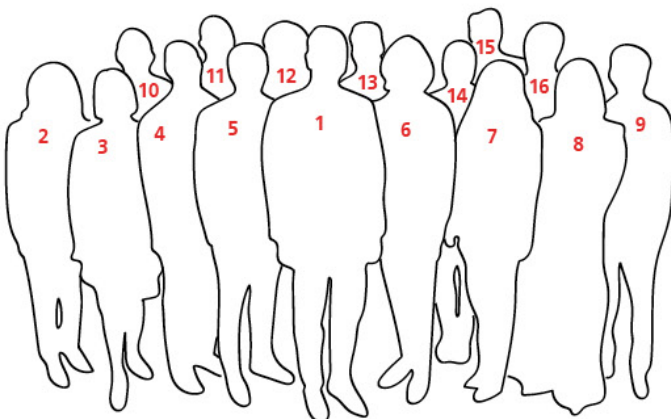


UBS Group AG operates under a strict dual-board structure, as mandated by Swiss banking law, and therefore the BoD delegates the management of the business to the GEB. As of 31 December 2023, the GEB, under the leadership of the Group CEO, consisted of 16 members. It has executive management responsibility for the steering of the Group and its business, develops the strategies of the Group, business divisions and Group Items, and implements the BoD-approved strategies.

➤ Refer to “Board of Directors” and “Group Executive Board” in the “Corporate governance” section of this report or to ubs.com/bod and ubs.com/geb for the full biographies of the members of the BoD and the GEB



1. **Sergio P. Ermotti**
Group Chief Executive Officer
2. **Naureen Hassan**
President UBS Americas
3. **Suni Harford**
President Asset Management
4. **Robert Karofsky**
President Investment Bank
5. **Iqbal Khan**
President Global Wealth Management
6. **Sabine Keller-Busse**
President Personal & Corporate Banking and
President UBS Switzerland
7. **Beatriz Martin Jimenez**
Head Non-core and Legacy and
President UBS Europe, Middle East and Africa
8. **Barbara Levi**
Group General Counsel
9. **Edmund Koh**
President UBS Asia Pacific
10. **Mike Dargan**
Group Chief Operations and Technology Officer
11. **Stefan Seiler**
Head Group Human Resources &
Group Corporate Services
12. **Michelle Beraux**
Group Integration Officer
13. **Todd Tuckner**
Group Chief Financial Officer
14. **Christian Bluhm**
Group Chief Risk Officer
15. **Markus Ronner**
Group Chief Compliance and Governance Officer
16. **Ulrich Körner**
CEO of Credit Suisse AG



Our evolution

Since our origins in the mid-19th century, more than 500 different firms have become part of the history of our firm and helped shape our development. 1998 was a major turning point: two of the three largest Swiss banks, Union Bank of Switzerland and Swiss Bank Corporation (SBC), merged to form UBS. Both banks were well established and successful in their own right. Union Bank of Switzerland had grown organically to become the largest Swiss bank. In contrast, SBC had grown mainly through strategic partnerships and acquisitions, including S.G. Warburg in 1995.

In 2000, we acquired PaineWebber, a US brokerage and asset management firm with roots going back to 1879, establishing us as a significant player in the US. Since 1964, we have been building our strong presence in the Asia Pacific region, where we are by far the largest wealth manager,¹ with asset management and investment banking capabilities.

After incurring significant losses in the 2008 financial crisis, we sought to return to our roots, emphasizing a client-centric model that requires less risk-taking and capital. In 2011, we started a strategic transformation of our business model to focus on our traditional businesses: wealth management globally, and personal and corporate banking in Switzerland.

In 2014, we began adapting our legal entity structure in response to too-big-to-fail requirements and other regulatory initiatives. First, we established UBS Group AG as the ultimate parent holding company for the Group. In 2015, we transferred personal and corporate banking and Swiss-booked wealth management businesses from UBS AG to the newly established UBS Switzerland AG. That same year, we set up UBS Business Solutions AG as the Group's service company. In 2016, UBS Americas Holding LLC became the intermediate holding company for our US subsidiaries and our wealth management subsidiaries across Europe were merged into UBS Europe SE, our Germany-headquartered European subsidiary. In 2019, we merged UBS Limited, our UK-headquartered subsidiary, into UBS Europe SE.

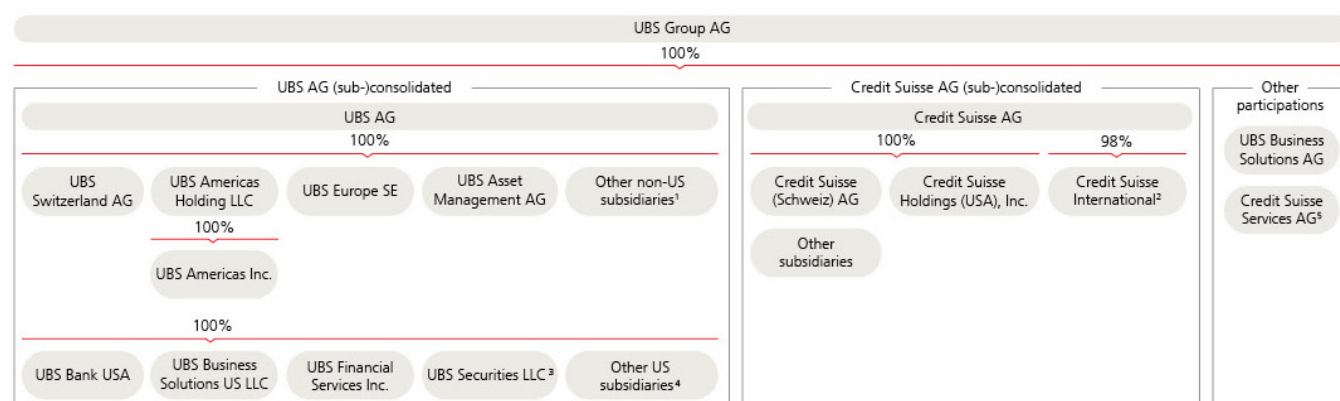
2023 was another defining moment in our 162-year history as we acquired the Credit Suisse Group, a global systemically important financial institution and a major wealth manager headquartered in Switzerland that was founded in 1856. The acquisition followed a request from the Swiss Federal Department of Finance, the Swiss National Bank and the Swiss Financial Market Supervisory Authority (FINMA) to UBS Group AG and Credit Suisse Group AG to duly consider the acquisition in order to restore necessary confidence in the stability of the Swiss economy and banking system and to serve the best interests of the shareholders and stakeholders of UBS and Credit Suisse.

The acquisition strengthened our position today as a leading and truly global wealth manager, the leading bank in Switzerland, a global, large-scale and diversified asset manager, and a focused investment bank.

The chart below gives an overview of our principal legal entities and our legal entity structure.

- ▶ Refer to ubs.com/history for more information
- ▶ Refer to the "Risk factors" and "Regulatory and legal developments" sections of this report for more information
- ▶ Refer to the "Acquisition and integration of Credit Suisse" section of this report for more information

The legal structure of the UBS Group



¹ Other non-US subsidiaries are generally held either directly by UBS AG or indirectly through UBS Switzerland AG or UBS Asset Management AG. ² Of which 98% held by Credit Suisse AG and 2% held by UBS Group AG. ³ Of which 99% directly held by UBS Americas Inc. and 1% held by UBS Americas Holding LLC. ⁴ Other US subsidiaries are generally held either directly by UBS Americas Inc. or indirectly through UBS Financial Services Inc. ⁵ And other small former Credit Suisse Group entities now directly held by UBS Group AG.

¹ Asian Private Banker, 23 January 2024.

Our strategy, business model and environment

Management report

Acquisition and integration of Credit Suisse

Acquisition of Credit Suisse

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG (the Transaction).

The acquisition followed a request from the Swiss Federal Department of Finance, the Swiss National Bank and the Swiss Financial Market Supervisory Authority (FINMA) to both firms to duly consider the Transaction in order to restore necessary confidence in the stability of the Swiss economy and banking system and to serve the best interests of the shareholders and stakeholders of UBS and Credit Suisse. As a result of further negotiations and supported by distinct government guarantees and measures, the firms subsequently entered into a merger agreement on 19 March 2023.

Upon the completion of the Transaction, each outstanding registered Credit Suisse Group AG share converted to the right to receive, subject to the payment of certain fees to the Credit Suisse Depository in the case of Credit Suisse American depositary shares (ADS), a merger consideration consisting of 1/22.48 UBS Group AG shares. In aggregate, Credit Suisse Group AG shareholders received 5.1% of the outstanding UBS Group AG shares on the acquisition date, with a purchase price of USD 3.7bn.

UBS has accounted for the acquisition as a business combination under IFRS 3, *Business Combinations*, applying the acquisition method of accounting.

› Refer to “**Note 1 Summary of material accounting policies**” and “**Note 2 Accounting for the acquisition of the Credit Suisse Group**” in the “**Consolidated financial statements**” section of this report

Integration of Credit Suisse

We are successfully executing our integration plans. We have stabilized the franchise and successfully won back, retained and grown client assets, as we have been entrusted with USD 77bn of net new assets since the acquisition. We achieved underlying profitability, which enabled us to pay down the extraordinary liquidity support and to voluntarily terminate the loss protection agreement guaranteed by the Swiss government, reducing our funding costs by around USD 550m per quarter. On 22 March 2024, Credit Suisse (Schweiz) AG repaid loans drawn under the Emergency Liquidity Assistance (ELA) facility, reducing the amount of loans outstanding under the ELA from CHF 38bn to CHF 19bn as of that date. We achieved around USD 4bn in exit rate gross cost savings as of the end of 2023 compared with the full year 2022 for UBS and the Credit Suisse Group combined. We established the perimeter for Non-core and Legacy, and our strategy for the wind-down of Non-core and Legacy led to reductions of USD 12bn in risk-weighted assets, nearly 80% of which came from unwinds. We also provided important clarity for all of our stakeholders as we finalized our target operating model and initiated the restructuring phase. We aim to substantially complete the integration by the end of 2026.

Beginning with the third quarter of 2023, we report five business divisions, reflecting the way we manage our businesses and engage with clients: Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank, and Non-core and Legacy. We separately report Group Items.

Non-core and Legacy includes positions and businesses not aligned with our strategy and policies. Those consist of the assets and liabilities that prior to the acquisition were reported as part of the Capital Release Unit (Credit Suisse) and certain assets and liabilities of the Investment Bank (Credit Suisse), Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse) and Asset Management (Credit Suisse) divisions, as well as of the Corporate Center (Credit Suisse). Also included are the remaining assets and liabilities of UBS’s Non-core and Legacy Portfolio, previously reported in Group Functions, and smaller amounts of assets and liabilities of UBS’s business divisions that we have assessed as not strategic in light of the acquisition of the Credit Suisse Group.

Legal structure integration

In December 2023, the Board of Directors of UBS Group AG approved the merger of UBS AG and Credit Suisse AG, and both entities entered into a definitive merger agreement. The completion of the merger is subject to regulatory approvals and is expected to occur by the end of the second quarter of 2024. We also expect to complete the transition to a single US intermediate holding company in the second quarter of 2024 and the planned merger of UBS Switzerland AG and Credit Suisse (Schweiz) AG in the third quarter of 2024.

Completing the mergers of our significant legal entities is a critical step in enabling us to unlock the next phase of the cost, capital and funding synergies that we expect to realize in 2025 and 2026. These significant-legal-entity mergers are a prerequisite for the first wave of client migrations and will enable us to begin streamlining and decommissioning legacy Credit Suisse platforms in the second half of 2024.

Material weaknesses in internal control over financial reporting of the Credit Suisse Group

As a registrant with the US Security and Exchange Commission (the SEC), UBS Group is subject to requirements under the Sarbanes–Oxley Act of 2002 with respect to financial reporting. This requires us to perform system and process evaluation and testing of internal control over financial reporting to enable management to assess the effectiveness of our internal controls. A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a registrant’s financial statements will not be prevented or detected on a timely basis.

In March 2023, prior to acquisition by UBS, the Credit Suisse Group and Credit Suisse AG disclosed that their respective management had identified three material weaknesses in internal control over financial reporting, as a result of which each of Credit Suisse Group and Credit Suisse AG concluded that, as of 31 December 2022, their internal control over financial reporting was not effective and, for the same reasons, had reached the same conclusion regarding their internal control over financial reporting as of 31 December 2021. The material weaknesses identified by Credit Suisse related to the failure to design and maintain an effective risk assessment process to identify and analyze the risk of material misstatements in Credit Suisse financial statements and the failure to design and maintain effective monitoring activities relating to (i) providing sufficient management oversight over the internal control evaluation process to support the company’s internal control objectives; (ii) involving appropriate and sufficient management resources to support the risk assessment and monitoring objectives; and (iii) assessing and communicating the severity of deficiencies in a timely manner to those parties responsible for taking corrective action. These material weaknesses contributed to an additional material weakness, as the Credit Suisse Group’s management did not design and maintain effective controls over the classification and presentation of the consolidated statement of cash flows under US Generally Accepted Accounting Principles (“US GAAP”). Specifically, certain control activities over the completeness and the classification and presentation of non-cash items in the consolidated statement of cash flows were not performed on a timely basis or at the appropriate level of precision. This material weakness resulted in the revisions to Credit Suisse Group’s consolidated financial statements for the three years ended 31 December, 2021 as disclosed in its 2021 Annual Report.

Following the identification of the material weaknesses, Credit Suisse management initiated a remediation program and further enhanced its processes and controls over financial reporting, with the key remediation steps to date as follows.

With respect to the material weakness relating to the US GAAP consolidated statement of cash flows, Credit Suisse management performed a review of the process to produce the statement, including a third-party review and, as a result, enhanced controls within the process and implemented additional controls, including senior management reviews. Based on the work completed to date, Credit Suisse management has assessed that the changes to internal control made to address the material weakness relating to the classification and presentation of the consolidated statement of cash flows are designed effectively, but that additional time is required to conclude that these controls are operating effectively on a sustainable basis.

With respect to the material weaknesses on risk assessment of internal control and severity assessment of control deficiencies, Credit Suisse has implemented an enhanced severity assessment framework and additional management oversight of severity assessments. The changes to the severity assessment process include updated training and guidance on the assessment of the severity of control deficiencies as well as increased management oversight and quality assurance over these assessments. In addition, Credit Suisse has augmented its risk assessment process and increased its testing of controls. UBS has determined to complete remediation of the internal control risk identification and severity assessment weaknesses by integrating Credit Suisse into the UBS internal control risk assessment and evaluation framework in 2024. The operating effectiveness of the risk and severity assessment processes will be assessed based on an evaluation of the 2024 risk assessment and control testing process. In light of the above, Credit Suisse management has concluded that the material weaknesses at Credit Suisse were not fully remediated at 31 December 2023.

The material weaknesses result in a risk that a material error may not be detected by Credit Suisse’s internal controls that could result in a material misstatement to Credit Suisse’s reported financial results, which are consolidated in UBS Group AG’s results.

Following the acquisition, UBS commenced a review of the processes and systems giving rise to the material weaknesses and the remediation program. In addition to the measures taken by Credit Suisse to remediate the material weaknesses described above, UBS has taken measures to mitigate the risk that internal control deficiencies at Credit Suisse could result in material misstatements to the UBS Group financial statements. UBS has separately tested Credit Suisse internal controls deemed higher risk, established processes for production, control and review of IFRS financial data from Credit Suisse's US GAAP based accounting systems for inclusion in the UBS Group consolidation process (including a separate process for preparation and control of the UBS Group consolidated statement of cash flows), and conducted detailed asset level valuation and substantiation reviews in connection with its purchase accounting.

Under guidance published by the SEC, companies are permitted to exclude the processes and controls of certain acquired businesses from their assessment of internal control over financial reporting during the year of acquisition. Accordingly, UBS has excluded Credit Suisse entities from UBS management's assessment of internal control over financial reporting as of 31 December 2023.

Our strategy

UBS – who we are

UBS is a leading and truly global wealth manager, enhanced by synergetic investment banking and asset management capabilities, and the leading bank in Switzerland. We enable people, institutions and corporations to achieve their goals by providing financial advice and solutions. We have a unique capital-generative and well-diversified business model with a strong competitive position in our target markets and an attractive long-term outlook on return on capital. Our business model, our strong culture, our respected brand with over 160 years of history and our capital prudence have made it possible to both grow profits and deliver high return on equity.

We are focused on driving sustainable long-term growth while maintaining risk and cost discipline

Our objective is to generate value for our shareholders and clients by driving sustainable long-term structural growth, as well as capital returns. To accomplish this, we are building on our scale, content and solutions, while remaining disciplined on capital, risk and costs. Maintaining a balance sheet for all seasons remains the foundation of our success. This will give us the capacity to invest strategically and will enable us to deliver against our financial targets and commercial ambitions, which are outlined in the "Targets, capital guidance and ambitions" section of this report.

We benefit from an attractive business mix, with more than one-third of our risk-weighted assets (RWA) in our global asset-gathering Global Wealth Management and Asset Management business divisions, which are structurally attractive from the risk, growth and capital consumption perspectives and generate more than half of our revenues. Roughly another third of our RWA are in Personal & Corporate Banking in Switzerland, an attractive, stable and well-diversified economy with low historic credit losses. Furthermore, we operate a capital-efficient Investment Bank business division, which is limited to less than 25% of Group RWA (excluding Non-core and Legacy).

Moreover, we are aiming to maximize our impact and that of our clients to create long-term sustainable value. We also have a responsibility toward the communities we serve and our employees. We have outlined selected environmental, social and governance (ESG) aspirations, which should support our financial and commercial targets.

The acquisition of the Credit Suisse Group is accelerating our strategy

The acquisition of the Credit Suisse Group enhances our client franchises by increasing scale while adding complementary capabilities and gaining talent. Our strategic focus remains on building out our leading global investment platform. The acquisition of the Credit Suisse Group enables us to combine and optimize our resources and to target investments that enable us to provide superior levels of client service. Our geographical growth segments will remain the Americas and Asia Pacific, with Switzerland remaining our home market. The acquisition of the Credit Suisse Group will further shift our business mix toward wealth management, asset management and our Swiss business. The acquisition also strengthens our investment banking capabilities, without compromising our model, as the Investment Bank will consume a limited share of the Group's RWA.

We have a global, diversified business model

Our invested assets of more than USD 5trn are regionally diversified across the globe. We give our clients access to a broader, more relevant and customizable range of solutions, which, together with our thought leadership and capabilities, position us well to become their partner of choice. Our strategic ambitions are a reflection of the outlook on long-term demographic and social trends affecting wealth distribution, product demand and client experience.

Regionally, more than half of our wealth management clients' invested assets are in the US, which is the largest wealth pool globally, with solid wealth generation. Here we are a top player, and we are focused on improving scale and profitability by deepening our relationships with core clients and by building out our digital-supported capabilities and banking platform.

In Asia Pacific, which is the fastest-growing wealth market, we are by far the largest wealth manager,¹ and we are building on that scale to drive growth. We are further developing our businesses in China and working to offer our capabilities in a more cohesive way to our clients in Southeast Asia.

In EMEA, we are focused on improving profitability and driving focused growth by optimizing our domestic footprint and providing holistic coverage for entrepreneurs.

Finally, in Switzerland, we have a highly integrated business and aim to reinforce our position as the leading bank. We are driving our digital transformation, improving the client experience and focusing on capturing selected growth opportunities.

Our growth plans are underpinned by cross-divisional collaboration

We want to serve our clients as one firm. The collaboration between our business divisions is critical to the success of our strategy and is a source of competitive advantage. This collaboration also provides further revenue growth potential and enables us to better meet client needs in our core wealth and global family and institutional wealth (GFIW) segments alike. Our Asset Management business division provides clients with a broad offering and exclusive access to premium personalized services, while our investment banking capabilities support our growth plans across the client franchise with unique insights, execution, and risk management. Close collaboration between our businesses adds value for clients, including access to private markets, alternatives and ESG products, and we are continuously striving to enhance our holistic client offering.

Clients are at the center of everything we do

Helping clients to achieve their financial and personal goals is the essence of what we do. We aim to differentiate our service by delivering a client experience that is personalized, relevant, on-time and seamless. This is our promise to clients.

With evolving client needs, we are adapting by making our wealth coverage more needs-based, digital and effective. In wealth management, our focus remains on our core wealth and GFIW clients, while expanding our coverage of entrepreneurs, women and the next generation of wealthy individuals. We are launching and scaling digitally customizable services, enhancing personally advised wealth with digital support, and expanding our custom offerings for GFIW to cater for the different needs of our clients.

› Refer to "Clients" in the "How we create value for our stakeholders" section of this report for more information

Sustainability drives our ambitions

We partner with our clients to help them mobilize their capital toward a more sustainable world. Our aim is to meet clients' demands for credible sustainable offerings. We want to be the financial provider of choice for clients that wish to mobilize capital toward the achievement of the United Nations Sustainable Development Goals and the orderly transition to a low-carbon economy, including in Switzerland, where, as the leading bank, we are helping to finance this transition.

We are investing in our technology as an enabler for client experience, simplicity and efficiency

The trusted and personal relationship with our clients across our businesses is evolving. Today, our clients expect us to provide our services more seamlessly across the firm in a personalized, relevant and timely fashion, with increasing demand for services that are digital first and available anytime and anywhere. This presents an opportunity for us to fully embrace technology, through which we aim to differentiate the firm.

We continue to invest in technology, such as Artificial Intelligence, with the goals of improving efficiency and effectiveness, driving and enhancing growth and better serving our clients. We believe the continued optimization of our processes, our platforms, our organization and our capital resources will help us to achieve this.

¹ Asian Private Banker, 23 January 2024.

Targets, capital guidance and ambitions

In February 2024, we announced our performance targets and capital guidance for the Group, based on our execution of the integration of Credit Suisse to date and the completion of our annual business planning process. We have also set ambitions for each of the business divisions that collectively are building blocks toward achieving our targets.

The graphic below shows our updated financial targets, capital guidance and long-term ambitions.



¹ Common equity tier 1.

We also aim to deliver exit rate gross cost savings of approximately USD 13bn by the end of 2026 compared with the full year 2022 for the combined organizations. Gross cost savings will create capacity to reinvest for growth and to enhance the resilience of our infrastructure.

We expect Group risk-weighted assets (RWA) to be around USD 510bn by the end of 2026, assuming constant foreign exchange rates, including an estimated USD 25bn day-1 increase for the finalization of Basel III in 2025 (of which USD 10bn in Non-core and Legacy) and an increase of around USD 10bn in our core businesses from the alignment of Credit Suisse's risk models to those of UBS. We expect to offset these increases with RWA reductions in Non-core and Legacy, with the remaining portfolio there representing around 5% of Group RWA at the end of 2026. We also expect a further net decrease in RWA of around USD 15bn resulting from business-led actions to optimize returns on RWA in our core businesses.

Additionally, we expect up to USD 1bn of funding cost savings by 2026 compared with 2023 levels.

Our business divisions aim to achieve the following.

- Global Wealth Management: surpass USD 5trn of invested assets over the next five years, with around USD 100bn of net new assets annually through 2025, building to around USD 200bn annually by 2028, and an underlying cost / income ratio of less than 70% by the end of 2026 (exit rate).
- Personal & Corporate Banking: an underlying cost / income ratio of less than 50% by the end of 2026 (exit rate).
- Asset Management: an underlying cost / income ratio of less than 70% by the end of 2026 (exit rate).
- The Investment Bank: an underlying return on attributed equity of approximately 15% through the cycle, while operating with no more than 25% of the Group's RWA (excluding Non-core and Legacy).
- Non-core and Legacy: an underlying pre-tax loss of less than USD 1bn (exit rate), underlying costs of less than USD 1bn (exit rate) and a share of around 5% of Group RWA, all by the end of 2026.

Our aspirations on environmental, social and governance (ESG) matters are set forth in "Our focus on sustainability and climate" in the "How we create value for our stakeholders" section of this report.

Performance against targets, capital guidance and ambitions is taken into account when determining variable compensation.

- › Refer to "Society" and "Our focus on sustainability and climate" in the "How we create value for our stakeholders" section and to the "Corporate governance" section of this report for more information about ESG
- › Refer to the "Compensation" section of this report for more information about variable compensation
- › Refer to "Alternative performance measures" in the appendix to this report for definitions of and further information about our performance measures

Our businesses

We operate through five business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank and Non-core and Legacy. Our global reach and the breadth of our expertise are the major assets setting us apart from our competitors. Our Group functions are support and control functions that provide services to the Group. Virtually all costs incurred by the support and control functions are allocated to the business divisions, leaving a residual amount that we refer to as Group Items in our segment reporting. Disclosures in this report may refer to Group functions as Group Items.

We see joint efforts as key to our growth, both within and between business divisions. We combine our strengths to provide our clients with better, innovative solutions and differentiated offerings, for example, our Global Family & Institutional Wealth offering with integrated global coverage.

Global Wealth Management

We are a leading and truly global wealth manager and strive to help our clients pursue what matters most to them. We are focused on serving the needs of ultra high and high net worth individuals through trusted relationships with our advisors, while expanding our specialized services. We offer clients our global reach, our advisory approach led by the Chief Investment Office (the CIO) and access to our platform with its broad array of solutions, alongside our premium brand.

The acquisition of the Credit Suisse Group extended our leading global position, by contributing approximately USD 680bn in invested assets and more than 1,500 client advisors globally to our business,¹ across all regions.

Organizational changes

During the first half of 2023, we took several steps to simplify our organizational structure into four regions: Americas, EMEA, Asia Pacific and Switzerland. We also unified key solutions and functions under global leads. This will facilitate further convergence and simplification of our global operating model, while retaining the flexibility for local and regional differences.

In June 2023, the new Global Wealth Management leadership team overseeing the combined business division following the acquisition of the Credit Suisse Group was announced, including the creation of a new business unit, Global Wealth Management Strategic Clients, which is focused on enabling and delivering to our strategic clients globally, working in partnership with our regional business leaders and supported by senior client coverage teams.

How we do business

Our distinctive approach to wealth management helps our clients pursue what matters most to them by offering advice, expertise and solutions, and delivering on our client promise.

Our advice to clients is led by our global CIO, which produces the *UBS House View*, identifying investment opportunities designed to protect and increase our clients' wealth over the long term. CIO views drive investment recommendations for advisory clients and investment decisions for discretionary clients representing more than USD 1.6trn in fee-generating assets globally. Since September 2023, the full breadth of CIO content has been made available to clients and advisors across the entire firm, including Credit Suisse.

We make available to clients a broad range of securities and investment products. In addition to traditional equity and fixed-income securities, our investment specialists source and craft a range of investment products, including separately managed accounts (SMAs), structured products, sustainable- and impact-investing products, and alternative investments. Our alternative investments offering gives clients access to private markets, including equity, real estate and other real assets, and investments in private equity funds and hedge funds. We offer our own private equity multi-manager investments and enable clients to access selected single-manager funds and open-ended programs.

To complement this advice, we provide clients with advice on wealth planning, sustainability-focused and impact investing, and corporate and banking services. Our specialist teams also advise on art and collecting, family strategy and governance, philanthropy, next generation, and wealth transition.

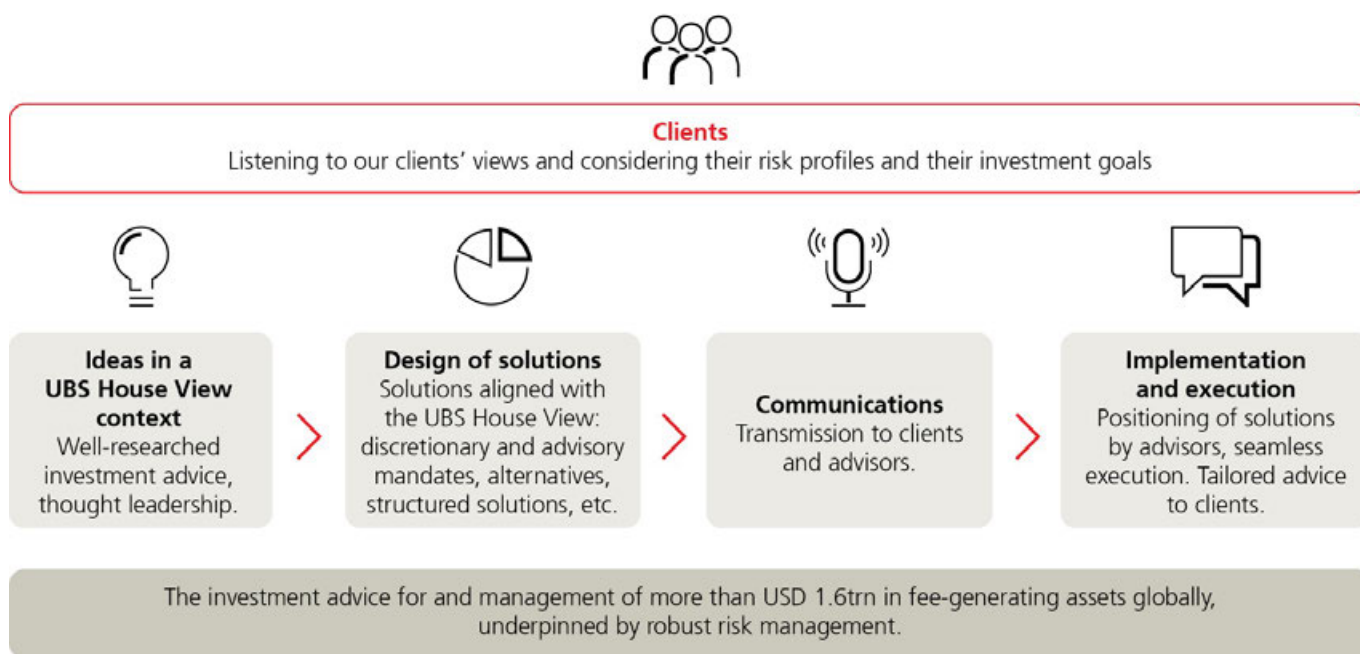
Our Global Family & Institutional Wealth service model, in collaboration with the Investment Bank, provides specialized services to meet the needs of family offices and ultra high net worth clients. For clients with institutional-level trading, execution and clearing needs, our Unified Global Markets offers access to the full capabilities of the Global Markets business of the Investment Bank.

In Asia Pacific and Switzerland, the *Direct Investment Insights* function on our online banking platform enables clients to trade directly based on CIO insights via their smartphones and other digital devices. *Advice Compass* enables advisors to conveniently identify the most relevant ideas and solutions for clients during one-to-one meetings. It should be noted that the aforementioned products relate to the UBS AG sub-group only.

To provide our clients with the full breadth of investment management products and solutions, our Global Lending Unit offers extensive mortgage, securities-based and structured lending expertise, catering to sophisticated client lending needs.

› Refer to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information about sustainability matters

Chief Investment Office-led value chain



Note: The Chief Investment Office develops a clear, concise and consistent investment assessment, the UBS House View, consisting of strategic asset allocation and tactical asset allocation.

Our newly established Global Wealth Management Strategic Clients unit aims to deliver the best advice and guidance to our strategic client segments, including business owners, female clients, the next generation of wealthy clients, athletes and entertainers, and multi-cultural investors. To this end, we have developed a dedicated approach and resources with specialized teams supporting our clients in achieving their goals.

We are investing in our operating platforms and tools to better serve our clients' needs, improve their experience, enhance overall advisor productivity and improve our operational resilience. We aim to make our services faster and more responsive and offer more convenience to our clients. For example, our Global Wealth Management clients have invested more than USD 9bn in *UBS My Way*, our discretionary mandate solution that enables clients to customize their portfolio themselves via the UBS mobile banking app. Additionally, we continue to broaden our offering across asset classes and themes, collaborating with best-in-class managers across the most relevant strategies. We are making continuous improvements to our direct-to-client digital offerings and have rolled out innovative new solutions, such as *UBS My Way on mobile*, a next-generation discretionary mandate solution that now enables clients to tailor their investments within their risk profile to their individual preferences via their mobile devices.

We also closely collaborate across business divisions to deliver our best capabilities to clients. Joint efforts with the Investment Bank, Asset Management and selected external partners enable us to offer clients broad access to financing, global capital markets and bespoke portfolio solutions. For example, in the US market, the SMA initiative with Asset Management continues to gain momentum, with USD 158bn in assets under management.

Competition

Our main competitors fall into two categories: competitors with a strong position in the Americas but more limited global footprints, such as Morgan Stanley, JPMorgan Chase and Bank of America; and competitors with international footprints but with a smaller presence than UBS in the US, such as Julius Baer, BNP Paribas and HSBC. We also compete with fintech firms in some regions and products. We have strong positions in the largest region (the US) and the fastest-growing regions (Asia Pacific and the Middle East). The size of our global franchise, bespoke cross-divisional solutions and premium brand and reputation set us apart and would be difficult to replicate.

2023 selected highlights

As of or for the year ended 31 December 2023



¹ As of 30 June 2023.

Personal & Corporate Banking

As the leading bank in Switzerland, we provide a comprehensive range of financial products and services to private, corporate and institutional clients. Personal & Corporate Banking is the core of our bank in Switzerland, the only country where we operate in all of our business areas. We are fully committed to our home market, as our leading position in Switzerland is crucial in terms of sustaining our global brand and the stability of our profits. Drawing on a broad network of branches and highly qualified client advisors, complemented by modern digital banking services and customer service centers, we are able to serve more than one-third of Swiss households and more than 90% of large Swiss corporations.

Organizational changes

Following the acquisition of Credit Suisse Group AG in June 2023 and based on a thorough strategic review, UBS announced on 31 August 2023 its decision to fully integrate Credit Suisse (Schweiz) AG with UBS Switzerland AG through a merger of the two banks. The legal merger of the two entities is expected to be completed in the third quarter of 2024.

The Swiss Bank (Credit Suisse) division is being integrated into Personal & Corporate Banking, and the newly combined Swiss business is led by the President UBS Switzerland and President Personal & Corporate Banking. For the time being, the Credit Suisse brand will remain in use in Switzerland and the Swiss Bank (Credit Suisse) division will continue to offer comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland. The Swiss Bank (Credit Suisse) private clients business franchise serves high net worth, affluent, retail and small business clients. In addition, consumer finance services are provided through the BANK-now subsidiary and credit card brands through our investment in Swisscard AECS GmbH. The corporate and institutional clients business of Swiss Bank (Credit Suisse) serves large corporate clients, small and medium-sized enterprises, institutional clients, financial institutions, and commodities traders. Part of the Swiss Bank (Credit Suisse) private clients business is expected to be shifted to Global Wealth Management as part of the integration progress.

How we do business

We provide our personal banking clients with access to a comprehensive, life-cycle-based offering. This includes a broad range of basic banking products, from payments to deposits, cards and convenient online and mobile banking, as well as lending (predominantly mortgages), investments and retirement planning services. In 2023, UBS was named “Best Bank in Switzerland” by *Euromoney* for the ninth time since 2012. Personal & Corporate Banking works closely with Global Wealth Management to provide our clients with access to leading wealth management services.

Our corporate and institutional clients benefit from our financing and investment solutions, in particular access to equity and debt capital markets, syndicated and structured credit, private placements, leasing, and traditional financing. We offer transaction banking solutions for payment and cash management services, trade and export finance, and global custody solutions for institutional clients.

Personal & Corporate Banking works closely with the Investment Bank to offer capital market and foreign exchange products, hedging strategies, and trading capabilities, as well as corporate finance advice. In cooperation with Asset Management, we also provide fund and portfolio management solutions.

In 2023, we continued to support our clients’ sustainability ambitions. In the corporate client segment, we further expanded our client-centric approach and focused on supporting our clients by advising them as part of a strategic dialogue and launching a sustainability-linked loan for multi-national corporations. We also took positive steps in providing transparency and sustainability insights to our private clients. With the launch of the carbon tracker in the UBS *key4* mobile banking app, clients can see an estimated carbon footprint for their purchases with UBS credit and debit cards and through UBS TWINT, helping them navigate the carbon footprints of their purchases in a relatively simple manner.

› Refer to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information about sustainability matters

We are building stronger relationships with our clients during the life cycle of their property ownership and providing services along the value chain. With our strategic partner Baloise, we offer *Houzy*, a leading homeowner platform in Switzerland with a nationwide network of qualified craftsmen and comprehensive services through buying, renovation, maintenance and sale of property. Services relating to property transactions and promotion financing are provided through our partner, *Brixel*. Our exclusive partnership with SMG Swiss Marketplace Group enables us to extend our ecosystem network to Switzerland’s largest real estate portals, such as Homegate and Immoscout24.

Our operations and our competitors

We operate primarily in our Swiss home market, where we are organized into 10 regions, covering distinct Swiss economic areas. We operate a multi-channel approach, and we are constantly developing our digital and remote channels.

In Personal Banking, our main competitors are the cantonal banks, Raiffeisen, PostFinance and other regional and local Swiss banks; we also face competition from international neobanks and other national digital market participants. Areas of competition are basic banking services, mortgages and foreign exchange, as well as investment mandates and funds.

In the corporate and institutional business, the cantonal banks and globally active foreign banks are our main competitors. We compete in basic banking services, cash management, trade and export finance, asset servicing, investment advice for institutional clients, corporate finance and lending, and cash and securities transactions for banks. We also support the international business activities of our Swiss corporate clients through local hubs in New York, Frankfurt, Singapore and the Hong Kong SAR in competition with globally active foreign banks. No other Swiss bank offers its corporate clients local banking capabilities abroad.

2023 selected highlights

As of or for the year ended 31 December 2023



¹ Based on approximately 200 largest Swiss companies. ² Number of Swiss households served by UBS divided by the total number of Swiss households according to the Swiss Federal Statistics Office.

Asset Management

Asset Management is a global, large-scale and diversified asset manager. We offer investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and our Global Wealth Management clients.

Our strategy is focused on capitalizing on the areas where we have a leading position and differentiated capabilities (including alternatives, sustainability, indexed customization, separately managed accounts (SMAs) and key markets in Asia Pacific) in order to further drive profitable growth, while building on our strong business division partnerships across the Group.

Organizational changes

The acquisition of the Credit Suisse Group

Following UBS's acquisition of the Credit Suisse Group in 2023, we are now one of the leading Europe-based asset managers, with total invested assets of USD 1.6trn. The combination of our highly complementary businesses strengthens our positioning across key asset classes and growth markets, with greater scale in customized indexing, an enhanced offering in alternative investments (including a leading credit franchise) and an increased presence in the US and Asia.

We are bringing our two organizations operationally together, with a clear goal to provide our clients with the full breadth of our combined offering while ensuring a seamless transition and exceptional service.

Other organizational changes

In October 2023, we completed the sale of our 51% stake in UBS Hana Asset Management Co., Ltd. to Hana Securities, after that firm exercised its buyout option. Hana Securities now owns 100% of UBS Hana Asset Management Co., Ltd.

In addition, we completed the acquisition of the 40% minority interest in our real estate joint venture with Aventicum and now own 100% of the business. In December 2023, we announced the sale of our Brazilian real estate fund management business to Patria Investments; the transaction is subject to the approval of the investors in the relevant funds and customary anti-trust approvals. We also transferred the management of our three funds in Mexico to Catena Activos Alternativos and, with this sale, exited the asset management business in this market.

How we do business

We offer clients a wide range of investment products and services across all major traditional and alternative asset classes, in the form of segregated, pooled or advisory mandates, as well as registered investment funds in various jurisdictions. Our capabilities include equities, fixed income, hedge funds (single- and multi-manager), real estate and private markets, and indexed and alternative beta strategies, including exchange-traded funds (ETFs), as well as sustainable- and impact-investing products and solutions.

We also draw on the breadth of our capabilities to offer asset allocation and currency investment strategies across the risk–return spectrum, customized multi-asset solutions, and advisory and fiduciary services.

We continue to develop our award-winning¹ Indexed business globally, with a focus on customization, and provide client solutions across equities, fixed income and commodities, as well as sustainability-focused products. Our offering also includes a wide range of ETFs in Europe, Switzerland and Asia.

In our Real Estate & Private Markets business, we continue to build on our global scale, leading core capabilities and highly differentiated sustainable-investing and specialized-thematic offering, including our Cold Storage, Energy Storage and Life Sciences strategies. We also continue to expand our leading multi-manager capabilities across real estate, infrastructure and private equity, including the development of new products to meet the growing demand from wealth management clients.

Sustainable and impact investing remain key areas of interest for our clients. In 2023, we further expanded our offering across asset classes and themes, including new net-zero ambition products. We launched our first sustainability-focused fund of hedge funds strategy, created in close collaboration with Global Wealth Management. We also partnered again with Aon to launch the UBS Global Emerging Markets Equity Climate Transition Fund, which tilts toward emerging market companies supporting the transition to a low-carbon economy, while factoring in important social considerations.

Stewardship is a fundamental element of our sustainability strategy. In 2023, we sharpened our five-year climate engagement program's focus and also aligned our voting policy to our evolved climate engagement objectives. In addition, to support our increasing focus on natural capital, we became a founding member of the Nature Action 100 collaborative engagement initiative and joined the Principles for Responsible Investment's Stewardship Advisory Committee for its initiative on nature.

› Refer to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information about sustainability matters

We also continue to build on our joint efforts with the other business divisions, enabling our teams to draw on the best ideas, solutions and capabilities from across the firm in order to deliver high-quality investment performance and experiences for our clients. For example, in 2023 we continued to expand our separately managed accounts (SMA) offering as part of our joint initiative with Global Wealth Management in the US. In support of this initiative, we launched the SMA Hub, a new self-service portal that enables financial advisors to generate custom client reports or proposals in only minutes.

Geographically, we are building on our extensive and long-standing presence in the Asia Pacific region, including China, where we continue to capitalize on our on- and offshore products and market presence, including our joint ventures.

To support our growth, we are focused on disciplined execution of our operational excellence initiatives. This includes further automation, simplification, process optimization and offshoring or nearshoring of selected activities, complemented by continued enhancements to our platform and development of our analytics and data capabilities. One example is our Portfolio Engineering & Trading initiative, which will streamline trading and portfolio implementation across our active and index capabilities through an integrated technology architecture. It will harmonize processes and enable further scalability of customization across asset classes.

Our operations and our competitors

Our business division is organized into five areas: Client Coverage; Investments; Real Estate & Private Markets; Products; and the COO area. We cover the main asset management markets globally, and have a local presence in 25 locations across four regions: the Americas; Asia Pacific; EMEA; and Switzerland. We have nine main hubs: Chicago; the Hong Kong SAR; London; New York; Shanghai; Singapore; Sydney; Tokyo; and Zurich.

Our main competitors are global firms with wide-ranging capabilities and distribution channels, such as AllianceBernstein, Allianz Asset Management, Amundi, BlackRock, DWS, Franklin Templeton, Invesco, J.P. Morgan Asset Management, Morgan Stanley Investment Management, Schroders, SSGA Funds Management and T. Rowe Price, as well as firms with a specific market or asset-class focus.

2023 selected highlights

As of or for the year ended 31 December 2023



¹ Sustainable investing. ² Separately managed accounts. ³ Hedge fund businesses, real estate and private markets.

¹ Best ESG Fund House (Passive), ESG Clarity Awards 2023; Best ESG Emerging Market Equity Fund (Passive), ESG Clarity Awards 2023.

Investment Bank

The Investment Bank provides services to institutional, corporate and wealth management clients, helping them raise capital, invest and manage risks, while targeting attractive and sustainable risk-adjusted returns for shareholders. Our traditional strengths are in equities, foreign exchange, research, advisory services and capital markets, complemented by a focused rates and credit platform. We use our data-driven research and technology capabilities to help clients adapt to evolving market structures and changes in regulatory, technological, economic and competitive landscapes.

Aiming to deliver market-leading solutions by using our intellectual capital and electronic platforms, we work closely with Global Wealth Management, Personal & Corporate Banking and Asset Management to bring the best of the Group's capabilities to our clients. We do so with a disciplined approach to balance sheet deployment and costs.

Our priority is providing high-quality execution and seamless client service, through an integrated, solutions-led approach, with disciplined growth in the advisory and execution businesses, while accelerating our digital transformation. In Global Banking, we position ourselves as trusted advisors via our client coverage and ability to provide access to the wider suite of UBS's capabilities. In Global Markets, we enable clients to buy, sell and finance securities on capital markets worldwide and to manage their risks and liquidity.

Organizational changes

The acquisition of the Credit Suisse Group

The acquisition of the Credit Suisse Group represented an acceleration of the Investment Bank's existing growth strategy, reinforcing and strengthening our coverage and presenting a powerful opportunity to enhance capabilities and client relevance in key products and regions.

An ambitious integration timeline for the Investment Bank has been set, and significant progress has been made with the creation of the newly established Non-core and Legacy division, which has started the process of divesting assets. We are working at pace to migrate clients and positions to the UBS platform and have concluded our workforce plans for the combined Investment Bank.

The Credit Suisse franchise helps us to build a more sustainable market share in a range of products and markets. It will enhance our capabilities, core products and services and enable us to deliver these products and services to an expanded institutional and corporate client base. The Investment Bank will be better positioned to serve Global Wealth Management, offering differentiated investment banking capabilities, and further enhance the connectivity with ultra high net worth and Global Family & Institutional Wealth clients.

The combination is expected to drive changes in our future revenue footprint. Our increased scale will enhance our competitive positioning within each region and product set and rebalance our footprint. The Investment Bank has historically been strong in both equities and in the Asia Pacific region, while having a smaller footprint across fixed income, global banking, and the Americas. The integration of the Investment Bank (Credit Suisse) strengthens our presence in the Americas, particularly in global banking, and represents an acceleration of our growth strategy in the region.

In Global Markets, we see the potential to gain market share in cash equities. We will also aim to capture market share in global equity derivatives, with a specific focus on flow derivatives, quantitative investment strategies and corporate derivatives.

In Switzerland and EMEA, the combination will reinforce our strong position in our domestic market. Meanwhile, in Asia Pacific, there is a complementarity between UBS's strength in China and Australia and Credit Suisse's broader capabilities across Southeast Asia.

Other organizational changes

In June 2023, Michael Ebert joined the Investment Bank Management Forum as Head of Credit Suisse for the Investment Bank, as well as Head of Americas for the Investment Bank. In August 2023, Marco Valla joined the Investment Bank Management Forum as Co-Head of Global Banking.

In October 2023, we launched our Strategic Insights and Advisory team in Global Banking, our content and advisory offering that brings together the expertise of the UBS Strategic Insights group and the Credit Suisse Corporate Insights group.

In December 2023, we announced the formation of our Executive Client Group, which is aimed at advising our clients at the C-suite level on strategic matters and is intended to drive a broad array of transactions to enhance the impact of our Global Banking coverage teams.

How we do business

Our business division consists of two areas: Global Banking and Global Markets, which are supported by Investment Bank Research. Our global coverage model utilizes our international industry expertise and product capabilities to meet clients' emerging needs.

Our Global Banking business advises clients on strategic business opportunities, such as mergers, acquisitions and related strategic matters, and helps them raise capital, in both public and private markets, to fund their activities.

Our Global Markets business enables clients to buy, sell and finance securities on capital markets worldwide and to manage their risks and liquidity. We distribute, trade, finance and clear cash equities and equity-linked products, as well as structuring, originating and distributing new equity and equity-linked issues. From origination and distribution to managing risk and providing liquidity in foreign exchange, rates, credit and precious metals, we help clients to realize their financial goals. We provide flexible, innovative and bespoke access to solutions, from market and insight tools to trading strategies and execution.

Our Investment Bank Research business continues to publish research based on primary data to concentrate on data-driven outcomes and offers clients differentiated content about major financial markets and securities around the globe, with analysts based in more than 20 countries and with coverage of more than 3,400 stocks in 49 different countries¹. The Strategic Insights team provides timely and relevant information and insights to help clients quickly make decisions regarding their most important questions.

We seek to develop new products and solutions consistent with our capital-efficient business model, typically related to new technologies or changing market standards.

The Investment Bank offers our clients global advice and access to the world's primary, secondary and private capital markets, including through an extensive array of sustainability-focused advice, products, research and events. The Investment Bank is focused on meeting clients' needs, including those with respect to environmental, social and governance (ESG) considerations and sustainable finance, helping to reshape business models and investment opportunities and to develop sustainable finance products and solutions.

In Global Markets, we develop products and solutions designed to meet clients' specific and increasingly detailed ESG objectives. In carbon emissions solutions, our clients continued to access solutions that are linked to the recently launched UBS Constant Maturity Commodity Index emissions index, as well as those that are available via our execution and clearing capabilities for carbon emissions futures. We continued to scale the number of portfolio certificates linked to a range of sustainability and climate investment themes, despite challenging market conditions throughout 2023.

UBS is a founding member of Carbonplace, a marketplace platform that seeks to build infrastructure to scale voluntary carbon markets, with the aim of enabling firms such as UBS to offer clients the ability to buy, sell, hold and retire voluntary carbon credits.

In Global Banking, ESG is a core component of many corporate business strategies and a key tool in achieving sustainability in business and corporate operating models. As pressure from regulators and other key stakeholder groups, such as customers, investors and employees, is increasing, so is the need for transformation. The ESG Advisory group provides the necessary lens helping UBS's clients assess ESG topics throughout the corporate life cycle.

UBS arranged USD 53.7bn in green, social, sustainability and sustainability-linked themed (GSSS) bonds through 102 deals during 2023.¹ We also solidified our market position in the Swiss franc-denominated market with a combined market share of nearly 50%.¹ We have also built a strong position in the ESG-labelled local debt market in Brazil.

Our independent ESG research team collaborates with UBS sector analysts and *UBS Evidence Lab* primary research experts, providing data-driven insights into ESG-relevant questions. The ESG research team works to identify touchpoints between markets, society and the environment, and to respond to ESG issues as they move to the center of investors' agendas. UBS sector lead analysts authored a variety of our flagship *ESG Sector Radar* reports, as well as a broad range of *ESG Company Radar* reports.

Our *ESG Company Radar* research reports, which we launched in 2022, assess the impact of ESG factors at company level, and we continued to see a very positive client response to those reports. Other types of ESG content include thematic and cross-sectoral collaborations, *ESG Keys* (which covers sustainable investing topics), and an increasing number of regional perspectives from our expanded ESG team, which works out of our offices in New York, London, the Hong Kong SAR, Tokyo and Sydney.

- › Refer to the **UBS Group Sustainability Report 2023**, available under "Annual reporting" at ubs.com/investors, for more information about sustainability matters

Our digital strategy harnesses technology to provide access to sources of unique, global liquidity, personalized advice and differentiated content. The Investment Bank strives to be the digital investment bank of the future, focused on delivering innovation-led solutions, and efficiencies for our clients. As the world around us changes, our digital capabilities aim to harness emerging technologies and create new products and solutions, which enable our clients to adapt to evolving market structures and achieve their investment goals.

Our ambition to be the most client-focused, efficient and data-driven investment bank is being realized through the simplification of technology architecture, increased speed and quality of delivery and the attraction of best-in-class talent. As we look forward to the continued evolution of our digital capabilities, we will see increased adoption of technologies, such as generative artificial intelligence, the consistent re-use of platforms and products, and the continued drive to make progress in our overall strategic imperatives, with regard to a new, combined Investment Bank.

Joint efforts between the Investment Bank and the other business divisions (for example, our work with Global Wealth Management on our new Global Family & Institutional Wealth coverage) and, externally, strategic partnerships (for example, UBS BB jointly with Banco do Brasil, focused on Latin America) continue to be key strategic priorities. Partnerships with Global Wealth Management and Asset Management enable us to provide clients with broad access to financing, global capital markets and portfolio solutions. We expect these initiatives to continue to lead to growth by delivering global products to each region, leveraging our global connectivity across borders and sharing and strengthening our best client relationships.

Our operations and our competitors

Our two business areas, Global Banking and Global Markets, are organized globally by product. Our business is regionally diversified, with a presence in more than 30 countries. We cover the main investment banking markets globally, and have major financial hubs across four regions: the Americas; Asia Pacific; EMEA; and Switzerland.

Our global reach gives attractive options for growth. In the Americas, the largest investment banking fee pool globally, we continue to focus on increasing market share in our core Global Banking and Global Markets businesses. In Asia Pacific, opportunities arise mainly from expected market internationalization and growth in China, where we plan to grow by strengthening our presence, both onshore and offshore. In EMEA, we plan to leverage our strong base and brand recognition even further.

Competing firms operate in many of our markets, but our strategy differentiates us, with our focus on leadership in the areas where we have chosen to compete and a business model that leverages talent and technology rather than balance sheet. Our main competitors are the major global investment banks (e.g., Morgan Stanley and Goldman Sachs) and corporate investment banks (e.g., Bank of America, Barclays, Citigroup, BNP Paribas, Deutsche Bank and JPMorgan Chase). We also compete with boutique investment banks and fintech firms in certain regions and products.

2023 selected highlights

As of or for the year ended 31 December 2023

| | | |
|---|---|---|
|  <p>Record full-year performance in Financing with revenues of USD 1.98bn, up 9% on 2022</p> |  <p>Best Investment Bank for Asia, Best Bank for Australia and Best M&A House Asia (<i>FinanceAsia, 2023</i>)</p> |  <p>Strongest full-year eFX¹ performance on record, with revenues up 19% on 2022²</p> |
|  <p>Our Private Funds Group was ranked the most active placement firm globally for 2023 (<i>Private Equity International</i>)</p> |  <p>No. 1 ranking in Asia Pacific M&A in 4Q23, with a 9.2% share of wallet (<i>Dealogic</i>)³</p> |  <p>Arranged USD 54bn in GSSS-themed bonds through >100 deals during 2023</p> |

¹ Foreign exchange products that are traded over electronic platforms. ² Record is from 2013 onward. ³ Combined with UBS AG and Credit Suisse AG.

¹ Statement relates to the UBS AG sub-group only.

Non-core and Legacy

In 2023, we created Non-core and Legacy, which includes positions and businesses not aligned with our strategy and policies. Those consist of the assets and liabilities reported as part of the former Capital Release Unit (Credit Suisse) and certain assets and liabilities of the former Investment Bank (Credit Suisse), Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse) and Asset Management (Credit Suisse) divisions, as well as of the former Corporate Center (Credit Suisse). Non-core and Legacy also includes the remaining assets and liabilities of UBS's Non-core and Legacy Portfolio, previously reported in Group Functions (now renamed to Group Items), and smaller amounts of assets and liabilities of UBS's business divisions that we have assessed as not strategic in light of the acquisition of the Credit Suisse Group.

At the end of the second quarter of 2023, the positions included in Non-core and Legacy represented USD 83.8bn of risk-weighted assets (RWA) and USD 208.7bn of leverage ratio denominator (LRD). Since then, Non-core and Legacy has made significant progress against its capital reduction goals by reducing RWA by USD 11.8bn, or 14%, to USD 72.0bn and reducing the LRD by USD 71.6bn, or 34%, to USD 137.1bn, by the end of 2023.

Our key priorities and operations

We are actively reducing the assets of Non-core and Legacy in order to reduce operating costs and financial resource consumption, and to enable us to simplify infrastructure. Incremental costs or losses may arise in connection with the reduction of such assets and liabilities.

Our key priorities are as follows.

- Reduce RWA and LRD, freeing up capital for the UBS Group. We aim to achieve a share of around 5% of Group RWA by the end of 2026. Non-core and Legacy will continue to actively pursue acceleration of the natural roll-off through active unwinds when economically accretive.
- Reduce operating costs and financial resource consumption by simplifying and decommissioning infrastructure, accelerate integration where accretive, and minimize the size of the legal entity footprint.
- Protect the client franchise by partnering with colleagues across the business divisions.

Non-core and Legacy includes assets, operating expenses and funding costs related to the following Credit Suisse businesses: loans primarily related to corporate bank and emerging markets, the residual securitized products businesses, the macro trading business including rates and foreign exchange, the legacy life-finance business, the equities portfolio, including the remaining prime services businesses, electronic trading, equity swaps, share back-lending positions, legacy structured renewables-linked positions and the residual credit business. Non-core and Legacy also includes residual trades from businesses exited by the pre-integration UBS Investment Bank, mainly in 2012. The portfolio additionally encompasses positions relating to legal matters arising from businesses transferred to it at the time of its formation.

Group functions

Our Group functions are support and control functions that provide services to the Group, focusing on effectiveness, risk mitigation and efficiency.

How we are organized

Our Group functions include the following major areas: Group Services (which consists of the Group Operations and Technology Office, Corporate Services, Compliance, Regulatory & Governance, Finance, Risk Control, Human Resources, Communications & Branding, Legal, the Group Integration Office, Group Sustainability and Impact, and Chief Strategy Office) and Group Treasury.

Group Services

The vast majority of the support and control functions are fully aligned or shared among the business divisions, where they have full management responsibility. By keeping the activities of the businesses and support and control functions closely aligned, we improve efficiency and create a working environment built on accountability and collaboration. Virtually all costs incurred by the support and control functions are allocated to the business divisions, leaving a residual amount that we refer to as Group Items in our segment reporting in accordance with IFRS Accounting Standards. Certain activities are retained centrally, where not directly related to the businesses, such as group hedging and own debt activities in Group Treasury and certain other costs that are mainly related to deferred tax assets and costs relating to our legal entity transformation program.

Group Treasury

Group Treasury manages balance sheet structural risk (e.g., interest rate, structural foreign exchange and collateral risks), as well as the risks associated with our liquidity, capital and funding portfolios. Group Treasury serves all five business divisions, and its risk management is integrated into the Group risk governance framework.

Organizational changes

As a result of the acquisition of the Credit Suisse Group, Corporate Center (Credit Suisse), including Treasury, has become a part of Group Items. In addition, the former Non-core and Legacy Portfolio unit was transferred to the new Non-core and Legacy business division.

Our environment

Market environment

Global economic developments in 2023¹

The global economy was resilient in 2023, in spite of the steep interest rate rises by major central banks designed to curb inflation from the multi-decade highs reached in 2022.

Global growth slowed only slightly, to 3.2%, in 2023, down from 3.4% in 2022. This partly reflected the strength of the US economy, where growth withstood higher interest rates, tightening bank lending standards, and mediocre real income growth. US GDP growth increased to 2.5% in 2023, up from 1.9% in 2022, as job security and relatively strong balance sheets encouraged higher spending by middle-income consumers. Economies in Europe also expanded in 2023, though at a slower pace. Growth in the Eurozone slowed to 0.5% in 2023, down from 3.4% in 2022, as the European Central Bank (the ECB) repeatedly raised interest rates. Growth in the Swiss economy slowed to 0.7% in 2023, down from 2.7% in 2022. UK GDP growth slowed to 0.1% in 2023, down from 4.3% in 2022, as high inflation and interest rate rises also limited growth.

Growth in China increased to 5.2% in 2023, compared with 3% in 2022, when its economy was slowed by pandemic restrictions that were in place until late in that year. However, cautious spending by domestic consumers meant that the rebound in growth was weaker than had been expected. Growth in India remained robust at 7% in 2023, down only slightly from 7.2% in 2022.

Inflation eased across developed economies, especially in the second half of 2023, as supply chains continued to recover from COVID-19 disruptions, energy prices were lower than 2022 and central bank interest rate rises increased the cost of borrowing. US consumer price inflation slowed to an annual 3.4% in December 2023, from 6.4% in January 2023. Inflation decelerated even more markedly in the Eurozone, to 2.9% year over year in December 2023, compared with 8.5% in January 2023. This trend enabled the Federal Reserve and the ECB to signal late in 2023 that monetary tightening had probably come to an end.

The MSCI All Country World Index returned a 22.2% gain in 2023, with close to half of that gain coming in the final two months of the year. The S&P 500 rose by 26.3%, lifted by optimism that innovations in artificial intelligence will boost profits and hopes that the Federal Reserve will cut rates swiftly in response to falling inflation. The FANG+ index, which tracks the 10 most traded US tech stocks, increased 96% over the year. The MSCI Japan was the best-performing major market in local currency terms in 2023, with a return of 28.6%, its highest in a decade. In Europe, the MSCI EMU returned 18.8%. Although the Swiss and UK markets lagged behind global stocks, both ended the year in positive territory, with returns of 5.3% and 7.7%, respectively. The weakest performance by a major market came from the MSCI China, which lost 10.7% amid disappointment over the pace of the economic recovery from pandemic restrictions and more limited-than-expected stimulus.

Economic and market outlook for 2024¹

Our baseline scenario for 2024 is for a soft landing in the US and subdued but positive growth in the Eurozone. We expect growth in China to enter a new normal of lower, but potentially higher-quality, growth.

We believe inflation will continue falling toward central bank targets, and, as a result, we believe policymakers will feel confident enough to lower interest rates starting around the middle of 2024. We expect cuts from the Federal Reserve, the ECB, the Swiss National Bank and the Bank of England. In contrast, with Japanese deflation coming to an end, we expect the Bank of Japan to raise rates into positive territory for the first time since late 2015.

With regard to growth, we expect the US to slow to a sustainable long-term rate of growth, due to declining housing affordability and the withdrawal of some government support measures that helped households during the COVID-19 pandemic. However, middle-income consumers still appear to have spending power, as well as relatively strong balance sheets, and we expect demand for labor to remain resilient. Overall, we expect US GDP growth to remain positive, at around 1.1% in 2024. We expect growth to be weak in the Eurozone, at 0.6%, due to the lagged effect of higher interest rates. We also expect UK GDP to increase by 0.6% in 2024, while GDP growth in Switzerland is expected to increase to 1.2% in 2024.

Geopolitical events and elections also have the potential to play an outsized role in 2024. The US presidential election, the ongoing Israel– Hamas and Russia–Ukraine wars, and the tension between the US and China could all affect markets globally. In addition, more than four billion people in more than 40 countries are set to go to the polls in 2024, including in the US, India and, potentially, the UK.

¹ Based on sources: Haver Analytics, CEIC, National Statistic and UBS.

Industry trends

Although our industry has been significantly affected by various regulatory developments in the past decade, technological transformation and changing client expectations are further emerging as key drivers of change today, increasingly affecting the competitive landscape, as well as our products, service models and operations. In parallel, our industry continues to be materially driven by changes in financial markets and macroeconomic and geopolitical conditions.

Digitalization

Digitalization continues to accelerate in our industry. Clients demand a seamless and personalized technology experience that involves both innovative and sustainable solutions. The rising rate of digital adoption can be seen across all regional, demographic and client segments. The ascent of artificial intelligence (AI) has created an opportunity to significantly improve both employee efficiency and client service. Financial institutions are finding ways to accelerate the adoption of AI in a risk- and regulatory-compliant manner and with ethical considerations in place. As a result, the shift from digitalizing and automating existing processes to digital-as-default solutions is well underway, while also taking into consideration human interaction, a component that continues to be an important competitive factor.

Keeping pace with emerging technologies is key; themes such as generative AI have progressed significantly and are expected to continue growing at pace. Generative AI offers the potential to democratize the use of AI well beyond data scientists, broadening the scope for its application and its associated benefits. As the technology evolves, so does the associated risk landscape, but the focus remains on safeguarding our clients and their data, with the evolution of AI governance as an area of strategic importance.

Digital communication, with clients and employees alike, has established new remote ways of working, enabling financial services providers to attract an even wider array of talent than before. The digitalization of the financial services sector has led to a structural shift in the workforce: more and better engineers are required to keep banks at the forefront of technology.

Continuous investment in technology is driving automation and simplification of labor-intensive processes, improving banks' operational efficiency, and freeing up resources to focus on client needs. Decision-making is becoming increasingly data-driven, with advanced analytics and AI enabling banks to address client needs in an even more targeted manner. In a consistently connected, open, and location-independent financial services ecosystem, the focus lies on adopting open-source technology, including cloud-native and modular architecture, to drive innovation and open exchange.

An open-finance environment combined with a shift in business models from in-person to digital channels bears the risk of increased digital vulnerability. Clients and other stakeholders expect ethical, responsible and secure data management practices. This makes the protection of the firm's data and the optimization of its cybersecurity capabilities a continued priority and focus.

Distributed ledger technology applications, including digital cash solutions, are gradually being adopted by the banking industry. Decentralized finance solutions are expected to mature over the coming years and may reshape our industry. They provide opportunities to overcome friction within the existing financial system, increase banking efficiency, broaden access to underserved communities and make previously unviable products or services available to the financial services sector. They also further enable early-stage concepts, such as Web 3.0 and the metaverse, which could lead to an enhanced digital user experience.

Sustainability

The continued decarbonization of the global economy will require governments, regulators, all industries and consumers to move in the same direction. A series of recent legislative acts, including the rollout of the Inflation Reduction Act in the US and the EU's Green Deal Industrial Plan, along with rising regulatory requirements, encourage investment into sustainable solutions, including infrastructure.

Meanwhile, policymakers and regulators increasingly require corporations to embed and disclose environmental, social and governance considerations. For example, the EU's Corporate Sustainability Reporting Directive, which came into force in 2023, is intended to provide greater transparency and reliability of information to investors.

During 2023, flows into sustainable funds remained modestly positive, while traditional funds faced outflows impacted by the equity and bond market volatility and worsening geopolitical tensions.¹ Throughout the year investors also expanded their sustainable investment allocations into alternative asset classes, including hedge funds, real estate and infrastructure. Following the subdued issuances in 2022, green, social, sustainability and sustainability-linked (GSSS) bond supply rebounded in 2023.

Our view is that the long-term growth trajectory for sustainable finance plays to our strengths, as we continue to build on our offering and develop the innovative products and solutions that our institutional and private clients need both to manage the risks and capture the opportunities presented by the transition to a low-carbon economy.

› Refer to the **UBS Group Sustainability Report 2023**, available under "Annual reporting" at ubs.com/investors, for more information about sustainability matters

Client expectations

As technology progresses, clients more rapidly redefine the way they live, work and interact with others. This is reshaping clients' expectations toward financial services firms, as their reference points are increasingly influenced by experiences with companies outside the sector, where technology-supported and data-driven solutions are progressively enabling a more personalized, relevant, on-time and seamless client experience. These services often focus on convenience, flexibility, transparency and personalization, and drive toward holistically addressing clients' needs and facilitating community building. Therefore, our industry needs to evolve, as clients measure us against new standards.

While the industry's overall focus still remains on digital-led solutions, recent geopolitical, macroeconomic and societal shifts have highlighted values such as security, trust, stability and a credible plan toward a sustainable future, leading to an increased demand in investment, financing and advisory products and services that fit clients' own sustainability preferences and ambitions.

Consolidation

Many regions and businesses in the financial services sector are still highly fragmented. We expect further consolidation, with the key drivers being ongoing margin pressure, capital constraints (e.g., due to pressure on asset prices in a higher-interest-rate environment), a push for cost efficiencies and increasing scale advantages resulting from fixed technology costs and regulatory requirements. Many stakeholders in the financial services sector continue to seek increasing exposure and access to regions with attractive growth profiles, such as Asia and other emerging markets, through local acquisitions or partnerships, as well as acquiring new capabilities addressing changes in market dynamics and overall client demands. The increased focus on core capabilities and geographical footprint, as well as the ongoing simplification of business models to reduce operational and compliance risks, is likely to drive further disposals of non-core businesses and assets. While banks already face increasing challenges from digitalization needs and intensified competition, potential tightening in macroeconomic and geopolitical conditions across major economies may create further pressure.

New competitors

Our competitive environment is evolving. In addition to traditional competitors in the asset-gathering businesses, new entrants are targeting selected parts of the value chain. We have recently observed a growing supply of private credit from private debt funds, facilitating an industry shift in lending volumes for high-yield lending products. However, we have not yet seen a fundamental unbundling of the value chain and client relationships, which might ultimately result in the further disintermediation of banks by new competitors. Over the long term, we believe large platform companies entering the financial services sector could pose a larger competitive threat, given their strong client franchises and access to client data, if they decide to broaden the scope of their services. While fintech firms continue to gain momentum, recent macroeconomic developments have slowed this trend, as funding appetite and valuations have trended downward. Although we expect the industry to recover in the future, we do not expect a material disruption to our asset-gathering businesses. As fintech firms mature, their success will inevitably depend on their ability to navigate our regulatory landscape, build customer trust and maintain innovation. The trend for forging partnerships between new entrants and incumbent banks will therefore continue, as technology and innovation help banks overcome new challenges.

Wealth development²

General overview of wealth development²

As of the end of 2022, global financial wealth is estimated at USD 255trn and is expected to continue to grow. After more than a decade of steady expansion, the growth of global financial wealth slowed for the first time in 2022, decreasing to USD 255trn, a 3.5% decrease compared with 2021. The decrease was mainly driven by various macroeconomic and geopolitical factors. However, this decrease is expected to be temporary, and wealth development is projected to continue in an upward trajectory in the coming years.

Challenges such as persistent inflation, the resulting rise in interest rates (which contributed to lower equity market performance) and a weaker-than-expected recovery in China, as well as geopolitical tensions and armed conflicts, persisted throughout 2023. However, global financial wealth is expected to continue growing at an average of 5% per year until 2027.

Almost half of the world's financial wealth was concentrated in the Americas (48%), followed by Asia Pacific (28%), Europe (21%) and the Middle East and Africa (3%).

Looking at our invested assets, almost half of those were concentrated in the Americas (49%), while the remaining half was almost equally distributed between Asia Pacific, Europe and the Middle East and Africa (approximately 17% per region).

Wealth segment view³

At the beginning of 2023, wealth was still highly concentrated. Approximately one-third of global high net worth individual (HNWI) wealth was controlled by 1% of the HNWI population (those with wealth in excess of USD 30m). Around a quarter of global HNWI wealth was held by 9% of the HNWI population (those with wealth ranging from USD 5m to USD 30m), while the remainder of the HNWI wealth was held by 90% of the HNWI population, i.e., those with wealth between USD 1m and USD 5m.

Specifically, when looking at the billionaire wealth segment, wealth recovered from its post-pandemic fall, growing by 9% in nominal terms, while the billionaire population rose by 7% globally.⁴

Wealth transfer⁵

Between 2020 and 2030, more than USD 18trn of collective wealth is expected to be transferred globally by individuals with USD 5m or more in net worth to their next-in-line heirs or spouses.⁶ North America and Europe are the regions with the largest expected wealth transfers, with the US alone responsible for approximately 60% of all transfers.

When looking at the billionaire wealth segment, based on the findings of UBS's latest *Billionaire Ambitions Report*, for the first time in 10 years new billionaires in the 12 months to April 2023 accumulated more wealth through inheritance than entrepreneurship. This is expected to increase during the next 20 to 30 years, as more than 1,000 billionaires pass an estimated USD 5.2trn to their heirs. This is of great significance, as this new generation of billionaires has fresh views about business, investments and philanthropy. Many are redirecting the large pools of private wealth they control to new business opportunities, and possibly away from their families' businesses.⁴

While this wealth transfer poses a challenge for wealth managers to retain current assets, it also creates opportunities to capture new assets from competitors, as well as to start building relationships with the next generation and to cater to their evolving needs. UBS provides clients with tailored services and solutions depending on client profiles and jurisdictions, while facilitating succession planning, a highly significant and challenging topic for many clients.⁷

Female investors

Today, women are creating wealth faster than ever before and doing so at a faster pace than men, due to factors such as shifting global wealth distribution, cultural attitudes, intergenerational wealth transfers and a rise in businesses owned by women. This trend will likely gain further momentum in the years to come. In 2022, 12% of all billionaires worldwide were women, worth a total of USD 1.56trn, an increase of 2% compared with the prior year.³ To address this segment, UBS has created a dedicated approach tailored to female investors, adapting its offering to the specific needs of each client. UBS was recently highly commended in the Best Private Bank for Wealthy Women category at the PWM / The Banker 2023 awards.

Entrepreneurs

With an expected compounded annual growth rate of 6% between 2020 and 2025, entrepreneurs represent the largest and fastest-growing contributors to the global wealth management revenue pool and are expected to account for almost one-third of total wealth management revenues by 2025.⁸

We are addressing the opportunities entrepreneurs present by leveraging our global footprint and capabilities to address their evolving needs at every stage of the business life cycle. Additionally, we have created the Industry Leader Network, an exclusive peer-to-peer entrepreneur network that offers opportunities for connecting through content-rich events, through a dedicated digital platform and through regular information exchanges.

Long-term investment trends resilient in the face of market uncertainty

2023 saw turbulence in the global financial markets, as a combination of varying expectations about the level of interest rates, inflation, and geopolitical tensions caused equity and fixed income performance to fluctuate several times across the course of the year. There was increased investor appetite for fixed income, accompanied by outflows from equity funds.

Inflation has decreased across most major markets globally, and while hopes of a softer landing have risen, inflation remains above target, including in the US. This continues to be a challenge across Europe, given continued low growth.

In our view, despite the uncertainty, the opportunity has significantly improved for investors looking to build diversified, risk-aware portfolios, and the long-term trend toward shifts into illiquid alternatives that can deliver compelling longer-term, risk-adjusted returns and into low-cost, efficient passive strategies across liquid markets has not changed. The breadth of our investment expertise and capabilities enables us to find the right solutions for clients as the environment evolves.

¹ Global Sustainable Fund Flows: Q4 2023 in Review, Morningstar.

² Based on BCG's Global Wealth Report 2023, which refers to the 2022 financial year; wealth concentration is based on financial assets by regions, and excludes real assets and liabilities.

³ Wealth Management Top Trends 2023, Capgemini, considering HNWI financial wealth and population in Europe, Asia Pacific and North America; the HNWI population defined as individuals with investable assets greater than USD 1m, excluding primary residence, collectibles, consumables and consumer durables.

⁴ UBS Billionaire Ambitions Report 2023, November 2023.

⁵ Preservation and Succession: Family Wealth Transfer 2021, Wealth-X.

⁶ Women as the next wave of growth in US wealth management, McKinsey (July 2020); quoting that in 70% of cases where widows inherit wealth, they change their banking relationship within a year.

⁷ UBS Investor Watch, October 2022.

⁸ McKinsey Global Wealth Pools, 2020, UBS analysis; client types considered are high-income employees, self-employed professionals, entrepreneurs, multi-generation families and retirees.

How we create value for our stakeholders

Clients

Our clients are the heart of our business. We are committed to building and sustaining long-term relationships based on mutual respect, trust and integrity. Understanding our clients' needs and expectations enables us to best serve their interests and to create value for them.

A combined firm with expanded reach and capabilities for clients

With the acquisition of the Credit Suisse Group in 2023, our client offering, expertise and geographical reach have expanded significantly.

The wealth management businesses of UBS AG and Credit Suisse AG have largely complementary footprints across locations and client segments, that support one of the core pillars of our client value proposition in Global Wealth Management: the ability to serve clients regardless of where they are and what they need. Following the acquisition, all of our Global Wealth Management clients now have access to the *UBS House View* by our Chief Investment Office. We are continuing to align our wealth management product and solution offerings, helping clients to grow, protect and transfer their wealth.

We are the leading bank in Switzerland, leveraging the strength of the newly combined Swiss business to broaden our services and to promote innovation to our clients. The legal merger of two entities, Credit Suisse (Schweiz) AG and UBS Switzerland AG, is expected to be completed in the third quarter of 2024, with the Swiss Bank (Credit Suisse) division being integrated into Personal & Corporate Banking. We are taking on the integration with the utmost care and intend to spend the time needed to achieve the best possible outcome for our clients, our employees and the Swiss financial center.

Following the acquisition of the Credit Suisse Group, we are bringing together our highly complementary asset management businesses and enhancing the value that we provide to clients through expanded capabilities across key asset classes and growth markets. This includes greater scale in customized indexing, an enhanced offering in alternatives including a leading credit franchise, and an increased presence in the US and Asia.

The acquisition of the Credit Suisse Group strengthens the Investment Bank's coverage. It deepens our capabilities in core products and services, enabling us to deliver services to a broader institutional- and corporate-client base, while bringing us critical mass in key markets. The Investment Bank will also be better positioned to serve Global Wealth Management clients, offering differentiated investment banking capabilities and further enhancing connectivity with ultra high net worth and Global Family & Institutional Wealth clients.

Engaging with our clients

Our clients' needs and their preferred communication channels continually evolve. Our objective is to engage with clients in the ways most convenient for them. We use a variety of channels to engage with clients, including regular client relationship and service meetings, as well as various corporate roadshows and dedicated events, and we have established a mix of hybrid and in-person events.

Global Wealth Management interacted with clients via various settings in 2023, from personalized private briefings with subject matter experts to segment-specific virtual and in-person events and large-scale initiatives. We utilize marketing campaigns, events, advertising, publications and digital-only solutions to help drive greater awareness of UBS among prospective clients and reinforce trust-based relationships between advisors and clients. We proactively engaged with clients to reassure them about the acquisition and highlighted the benefits of the combined organization. This was done through individual meetings and calls, and, as the acquisition progressed, we were able to open up some of our flagship events and conferences to clients of the combined firm.

Personal & Corporate Banking holds regular client events (leveraging a number of formats, such as webcasts and in-person, virtual or hybrid events), covering a wide range of topics. In 2023, we enhanced our digital engagement strategies to reach more clients and strengthen relationships with existing ones. We utilize various channels, including social media, online displays, and search engines.

In Asset Management, we had a consistent program of client events and engagement activities throughout 2023. These included our flagship conferences, such as the annual *UBS Reserve Management Seminar*, and we held our first global in-person outlook roadshow in multiple locations across the world. Alongside this, our teams continued the high level of interaction with clients globally, supported by digital tools and our publication of macro insights. We also hosted a broad range of hybrid events, including our investment series, to help our clients better understand market challenges and opportunities, and we continued to engage with clients through our social media and online channels.

The Investment Bank hosted more than 180 investor conferences and educational seminars globally in 2023, covering a broad range of macro, sector, regional and regulatory topics. Almost all of those conferences were held virtually. We leverage our intellectual capital and relationships and use our execution capabilities, differentiated research content, bespoke solutions, client franchise model and global platform to expand coverage across a broad set of clients. *UBS Neo Question Bank* is the largest global database of market-related questions asked by professional investors, and *UBS Live Desk*, built within the *UBS Neo* platform, provides clients with a stream of fast-paced commentary from UBS traders. The UBS Analytical Research Community (UBS-ARC) is a proprietary, interconnected research network of industry leaders, subject matter specialists, executives, academics and analysts in the Americas region.

How we measure client satisfaction

We continue to use multiple techniques to regularly assess our achievements and the satisfaction of our clients. Global Wealth Management is increasingly using technology and analytics capabilities to collect and respond to client feedback. Personal & Corporate Banking¹ has conducted annual surveys of clients in Switzerland since 2008, consistently covering most private and corporate-client segments annually since 2015. In Asset Management, we have an integrated process to record and manage client feedback through our client relationship management tool, and we also conduct regular surveys. The Investment Bank closely monitors client satisfaction via individual product coverage points. Direct client feedback is actively captured and tracked in our systems. The Investment Bank also closely monitors external surveys, which provide feedback across a range of investment banking services.

¹ Refers to UBS AG Personal & Corporate Banking.

Investors

We aim to create sustainable, long-term value for our investors by executing our strategy, growth and integration plans while maintaining risk and cost discipline, and delivering attractive shareholder returns through the cycle.

Investor base

Our investor base is well diversified. A substantial proportion of our institutional shareholders are based in the US, the UK and Switzerland.

- › Refer to the “Corporate governance” section of this report for more information about disclosed shareholdings

Alignment of interests

We aim to align the interests of our employees with those of our equity and debt investors, and this approach is reflected in our compensation philosophy and practices.

- › Refer to “Our compensation philosophy” in the “Compensation” section of this report for more information

We are focused on driving sustainable long-term growth while maintaining risk and cost discipline

Our objective is generating value for all of our stakeholders by driving sustainable growth across the cycle. In the short term, our main priorities are the integration of Credit Suisse, positioning the firm for efficient long-term growth by right-sizing the cost base, optimizing the balance sheet and investing strategically in order to achieve our long-term growth ambitions. By the end of 2026 and beyond, this will enable us to deliver significant value for all our stakeholders and remain a reliable economic partner, employer and taxpayer in the communities where we operate. Moreover, we are aiming to maximize our impact and that of our clients to create long-term sustainable value.

Our primary measurement of the Group’s financial performance is return on common equity tier 1 (CET1), as regulatory capital is our binding constraint and drives our ability to return capital to shareholders.

- › Refer to the “Targets, capital guidance and ambitions” section of this report for more information
- › Refer to “Our focus on sustainability and climate” in this section for more information about our environmental, social and governance aspirations

Balancing resilience, growth and attractive capital returns

Capital strength is a key pillar of our strategy, and we are committed to maintaining a balance sheet for all seasons. This includes our strong capitalization, in line with our capital guidance of maintaining a CET1 capital ratio of around 14% and a CET1 leverage ratio of greater than 4.0%.

We are committed to investing for sustainable growth. Our balance sheet provides ample capacity for return-accretive, sustainable growth. We plan to fund this growth organically from the capital released from the unwinding of the Non-core and Legacy business division, as well as capital optimization measures in our core divisions.

We intend to distribute excess capital to shareholders, in the form of a progressive dividend and share buybacks. For the 2023 financial year, the Board of Directors plans to propose a dividend to UBS Group AG shareholders of USD 0.70 per share, a 27% increase year on year. We remain committed to progressive dividends and are accruing for a mid-teen percentage increase in the dividend per share for the 2024 financial year. We are committed to distributing excess capital to shareholders in the form of share repurchases and plan to reinstate share repurchases of up to USD 1bn during 2024, commencing after the completion of the merger between UBS AG and Credit Suisse AG, which is expected by the end of the second quarter of 2024. It is our ambition for share repurchases in 2026 to exceed the 2022 levels of USD 5.6bn.

› Refer to “UBS shares” in the “Risk, capital, liquidity and funding, and balance sheet” section of this report for more information

Communications

Our Investor Relations (IR) function is the primary point of contact between UBS and our shareholders. Our senior management and IR regularly interact with institutional investors, financial analysts and other market participants, such as credit rating agencies. Clear, transparent and relevant disclosures, and regular direct interactions with existing and prospective shareholders, form the basis for our communications. The IR team relays the views of and feedback on UBS from institutional investors and other market participants to our senior management.

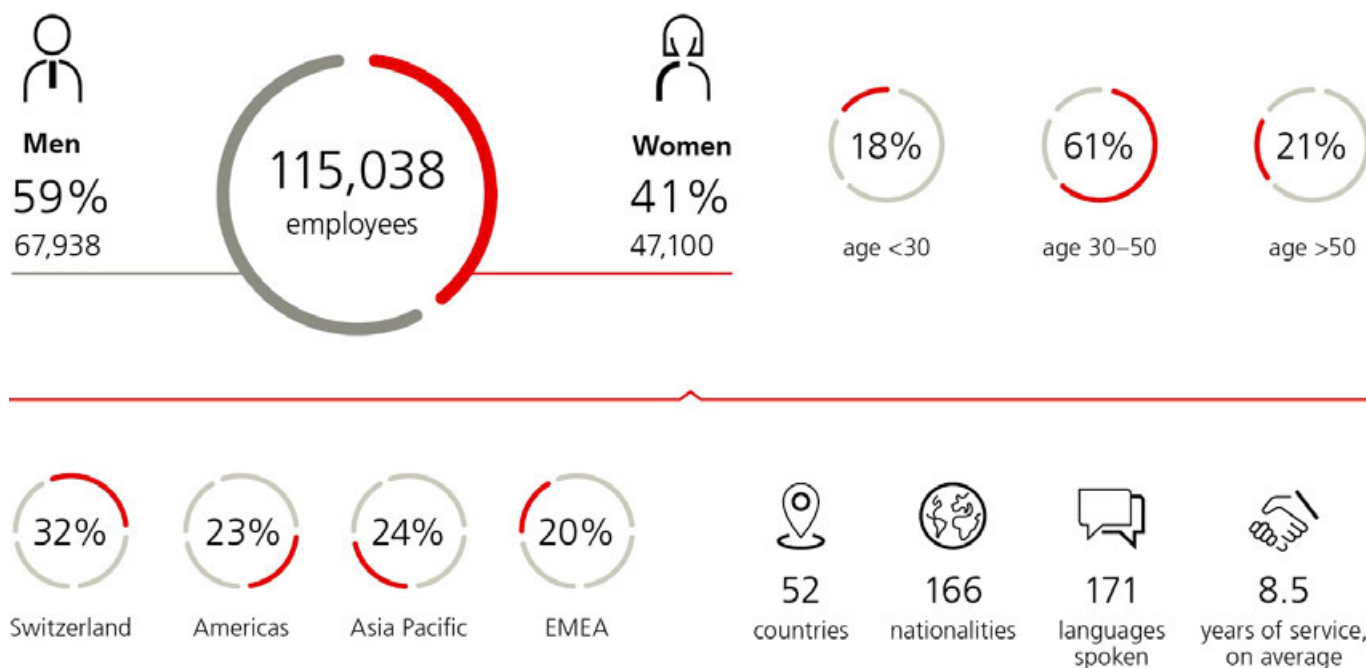
IR and our Corporate Responsibility function work together and interact with investors interested in sustainability topics relevant to UBS and wider society.

- › Refer to the first part of the “Corporate governance” section of this report and “Information policy” in that same section for more information
- › Refer to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information

Employees

We are dedicated to being a world-class employer and a place where people can unlock their full potential. Our employees execute our business strategy and deliver the products and services our clients need. We therefore continued to invest in measures to strengthen our culture in 2023 and to provide a framework for employee growth and well-being within our overarching people management approach.

Our workforce in a nutshell¹



¹ Calculated as of 31 December 2023 on a head-count basis of 115,038 internal employees only (112,842 FTE). The number of external staff as of 31 December 2023 was 25,619 (workforce count).

The three keys and our corporate culture

Our culture, which is the foundation of our identity, is based on our three keys to success: our *Pillars, Principles and Behaviors*. Together, these keys drive our business decisions and our people management processes. Generally speaking, the employee cultures of UBS and Credit Suisse are based on similar foundations: integrity, collaboration and high levels of engagement are the norm for both organizations. In the second half of 2023, familiarizing our new colleagues with our three keys principles and building a unified culture across our combined organization were top priorities. A culture integration forum was established to oversee and support the cultural integration efforts across the combined firm. Employee integration progressed throughout 2023, starting with senior leadership decisions and continuing down to individual teams, seeking to bring talented individuals together in a fair, consistent and meritocratic approach. Those efforts, and the employee engagement and development initiatives that support the integration, will continue, and even increase, in 2024.

Culture-building behavior is promoted through a number of Group-wide, divisional and regional initiatives. One example is *Three Keys on Air*. In 2023, this Group-wide series of webcast employee events highlighted key aspects of our culture, including maximizing performance, psychological safety in high-performing teams and excellence in risk management. In addition, the *Group Franchise Awards* (GFA) program recognizes employees for cross-divisional collaboration and for suggesting innovative or simplification ideas. In 2023, more than 1,800 ideas were submitted for consideration. The global peer-to-peer appreciation program (called *Kudos*) makes it easy for employees to recognize and appreciate their colleagues' above-and-beyond behavior. This serves to promote excellence and increase engagement and employee satisfaction. In 2023, our employees gave nearly 439,000 Kudos recognitions. Credit Suisse employees participated in *Recognizing and Valuing Excellence* (RAVE), a similar peer-to-peer recognition program. The GFA program and Kudos will be rolled out to the entire organization starting in 2024.

- › Refer to ubs.com/global/en/our-firm/our-culture.html for details about our three keys to success
- › Refer to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information

Hiring, developing and retaining talent

We hired a total of 11,435 external candidates across the combined firm in 2023 and developed more than 3,700 graduates and other trainees, apprentices and interns around the globe. We actively promote multi-year apprenticeship programs in Switzerland and the UK, along with summer internship programs in the US, EMEA, Asia Pacific and Switzerland.

In 2023, most employees were eligible to work partially from home, depending on their role, regulatory restrictions and location, as well as divisional or functional requirements. Already similar, the hybrid-working programs of the UBS sub-group and the Credit Suisse sub-group will be aligned over the course of the integration. These measures, along with options such as part-time working, job sharing and partial retirement, help us attract and retain diverse top talent.

- › Refer to ubs.com/global/en/careers/awards.html for employer ratings and recognitions

Personnel by region

| | | As of | | % change from |
|---|----------------|----------|----------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.21 | 31.12.22 |
| <i>Full-time equivalents</i> | 31,123 | | | |
| Americas | 27,638 | 21,819 | 21,317 | 27 |
| <i>of which: USA</i> | 26,024 | 21,032 | 20,537 | 24 |
| Asia Pacific | 27,638 | 16,489 | 15,618 | 68 |
| Europe, Middle East and Africa (excluding Switzerland) | 22,686 | 14,342 | 14,091 | 58 |
| <i>of which: UK</i> | 8,970 | 6,234 | 6,051 | 44 |
| <i>of which: rest of Europe (excluding Switzerland)</i> | 13,085 | 7,823 | 7,826 | 67 |
| <i>of which: Middle East and Africa</i> | 631 | 285 | 215 | 121 |
| Switzerland | 34,880 | 19,947 | 20,359 | 75 |
| Total | 112,842 | 72,597 | 71,385 | 55 |

Talent management and development

We want our employees to be able to build long and successful careers. Our systematic approach to talent management includes annual talent and succession reviews that help ensure we have strong talent pipelines and succession plans. Group-wide talent programs are offered across the organization and supplemented by specific programs in the business divisions, business areas or functions and regions. Programs range from those targeting senior leaders to those targeting junior talent, in addition to those open to women and employees from diverse backgrounds.

Internal mobility is a key component of our approach, with line managers expected to support individual development and mobility. In 2023, 38.8% of all open roles at our firm were filled by internal candidates. Employees can explore career paths, search for jobs and short-term rotations, and connect with mentors on our *Career Navigator* platform. Credit Suisse employees are expected to have full access during 2024.

All internal training is delivered via our *UBS University* platform. Our offering includes client advisor certification and regulatory, business, and line manager training, alongside modules on topics such as sustainable finance, data literacy, and well-being. Credit Suisse employees transitioned onto the *UBS University* platform in January 2024. Across the combined firm in 2023, employees completed more than 2.3 million learning activities (including mandatory training) for an average of 1.91 training days per employee. Together with Credit Suisse we invested more than USD 100m in training activities in 2023.

Performance management

Our performance management approach (*MyImpact*) reflects our strategy and supports our high-performance culture. We consider both performance and behavior-related objectives because we value what an employee accomplishes and how our Behaviors (accountability with integrity, collaboration and innovation) are demonstrated. Regular check-ins, along with an embedded feedback app, enable employees to give and receive ongoing feedback, supporting continuous improvement.

Credit Suisse employees were fully integrated into this performance management approach before the start of year-end reviews, and the same process was applied across the entire organization. Active involvement from managers and matrix managers, along with feedback from across the combined organization, ensured a consistent and fair performance review approach.

Fair and equitable pay

Fair and consistent pay practices are designed to ensure employees are appropriately rewarded for their contribution. We pay for performance, and we take pay equity seriously. We have embedded clear commitments in our global compensation policies and practices. We regularly conduct internal reviews and independent external audits on pay equity, and our statistical analyses show a differential between men and women in similar roles across our major locations of less than 1%. Beginning in 2020, UBS was certified (through 2023) by the EQUAL-SALARY Foundation for our human resources (HR) practices, including compensation, in Switzerland, the US, the UK, the Hong Kong SAR and Singapore, covering more than two-thirds of our global employee population.

All of our HR policies are global, and we apply the same standards across all locations. Furthermore, we review our approach and policies annually to support our continuous improvement. We also aim to ensure that all employees are paid at least a living wage.¹ We regularly assess employees' salaries against local living wages, using benchmarks defined by the Fair Wage Network. In 2023, all employees' salaries were at or above the respective benchmarks.

› Refer to the "Compensation" section of this report for more information

Diversity, equity and inclusion

Our employee diversity, equity and inclusion (DE&I) strategy is built on four pillars: how we hold ourselves accountable, how we hire, how we develop talent and how we build a culture of belonging. We leverage all four pillars as we move toward achieving our ambitious gender and ethnic diversity aspirations and creating an inclusive culture for all.

In 2020, we outlined specific intentions to increase our female and ethnic minority representation, especially among management. We aspire to have by 2025 30% of Director level and above roles globally held by women and 26% of Director level and above roles in the US and the UK held by ethnic minority talent, along with additional regional aspirations. Our DE&I aspirations remain unchanged for the combined organization and the Credit Suisse DE&I aspirations have been retired.

As of the end of 2023, women accounted for 40.9% of our workforce and 29.5% of our Director level and above population, up from 27.8% in 2022 and 26.7% in 2021.² Women also held 30.5% of management positions, of which 22.6% were in revenue-generating functions. Furthermore, 37.5% of members of the Group Executive Board (the GEB) and 33.3% of members of the Board of Directors (the BoD) were women, as were 30.3% of senior managers who reported directly to a member of the GEB.

Due to variations in legal requirements and other factors, we take a country-specific approach to increasing representation of ethnic minorities and place particular focus on making progress in the UK and the US. As of the end of 2023, employees from ethnic minority backgrounds held 24.3% of Director level and above roles in the UK, up from 23.4% in 2022 and 21.9% in 2021. In the same year, employees from ethnic minority backgrounds held 25.1% of Director level and above roles in the US, up from 20.5% in 2022 and 20.1% in 2021.

Our 64 employee networks are vital to building a sense of belonging and strengthening our inclusive culture. The Credit Suisse sub-group and the UBS sub-group employee networks were integrated by the end of 2023, enabling us to combine programming and resources, and to extend our networks' impact to a much larger audience.

We build connections with colleagues and clients with disabilities through our association with The Valuable 500, a global collective of companies actively supporting disability inclusion. Initiatives in 2023 included training for employees and HR specialists, sponsoring disability-focused employee networks and groups, and further increasing physical and digital accessibility for employees and clients alike.

› Refer to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, and ubs.com/diversity for more information about DE&I at UBS

Employee engagement and support

We regularly conduct employee life-cycle surveys, analyses of specific business issues and short “pulse” surveys to learn about employees’ views and concerns. One such pulse survey, conducted across the combined organization in November 2023, found that 87% of respondents reported experiencing a professional and respectful work environment, and 83% reported that their function collaborates well with different areas. Furthermore, 77% of respondents felt empowered to make decisions and 86% felt able to speak up and raise concerns.³ All of these results are above the financial services benchmark.⁴

We are committed to being a responsible employer, and that includes supporting our employees’ overall health and well-being. Social, physical, mental and financial well-being elements are woven into our HR policies and practices, as well as into initiatives to increase awareness and educate employees. In early 2023, UBS became a founding partner of #WorkingWithCancer to better support employees who are impacted by cancer. During the second half of the year, we provided information and support to help employees adapt to changes related to the acquisition of the Credit Suisse Group.

› Refer to the **UBS Group Sustainability Report 2023**, available under “Annual reporting” at ubs.com/investors, for more information about our workforce, our people management approach and relevant data

¹ Excluding our US-based financial advisors as their compensation is primarily based on a formulaic approach.

² For all data in the DE&I section of this report, 2023 data reflects the combined organization, and prior-year data reflects pre-acquisition UBS only, unless otherwise stated.

³ The result shown is the sum of respondents that “strongly agree” and “agree.”

⁴ Benchmarks provided by Ipsos Karian and Box as of the third quarter of 2023.

Society

With a clear focus on people, planet and partnerships, Social Impact has continued to be a strong differentiator for the firm, with our activities underpinning our sustainability strategy. With our acquisition of the Credit Suisse Group and the ongoing integration, we will continue to put clients and people first across the combined organization and help clients maximize their impact locally and globally. Credit Suisse’s long-standing commitment to society and philanthropic support to communities complements and strengthens our global impact footprint.

Our vision is to contribute to and scale an impact economy, an economy that values the well-being of all people and the planet. This means building partnerships that drive greater impact transparency, more impact ventures and innovative ways of financing and paying for impact.

Philanthropy services and collective impact

We believe that by working collectively, philanthropists and public and private organizations have the potential to create lasting change and maximize a positive impact for people and planet. We provide comprehensive advice, insights and execution services, working with our clients and finding ways to tackle some of the world’s most pressing social and environmental problems. We aim to mobilize USD 1bn in philanthropic capital and positively impact more than 26.5 million people by 2025 (cumulative total since 2021).

Collective impact

The power of philanthropic partnerships will be critical in achieving systemic scalable change. We have three *Collectives*, where philanthropists, led by our in-house philanthropy team, are working together, bringing together their efforts, skills and resources during a two-year learning journey. By combining our expertise and investor capital, our aim is to fund initiatives that address (i) child protection, (ii) climate change and (iii) health- and education-related issues. Each Collective provides investors with an opportunity to work alongside peers and expert practitioners to achieve systemic change.

Helping our clients structure their philanthropy: donor-advised funds

Donor-advised funds offer clients an alternative charitable-giving vehicle to set up their own foundations, offering greater choice and personalization, and are managed in line with their usual investment approach. Their charitable donations can be invested within the parameters they select (such as capital, growth or income), helping them to grow their fund to give grants at a later date. Administration fees are borne by UBS. UBS offers these services in Switzerland, Singapore and the UK, and in 2023 they were launched in the Hong Kong SAR, with USD 318m in donations in 2023.¹

UBS Global Visionaries

Through our *UBS Global Visionaries* program, we aim to (i) create opportunities for clients and prospective clients to connect with leading social entrepreneurs and (ii) help the best entrepreneurs focusing on social and environmental issues to scale their positive change by expanding their network, building capacity and raising awareness about their work. Since the program started in 2016, we have onboarded and supported 85 entrepreneurs to accelerate their impact.

The UBS Optimus network of foundations

The UBS Optimus network of foundations also aims to contribute to an impact economy that meets the long-term needs of children and preserves the natural environment. It connects clients with programs that are making a measurable, long-term difference to the most serious and enduring social and environmental problems. It has been operating for 24 years now and it is focused on incubating impact ventures, scaling impact through partnerships and achieving impact transparency. In 2023, the UBS Optimus network of foundations had a presence in nine global locations. It is now working on harmonizing the Credit Suisse program portfolio. This effort includes Credit Suisse's four corporate foundations supporting the Americas, EMEA, Asia Pacific and Switzerland.

In 2023, the UBS Optimus network of foundations raised USD 328m in donations, including UBS matching contributions, and committed USD 306m in grants from the foundations.¹

Highlights in 2023

Social and blended finance

The UBS Optimus network of foundations is actively developing larger-scale investment vehicles, in partnership with other parts of UBS, by using a blended finance approach. In 2023, it secured major investor commitments for a USD 100m SDG Outcomes blended finance initiative with Bridges Outcomes Partnerships, British International Investment (the UK's development finance institution) and the US International Development Finance Corporation. These anchor investors participated alongside private investors, including Legatum, family offices (such as the Tsao Family Office) and other high net worth individuals.

Emergency philanthropy

The UBS Optimus network of foundations and UBS Social Impact teams raise funds and support partners providing emergency relief in response to disaster situations, and we sometimes launch dedicated appeals to support these efforts. In 2023, the UBS Optimus network of foundations raised and started to distribute more than USD 25m for the Turkey and Syria earthquake, the Hawaiian wildfires, flooding in Pakistan and Italy, and people affected by the humanitarian crisis in Israel and Gaza. The UBS Optimus network of foundations also continued to distribute the USD 56m raised for the Ukraine Relief Fund launched in 2022. To date, USD 43m has been granted to our partners on the ground.

UBS's charitable contributions

Communities

We aim to maximize our impact in local communities. We recognize that our long-term success depends on the health and prosperity of the communities that we are part of. We have a strategic focus on education and the development of skills, as we believe these topics are where our resources can make the most impact. We regard our long-term investment in these areas as central to furthering the economic and social inclusion of people that our activities support.

Our direct cash contributions (including through partnerships in the communities that we operate in) and UBS's affiliated foundations in Switzerland, as well as contributions to the UBS Optimus network of foundations, amounted to USD 63m in 2023.

› Refer to "Charitable contributions" in the Supplement to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for an overview of UBS's charitable contributions in 2023

Employee volunteering

Our well-established employee volunteering model has been adapted to meet the needs of our new hybrid ways of working, with both face-to-face and virtual opportunities to support our local communities. We have global targets for employee engagement through volunteering, which are built bottom-up and on a best-efforts basis. In 2023, we successfully engaged 38% of our global workforce in volunteering, and 45% of the 199,633 volunteer hours were skills-based.²

Volunteering not only has a positive impact on our NGO partners and the populations they serve, it also contributes to corporate culture and creates a sense of belonging. UBS and Credit Suisse regional employee volunteering teams started to offer joint assignments in July 2023 to support team-building efforts across the firm.

¹ Figures provided for the UBS Optimus network of foundations and donor-advised funds are based on unaudited management accounts and information available as of January 2024. Audited financial statements for the UBS Optimus network of foundations and donor-advised foundation entities are produced and available per local market regulatory guidelines.

² Reported numbers only account for UBS employee volunteers, Credit Suisse volunteers that participated in joint volunteering events are not reflected in the reported numbers.

Our focus on sustainability and climate

At UBS, we are committed to working toward the 17 United Nations Sustainable Development Goals (the SDGs) and the orderly transition to a low-carbon economy, as well as assisting our clients to do so. Finance has an important role to play as companies and individuals consider how best to approach the transition to a more sustainable global economy. As the world shifts to a low-carbon economy, the regulatory environment continues to evolve, as do the associated capital-raising and investment opportunities.

Our Code of Conduct and Ethics

In our Code of Conduct and Ethics (the Code), the Board of Directors (the BoD) and the Group Executive Board (the GEB) set out the principles and practices that define our ethical standards, and the way we do business, which apply to all aspects of our business. All employees must affirm annually that they have read and will adhere to the Code and other key policies, supporting a culture where ethical and responsible behavior is part of our everyday operations. In our Code, we make a commitment to acting with the long term in mind and creating value for clients, employees, communities and investors. We aspire to play our part in creating a fairer and more prosperous society, championing a healthier environment and addressing inequalities. This ethos is in line with our external commitments, such as our pledge to help make progress toward the SDGs. Following a substantial revision of the Code in 2021, we made further adjustments in our 2022 and 2023 reviews of it, mainly focused on clarifying, simplifying and aligning language used.

› Refer to the **Code of Conduct and Ethics of UBS**, available at ubs.com/code, for more information

Our sustainability and impact governance

Sustainability activities, including climate, are overseen at the highest level of UBS, by the BoD and the GEB, and are grounded in our Code.

› Refer to the **UBS Group Sustainability Report 2023**, available under “Annual reporting” at ubs.com/investors, for more information about sustainability activities

The BoD is responsible for setting UBS’s values and standards for the purpose of ensuring that the Group’s obligations to shareholders and other stakeholders are met. The Chairman of the BoD, together with the Group CEO, takes responsibility for UBS’s reputation and is closely involved in and responsible for ensuring effective communication with shareholders and other stakeholders, including government officials, regulators and public organizations. All BoD committees have specific responsibilities pertaining to environmental, social and governance (ESG) matters. For example, the Compensation Committee is responsible for ESG-related compensation topics, the Risk Committee supervises the integration of ESG in risk management, the Governance and Nominating Committee supports the Board in establishing best practices in corporate governance and the Audit Committee has oversight of the control framework underpinning ESG metrics.

The Corporate Culture and Responsibility Committee (the CCRC) of the BoD is the body primarily responsible for corporate culture, responsibility and sustainability. The CCRC oversees our Group-wide sustainability and impact strategy and key activities across environmental and social topics. This includes climate, nature and human rights. Annually, it considers and approves our sustainability and impact objectives. Each year, the CCRC considers and approves our sustainability and impact objectives. The CCRC’s function is forward looking, in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of UBS’s corporate culture. The CCRC is also responsible for conducting the annual review process for the Code and for proposing amendments to the BoD. This review process includes a prior review of the Code by the GEB and is led by the Group CEO.

The Group CEO has delegated responsibility for setting the sustainability and impact strategy and developing Group-wide sustainability and impact objectives, in agreement with fellow GEB members, to the GEB Lead for Sustainability and Impact, Beatriz Martin Jimenez. On behalf of the GEB, the GEB Lead for Sustainability and Impact proposes the strategy and objectives to the CCRC. Progress against strategy and the associated targets are reviewed at least once a year by the GEB and the CCRC. The GEB Lead for Sustainability and Impact also manages the Group Sustainability and Impact (GSI) organization and, together with our Chief Sustainability Officer (the CSO), co-chairs our Sustainability and Climate Task Force (the SCTF), which oversees the implementation of the Group’s sustainability activities and its climate action plan, including its net-zero program. Senior representatives from across our firm, including from the business divisions, Risk, Compliance and Finance, attend the SCTF’s regular meetings. Both the GEB Lead for Sustainability and Impact and the CSO attend the meetings of the CCRC.

The GEB also resolves overarching matters relating to sustainability and climate risks, including risk management framework, policies, and disclosure.

› Refer to “Board of Directors” in the “Corporate governance” section of this report for more information about the CCRC

Group Sustainability and Impact

The GSI organization consists of the Chief Sustainability Office and the Social Impact Office, headed by the CSO and the Head Social Impact, respectively. The CSO is responsible for driving the implementation of the Group-wide sustainability and impact strategy, net-zero strategy across all in-scope activities, and the ESG data strategy. In addition, the CSO has responsibility for supporting the business divisions and Group Items in the design of sustainability frameworks, implementation of sustainability regulations and development of training on sustainability. The CSO also manages external relationships, industry advocacy and the annual sustainability disclosure.

The Head Social Impact is responsible for driving and implementing the social impact strategy, including Community Impact, Philanthropy Services and UBS Global Visionaries. Reporting to the Head Social Impact, the regional Heads of Social Impact and Philanthropy are responsible for extending the reach of and maximizing the impact of our social impact activities locally, nationally and globally. In addition, they have responsibility for all our programs' operations and risk management, client engagement, and employee volunteering.

Progress made in implementing Group-wide sustainability and impact objectives is reported as part of UBS's annual sustainability disclosure. UBS is certified against the ISO 14001 standard for its products, services and activities in all business divisions and locations. To this extent, UBS seeks to continuously improve environmental and sustainability performance, as well as pollution prevention across UBS. The GSI governance and framework document complements the Code, and together they govern UBS's environmental management system, according to ISO 14001.

› **Refer to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information about our sustainability and impact governance**

Our sustainability and impact strategy

To help us maximize our impact, we focus on three key areas to drive the sustainability transition: planet, people and partnerships.

- *Planet*: We acknowledge that achieving the orderly transition to a low-carbon economy is highly ambitious. Nonetheless, we are committed to doing our part, which is why the shift to a lower-carbon future is a priority for UBS and a key focus of our sustainability strategy.
- *People*: We believe in a diverse, equitable and inclusive society. We are taking action to get there, within our own workplace and beyond.
- *Partnerships*: By working in partnership with other thought leaders and standard setters, our goal is to help change on a global scale.

› **Refer to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information about how UBS is advancing sustainability in the financial sector and beyond**

Our approach to climate

Our approach to climate outlines three key objectives to support our overarching ambitions.

Ambition

We will support clients through the world's transition to a low-carbon economy and embed considerations of climate change risks and opportunities in our bank for the benefit of our stakeholders, now and in the future.



Key objectives of our approach to climate

Supporting our clients' low-carbon transition

- Mobilizing capital toward an orderly transition to a low-carbon economy.
- Aligning our in-scope lending and investment portfolios to the objectives of the Paris Agreement.
- Supporting the transition of our financing and investing clients to low-carbon and climate-resilient business models.
- Embedding climate considerations into our financing, investment and capital markets offering.

Reducing our climate impact

- Minimizing our own operational footprint and utilizing resources in an efficient and sustainable way.
- Measuring and managing our travel footprint, including reduction of air-travel-related emissions.
- Engaging our suppliers on emissions reductions and managing our supply chain responsibly.

Managing the risks of climate change to our business

- Identifying, measuring, monitoring, managing and reporting sustainability and climate risks (including nature-related risks).
- Applying sustainability and climate risk appetite as codified in UBS Group's Sustainability and Climate Risks Policy.
- Continue integrating sustainability and climate risk regulatory requirements into financial risk management and stress-test frameworks.
- Ensuring the sustainability and climate risk framework is embedded into our activities at Group and legal entity level compliance, the Credit Suisse integration strategy and UBS's target operating model.

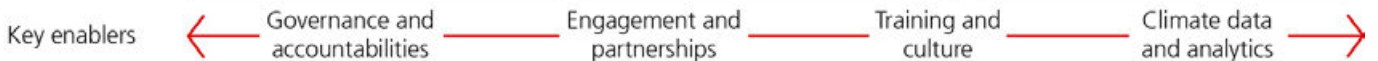


Current metrics and targets

- Address our financed emissions by aligning specified sectors to decarbonization pathways.
- Aim to align, by 2030, 20% of UBS AG Asset Management's total assets under management with net zero.¹
- USD 400bn invested assets in sustainable investments in UBS AG by 2025.²
- Disclosure of facilitated emissions for selected carbon-intensive sectors.

- Minimize our scope 1 and 2 emissions through energy efficiencies and by switching to more sustainable energy sources. After which, procure credible carbon removal credits to neutralize any residual emissions down to zero by 2025.³
- Reduction of our own energy consumption by 15% from 2019 levels by 2025.
- 100% renewable electricity coverage.
- Offset historical emissions from own operations back to 2000 by 2025.⁴
- Engage with our GHG key vendors, for 100% of them to declare their emissions and set net-zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035.⁵

- Exposure to climate-sensitive sectors (transition and physical).
- Exposure to nature-related risks.
- Climate-related materiality assessment.



¹ This Pre-acquisition UBS aspiration will be reassessed in 2024. ² As part of the integration of Credit Suisse, UBS has retired the Pre-acquisition UBS sustainable investing aspiration of USD 400bn in SI invested assets. ³ Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5–10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance. ⁴ Target applies to UBS Group excluding Credit Suisse. ⁵ In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with the latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.

We understand the deep interrelationships that exist between climate and nature. Our approach to climate, including our ambition to achieve net zero, also forms part of our approach toward managing nature-related risks and opportunities.

› Refer to the **UBS Group Climate and Nature Report 2023**, available at ubs.com/sustainability-reporting, for a full description of UBS’s approach to climate and nature

Our approach to sustainable finance

We are committed to supporting our clients’ sustainability ambitions, whether they focus on reducing the carbon emissions footprint of their business or portfolios or seek to encourage a more equitable and more prosperous society.

› Refer to the **UBS Group Sustainability Report 2023**, available under “Annual reporting” at ubs.com/investors, for more information about our sustainability and impact strategy and activities

Defining sustainable finance

It is important to set out how we define sustainable finance, as no uniformly accepted definition currently exists in the industry. We consider sustainable finance to include any financial product or service (including both investing and financing solutions) that aims to explicitly align with and / or contribute to sustainability-related objectives, while targeting market-rate risk-adjusted financial returns. Sustainability-related objectives may include, but are not limited to, the SDGs identified in the United Nations 2030 Agenda for Sustainable Development.

Our approach to sustainable finance is also reflected in the Group sustainable investing framework, which specifically defines “sustainability focus” and “impact investing” products.

Both categories reflect a defined and explicit sustainability intention of the underlying investment strategy. This intentionality differentiates them from traditional investment products or those that consider sustainability-related aspects but do not actively and explicitly pursue any specific sustainability objective, such as ESG integration or exclusions-only approaches.

Investment approaches



Our sustainable finance ambitions

Through our sustainable finance product and service offerings, we target four key objectives in serving our clients.

- The power of choice: we want to give our investing clients the choices they need to meet their specific sustainability objectives.
- An orderly transition: we aim to support our clients in their transition to a low-carbon economy, for instance by offering innovative sustainable financing and investment solutions.
- Managing risks and identifying opportunities: we offer research and thematic insights, as well as data and analytics services. Combined with targeted advice, these are designed to help clients better understand and mitigate risks and identify new opportunities.
- Making sustainable finance an everyday topic: we want to make sustainability topics tangible throughout our interactions with clients. To help us do that, we provide support in the form of tools, platforms and education.

In accordance with our ambitions, our sustainable finance product offering is evolving across four areas:



Investing

Sustainable investing solutions for private and institutional investors



Financing

Sustainable financing solutions for real estate and corporate purposes



Research and advisory

Solutions guiding our clients on their sustainability transition journey



Data, platforms and client Interactions

ESG analytics, scoring, reporting, tools and client support through our interactions

Sustainable finance

We continued to support the sustainability ambitions of our corporate and institutional clients via our financing solutions. We helped facilitate USD 53.7bn of green, social, sustainability and sustainability-linked bond deals, such as structuring and support of Western Australia Treasury Corporation’s inaugural AUD 1.9bn green bond. We introduced sustainability-linked loans for multi-national corporations and further supported our clients with ESG advisory services and tools, such as the renovation and subsidies calculators for clients in Switzerland.

Sustainable investing

Similarly to the overall markets, our sustainable investing (SI) invested assets continued to grow in 2023. We continued to expand the SI product offering for our clients, including, among others, new net-zero ambition portfolios, sustainable hedge funds and private-market impact solutions, as well as low-carbon investing modules.

› Refer to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information about our approach to sustainable investing and financing

Sustainable investments¹

| USD bn, except where indicated | For the year ended | | | % change from |
|---|--------------------|----------------|----------------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.21 | |
| Total invested assets (UBS Group) | 5,714.1 | 3,980.9 | 4,614.5 | 44 |
| <i>of which: total invested assets (UBS AG)</i> | <i>4,504.7</i> | <i>3,980.9</i> | <i>4,614.5</i> | <i>13</i> |
| Sustainable investments (UBS AG)² | | | | |
| Sustainability focus ³ | 270.4 | 246.9 | 222.7 | 10 |
| Impact investing ⁴ | 21.8 | 19.2 | 28.1 | 14 |
| Total sustainable investments^{5,6,7} | 292.3 | 266.0 | 250.8 | 10 |
| SI proportion of total invested assets (%)⁸ | 6.5 | 6.7 | 5.4 | |

¹ The table above details UBS AG Sustainable Investing Invested Assets (IA) and the evolution thereof. This table does not contain any Credit Suisse products and associated IA classified under the Credit Suisse Sustainable Investing Framework (SIF). Credit Suisse IA in accordance with the SIF are reported separately as figures are not directly comparable with the UBS figures due to material differences in the underlying sustainable investment frameworks and definitions being applied. Refer to “Appendix 3 – Entity-specific disclosures for Credit Suisse AG” in the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information. ² We focus our sustainable investment reporting on those investment strategies exhibiting an explicit sustainability intention. ³ Strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds. ⁴ Strategies that have explicit intentions of generating measurable, verifiable and positive sustainability outcomes. Impact generated is attributable to investor action and/or contributions. ⁵ Certain products have been reclassified during 2023 for reasons including, but not limited to, an evolving regulatory environment, periodic monitoring of the product shelf, and developing internal classification standards. Impact of these movements on sustainable investment invested assets was a net reduction by USD 7bn in UBS AG Global Wealth Management Americas and a net reduction by USD 6bn in UBS AG Asset Management. ⁶ In line with general market practice, IA reported for sustainable investments include limited amounts of instruments not classified as sustainable investment, including cash and cash-like instruments that each fund and portfolio hold for liquidity management purposes, as well as, subject to clear, limiting restrictions, client-directed investments included in sustainable investing mandates managed by UBS Asset Management. ⁷ The impact investing and total sustainable investments (UBS AG) disclosures for 31 December 2022 and 31 December 2021 reporting periods have been restated to remove investments that were duplicated in the disclosed values. As a result, the values disclosed for 31 December 2022 and 31 December 2021 for both categories have each decreased by USD 1.6bn and USD 0.4bn, respectively. ⁸ Total invested assets (UBS AG) are used to calculate the SI proportion.

This was also reflected in our clients’ continued interest in SI solutions. Over the course of 2023, UBS AG’s SI invested assets rose to USD 292.3bn as of 31 December 2023, compared with USD 266bn at the end of 2022, representing a year-on-year increase of 10%. A combination of factors contributed to this growth, including new product launches, net new money inflows as well as market performance. SI invested assets accounted for 6.5% of UBS’s total invested assets at year-end 2023.

› Refer to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information about our approach to sustainable investing and financing

Managing sustainability and climate risks

Helping to further the Group's broader sustainability goals with due consideration to our responsibility to manage risk, we manage sustainability and climate risk under a pragmatic and robust policy. That policy incorporates our risk management framework and related standards and guidelines and applies to our own operations, our balance sheet, our clients' assets and our supply chain.

Our approach to managing sustainability, climate and nature-related risk helps us identify and manage potential adverse impacts on the climate, on the environment and to human rights, as well as the associated risks affecting our clients and us. We define sustainability and climate risk as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other ESG matters. Sustainability and climate risks may manifest as credit, market, liquidity and / or non-financial risks for UBS, resulting in potential adverse financial, liability and / or reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate). Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Physical and transition risks from a changing climate contribute to a structural change across economies and, consequently, can affect banks and the financial sector through financial and non-financial impacts.


- › Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report
- › Refer to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for a full description of our sustainability and climate risk policy framework



Our aspirations and progress

We work with a long-term focus on providing appropriate returns to our stakeholders in a responsible manner. We are committed to providing transparent aspirations or targets and reporting on the progress made against them. Following the acquisition of the Credit Suisse Group, our exposure increased accordingly, so we reviewed our aspirations. Amendments that arose from this review process were considered by the GEB and the CCRC. This table reflects the overall outcomes of this process with more detailed information provided in the UBS Group Sustainability Report 2023.

- › Refer to the UBS Group Sustainability Report 2023, available under "Annual Reporting" at ubs.com/investors, for more detailed information on our aspirations and our progress

Our aspirations and progress

| Our priorities | Our aspirations or targets | Our progress in 2023 |
|---|--|--|
| Planet, people, partnerships | Sustainable investments. ¹ | Increased invested assets in sustainable investments in UBS AG to USD 292.3bn (compared with USD 266bn in 2022). |
|  Planet | <p>Following the acquisition of the Credit Suisse Group, we refined the UBS Group lending sector decarbonization targets to reflect the activities of the combined organization and evolving standards and methodologies.²</p> <p>Reduce emissions intensity associated with UBS in-scope lending by 2030 from 2021 levels for:</p> <ul style="list-style-type: none"> – Swiss residential real estate by 45%; – Swiss commercial real estate by 48%; – power generation by 60%; – iron and steel by 27%; and – cement by 24%. <p>Reduce absolute financed emissions associated with UBS in-scope lending by 2030 from 2021 levels for:</p> <ul style="list-style-type: none"> – fossil fuels by 70%. <p>Continue disclosing in-scope ship finance portfolios according to the Poseidon Principles decarbonization trajectories with the aim of aligning therewith.³</p> <p>Aim, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero. This pre-acquisition UBS aspiration will be reassessed in 2024.⁵</p> <p>Minimize our scope 1 and 2 emissions through energy efficiencies and switching to more sustainable energy sources. After which, procuring credible carbon removal credits to neutralize any residual emissions down to zero by 2025.⁶</p> | <p>Calculated progress against pathways for revised targets.⁴</p> <p>Changes in emissions intensity associated with UBS in-scope lending (end of 2022 vs. 2021 baseline):</p> <ul style="list-style-type: none"> – Swiss residential real estate reduced by 6%; – Swiss commercial real estate increased by 2%; – power generation reduced by 13%; – iron and steel reduced by 4%; and – cement reduced by 1%. <p>Changes in absolute financed emissions associated with UBS in-scope lending (end of 2022 vs. 2021 baseline) for:</p> <ul style="list-style-type: none"> – fossil fuels reduced by 29%. <p>In-scope ship finance portfolio remains below the existing International Maritime Organization (IMO 50) decarbonization trajectory.</p> <p>Aligned 2.9% of UBS AG Asset Management's total AuM with net zero.</p> <p>Reduced net GHG footprint for scope 1 and 2 emissions by 21% and energy consumption by 8% (compared with 2022); continued replacing fossil fuel heating systems and monitored delivery of contracted carbon removal credits; achieved 96% renewable electricity coverage in line with RE100 despite challenging market conditions.</p> |

| | | |
|---|---|--|
| | Offset historical emissions back to the year 2000 by sourcing carbon offsets (by year-end 2021) and by offsetting credit delivery and full retirement in registry (by year-end 2025). The scope is UBS Group excluding Credit Suisse. | Continued to follow up on credit delivery and retirement of sourced portfolio. |
| | Engage with our greenhouse gas (GHG) key vendors, for 100% of them to declare their emissions and set net zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035. ⁷ | We invited the vendors that accounted for 67% of our annual vendor spend to disclose their environmental performance through CDP's Supply Chain Program, with 70% of the invited vendors completing their disclosures in the CDP platform. 65% of GHG key vendors (defined as those vendors that collectively account for more than 50% of our estimated vendor GHG emissions) have declared their emissions on CDP and set net-zero-aligned goals. |
| People (aspirations) | By 2025, 30% of worldwide roles at Director level and above held by women. | Increased to 29.5% (2022: 27.8%) of worldwide roles at Director level and above held by women. |
|  | By 2025, 26% of US roles at Director level and above held by employees from ethnic minority backgrounds. | Increased to 25.1% (2022: 20.5%) of US roles at Director level and above held by employees from ethnic minority backgrounds. |
| | By 2025, 26% of UK roles at Director level and above held by employees from ethnic minority backgrounds. | Increased to 24.3% (2022: 23.4%) of UK roles at Director level and above held by employees from ethnic minority backgrounds. |
| | By 2025, 4% of UK roles at Director level and above held by black employees. | Stable at 2.1% (2022: 2.2%). |
| | By 2025, 25% of Americas financial advisor / client advisor roles held by women (UBS Group excluding Credit Suisse). | Increased to 16.8% (2022: 16.6%). |
| | By 2025, 18.8% of US financial advisor / client advisor roles held by employees from racial / ethnic minority backgrounds (UBS Group excluding Credit Suisse). | Decreased to 12.2% (2022: 12.4%). |
| | Raise USD 1bn in donations to our client philanthropy foundations and funds and reach 26.5 million beneficiaries by 2025 (cumulative for 2021–2025). | Achieved a UBS Optimus network of foundations donation volume of USD 328.0m in 2023, totaling USD 763.9m since 2021 (both figures include UBS matching contributions). ⁸ Reached 7 million beneficiaries in 2023 and 18.5 million beneficiaries across our social impact activities since 2021. |
| Partnerships | Continue to position UBS as a leading facilitator of discussion, debate and idea generation. | Delivered a variety of insights, including through interviews with subject-matter experts, individual research reports and comprehensive white papers, via the UBS Sustainability and Impact Institute, including key publications <i>The Rise of the Impact Economy</i> and <i>Rethink, rebuild, reimagine</i> . Co-organized, with the Institute of International Finance, the second Wolfsberg Forum for Sustainable Finance. |
|  | Drive standards, research and development, and product development. | Co-led financial-sector-specific working group of the Taskforce on Nature-related Financial Disclosures (the TNFD) and supported the launch of the TNFD framework. Co-chaired the UNEP FI Principles for Responsible Banking Nature working group that developed initial guidance on nature target setting for financial institutions. |

¹ As part of the integration of Credit Suisse, UBS has retired the pre-acquisition UBS sustainable investing aspiration of USD 400bn in SI invested assets. ² While we continue to take steps to align our business activities to our targets, it is important to note that progress towards our targets may not be linear and that the realization of our own targets and aspirations is dependent on various factors which are outside of our direct influence. We will continue to adjust our approach in line with external developments and evolving best practices for the financial sector and climate science. Refer to the Supplement to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information about parts of the value chain within sectors covered by metrics and targets. Metrics are based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees, and irrevocable loan commitments. Exclusions from the scope of analysis primarily include financial services, credit card and other exposure to private individuals. ³ As part of our ship finance strategy, ships in scope of Poseidon Principles (PP) are assessed on criteria which aim at aligning portfolios to the PP decarbonization trajectories. The PP are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios to the ambition of the International Maritime Organization (the IMO), including its 2023 Revised GHG Strategy for GHG emissions from international shipping to decrease to net zero by or around 2050 (compared with 2008 levels). ⁴ Refer to the "Environment" section of the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for further information. The inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporations disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the baselines for our decarbonization targets are calculated on year-end 2021 lending exposure and 2020 emissions data. Our 2022 emissions actuals are based on year-end 2022 lending exposure and 2021 emissions data. For asset financing (e.g., real estate, shipping) there is no time lag, and exposure and emissions actuals refer to the same year. ⁵ The 20% alignment goal amounted to USD 235bn at the time of pre-acquisition Asset Management's commitment in 2021. By 2030, the weighted average carbon intensity of funds is to be 50% below the carbon intensity of the respective 2019 benchmark. ⁶ Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5–10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance. ⁷ In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions. ⁸ Figures provided for the UBS Optimus network of foundations are based on unaudited management accounts and information available as of January 2024. Audited financial statements for UBS Optimus network of foundations entities are produced and available per local market regulatory guideline.

Cautionary note: We have developed methodologies that we use to set our climate-related targets and identify climate-related risks and which underly the metrics that are disclosed in this report. Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. Our disclosed metrics are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in revisions to our disclosed metrics, our methodologies and related disclosures, which may be substantial, as well as changes to the metrics we disclose.

Reporting to our stakeholders on our sustainability strategy and activities

Further information about our sustainability efforts and commitments is provided in the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors. The content of the UBS Group Sustainability Report 2023 has been prepared in accordance with Global Reporting Initiative (GRI) standards, with the German rules implementing the EU Directive on disclosure of non-financial and diversity information (2014/95/EU) and the Swiss Code of Obligations (Art. 964a et. seq.). UBS is in the process of implementing a combined and aligned sustainability-and-climate-risk dataset across UBS Group and including Credit Suisse AG. For this reason, UBS will publish UBS Group and Credit Suisse AG sustainability and climate risk metrics required pursuant to FINMA Circular 2016/1 “Disclosure – banks”, Annex 5, in a supplement to the UBS Group Annual Report and the UBS Group Sustainability Report in line with the publication timeline for the semi-annual Pillar 3 disclosures in the third quarter of 2024. All climate- and nature-related information contained in the UBS Group Sustainability Report 2023 is also made available through a separate UBS Group Climate and Nature Report 2023. The latter report follows the structure recommended by the Task Force on Climate-related Financial Disclosures (the TCFD) and also leverages the framework of the Taskforce on Nature-related Financial Disclosures (the TNFD). Our reporting on sustainability has been reviewed on a limited assurance basis by Ernst & Young Ltd against the GRI Standards.

- › Refer to the **UBS Group Sustainability Report 2023**, available under “Annual reporting” at ubs.com/investors, for an overview of non-financial disclosures in accordance with the German rules implementing EU Directive 2014/95 and the Swiss Code of Obligations (Art. 964a et. Seq.), and for information about the disclosures of UBS AG and UBS Europe SE pursuant to Art. 8 of the EU Taxonomy Regulation
- › Refer to “Sustainability and climate risk” in the “Risk management and control” section of this report, for the UBS AG sustainability and climate risk metrics disclosures as required by FINMA Circular 2016/1 “Disclosure – banks,” Annex 5

Regulation and supervision

As a financial services provider based in Switzerland, the UBS Group is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). Our entities are also regulated and supervised by authorities in each country where we conduct business. Through UBS AG, Credit Suisse AG, UBS Switzerland AG and Credit Suisse (Schweiz) AG, which are licensed as banks in Switzerland, UBS may engage in a full range of financial services activities in Switzerland and abroad, including personal banking, commercial banking, investment banking and asset management.

As a global systemically important bank (a G-SIB), as designated by the Financial Stability Board, and a systemically relevant bank (an SRB) in Switzerland, we are subject to stricter regulatory requirements and supervision than most other Swiss banks.

- › Refer to the “Our evolution” section of this report for more information
- › Refer to the “Regulatory and legal developments” and “Risk factors” sections of this report for more information

Regulation and supervision in Switzerland

Supervision

UBS Group AG and its subsidiaries are subject to consolidated supervision by FINMA under the Swiss Banking Act and related ordinances, which impose standards for matters such as capital adequacy and risk diversification rules, liquidity, internal control systems, business conduct, and corporate governance. FINMA meets its statutory supervisory responsibilities through licensing, regulation, supervision, and enforcement. It is responsible for prudential supervision and mandates audit firms to perform regulatory audits and other supervisory tasks on its behalf.

Capital adequacy and liquidity regulation

As an internationally active Swiss systemically important bank (an SIB), we are subject to capital and total loss-absorbing capacity (TLAC) requirements that are based on both risk-weighted assets and the leverage ratio denominator, and are among the most stringent in the world. We are also subject to Swiss SIB liquidity requirements and to minimum long-term funding requirements.

- › Refer to the “Risk, capital, liquidity and funding, and balance sheet” section of this report for more information about the Swiss SRB framework and the Swiss too-big-to-fail (TBTf) requirements
- › Refer to “Liquidity coverage ratio” in the “Risk, capital, liquidity and funding, and balance sheet” section of this report for more information about liquidity coverage ratio requirements

Regulation and supervision outside Switzerland

Regulation and supervision in the US

In the US, UBS is subject to regulation and supervision by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) under a number of laws. UBS Group AG, UBS AG and Credit Suisse AG are subject to the Bank Holding Company Act, pursuant to which the Federal Reserve Board has supervisory authority over our US operations.

In addition to being a financial holding company under the Bank Holding Company Act, UBS AG has US branches, which are authorized and supervised by the Office of the Comptroller of the Currency (the OCC). Credit Suisse AG New York Branch is authorized and supervised by the New York Department of Financial Services. UBS AG and Credit Suisse International are registered as swap dealers with the Commodity Futures Trading Commission (the CFTC), and UBS AG, Credit Suisse AG and Credit Suisse International are registered as securities-based swap dealers with the Securities and Exchange Commission (the SEC).

UBS Americas Holding LLC, the intermediate holding company for our operations in the US outside of the UBS AG branch network, as required under the Dodd–Frank Act, is subject to requirements established by the Federal Reserve Board related to risk-based capital, liquidity, the Comprehensive Capital Analysis and Review (CCAR) stress testing and capital planning process, and resolution planning and governance. Credit Suisse Holdings (USA), Inc., the intermediate holding company for Credit Suisse's US operations, is subject to the same Federal Reserve Board requirements and is expected to be integrated into UBS Americas Holding LLC in June 2024.

UBS Bank USA, a Federal Deposit Insurance Corporation (FDIC)-insured depository institution subsidiary, is licensed and regulated by state regulators in Utah and is also supervised by the FDIC.

UBS Financial Services Inc., UBS Securities LLC and several other US subsidiaries of UBS, as well as US subsidiaries of Credit Suisse Holdings (USA), Inc., are subject to regulation by a number of different government agencies and self-regulatory organizations, including the SEC, the Financial Industry Regulatory Authority, the CFTC, the Municipal Securities Rulemaking Board and national securities exchanges, depending on the nature of their business. Certain of our activities in the US are subject to regulation by the Consumer Financial Protection Bureau.

Regulation and supervision in the UK

Our regulated UK operations are mainly subject to the authority of the Prudential Regulation Authority (the PRA), which is part of the Bank of England (the BoE), and the Financial Conduct Authority (the FCA). We are also subject to the rules of the London Stock Exchange and other securities and commodities exchanges of which UBS AG is a member.

UBS AG has a UK-registered branch, UBS AG London Branch, which serves as a global booking center for our Investment Bank. Our regulated subsidiaries that provide asset management services, including Credit Suisse Asset Management Ltd, are authorized and regulated by the FCA. UBS Asset Management Life Ltd, Credit Suisse International, Credit Suisse Securities (Europe) Limited and Credit Suisse (UK) Limited are authorized and regulated by the FCA and subject to the authority of the PRA.

Regulation and supervision in Germany and the EU

UBS Europe SE, headquartered in Germany, is subject to the direct supervision of the European Central Bank (the ECB), as well as to continued conduct, consumer protection and anti-money-laundering-related supervision by the German Federal Financial Supervisory Authority (BaFin) and supervisory support by the German Bundesbank. The entity is subject to EU and German laws and regulations. UBS Europe SE maintains branches in Denmark, France, Italy, Luxembourg, the Netherlands, Poland, Spain, Sweden and Switzerland, and is subject to conduct supervision by authorities in all those countries.

Credit Suisse AG has four banking subsidiaries in Europe: in Italy, Credit Suisse (Italy) S.p.A. is supervised by the Bank of Italy and the Commissione Nazionale per le Società e la Borsa (Consob); in Spain, Credit Suisse Bank (Europe) SA is supervised by the Bank of Spain, the Comisión Nacional del Mercado de Valores (the CNMV) and the Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e Infracciones Monetarias (Sepblac); in Luxembourg, Credit Suisse (Luxembourg) S.A. is supervised by the Commission de Surveillance du Secteur Financier (the CSSF), the Commissariat aux Assurances (the CAA) and the Banque de Luxembourg; and in Germany, Credit Suisse (Deutschland) AG is supervised by BaFin and the Bundesbank. Credit Suisse (Luxembourg) S.A. operates branches in France, Ireland and Portugal and is subject to conduct supervision by authorities in all those countries. Credit Suisse Bank (Europe) S.A. operates branches in France, Italy, the Netherlands and Sweden and is subject to conduct supervision by authorities in all those countries.

We expect to wind down or consolidate the European banking subsidiaries of Credit Suisse AG 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.

Regulation and supervision in Asia Pacific

We operate in numerous locations in Asia Pacific, including Singapore, the Hong Kong SAR, mainland China, Australia and Japan. The operations in these locations are subject to regulation and supervision by local financial regulators. Our Asia Pacific regional hubs are in Singapore and the Hong Kong SAR.

In Singapore, UBS AG Singapore Branch, UBS Securities Pte Ltd, UBS Asset Management (Singapore) Ltd and Credit Suisse Securities (Singapore) Pte Limited are supervised by the Monetary Authority of Singapore and the Singapore Exchange. Credit Suisse AG Singapore Branch and Credit Suisse (Singapore) Limited are supervised by the Monetary Authority of Singapore.

In the Hong Kong SAR, UBS AG Hong Kong Branch and Credit Suisse AG Hong Kong Branch are supervised by the Hong Kong Monetary Authority. UBS Securities Hong Kong Limited, UBS Securities Asia Limited, UBS Asset Management (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited and Credit Suisse Securities (Hong Kong) Limited are supervised by the Hong Kong Securities and Futures Commission. In addition, UBS Securities Hong Kong Limited and Credit Suisse (Hong Kong) Limited are supervised by Hong Kong Exchanges and Clearing Limited.

In mainland China, we have multiple licenses to operate the respective business lines of UBS AG and Credit Suisse AG, and the various entities are subject to regulation by a number of different government agencies. The People's Bank of China oversees China's macro capital markets policies and ensures coordinated supervisory approaches by the National Administration of Financial Regulation (the China Banking and Insurance Regulatory Commission until May 2023), the China Securities Regulatory Commission and a number of exchanges.

In Australia, UBS AG Australia Branch and Credit Suisse AG Sydney Branch are supervised by the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre, the Reserve Bank of Australia, and the Australian Securities Exchange. UBS Securities Australia Ltd, UBS Asset Management Limited and Credit Suisse Equities (Australia) Limited are supervised by the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre and the Australian Securities Exchange.

In Japan, UBS Securities Japan Co., Ltd. and Credit Suisse Securities (Japan) Limited are supervised by the Financial Services Agency and the Japan Exchange Group. UBS AG Tokyo Branch and Credit Suisse AG Tokyo Branch are supervised by the Financial Services Agency and the Bank of Japan. UBS SuMi TRUST Wealth Management Co., Ltd. is supervised by the Financial Services Agency and the Japanese Ministry of Finance. UBS Asset Management (Japan) Ltd and UBS Japan Advisors Inc. are supervised by the Financial Services Agency.

Financial crime prevention

Combating money laundering and terrorist financing has been a major focus of many governments in recent years. Laws and regulations, including the Swiss Banking Act and the US Bank Secrecy Act, require effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and the verification of client identities. Failure to introduce and maintain adequate programs to prevent money laundering and terrorist financing can result in significant legal and reputational risk and fines.

We are also subject to laws and regulations prohibiting corrupt or illegal payments to government officials and other persons, including the US Foreign Corrupt Practices Act and the UK Bribery Act. We maintain policies, procedures and internal controls intended to comply with those regulations.

› Refer to "Non-financial risk" in the "Risk management and control" section of this report for more information

Data protection

We are subject to regulations concerning the use and protection of customer, employee, and other personal and confidential information. This includes provisions under Swiss law, the EU General Data Protection Regulation (the GDPR) and laws of other jurisdictions.

› Refer to the "Risk factors" section of this report for more information about regulatory change

Recovery and resolution

Swiss TBTF legislation requires each Swiss SRB to establish an emergency plan to maintain systemic functions in case of impending insolvency. In response to these Swiss requirements and similar ones in other jurisdictions, UBS has developed recovery plans and resolution strategies, as well as plans for restructuring or winding down businesses if the firm could not otherwise be stabilized.

In 2013, FINMA stated its preference for a single point of entry (an SPE) strategy for globally active SRBs, such as UBS, with a bail-in at the group holding company level. UBS has made structural, financial and operational changes to facilitate an SPE strategy and is confident that a resolution of the bank is operationally executable and legally enforceable. In 2023, UBS acquired the Credit Suisse Group and merged Credit Suisse Group AG into UBS Group AG. UBS Group AG subsumed all the capital and loss-absorbing instruments of Credit Suisse Group AG with the acquisition. A bail-in remains operationally executable for the combined UBS Group and an SPE resolution strategy remains the preferred strategy for UBS.

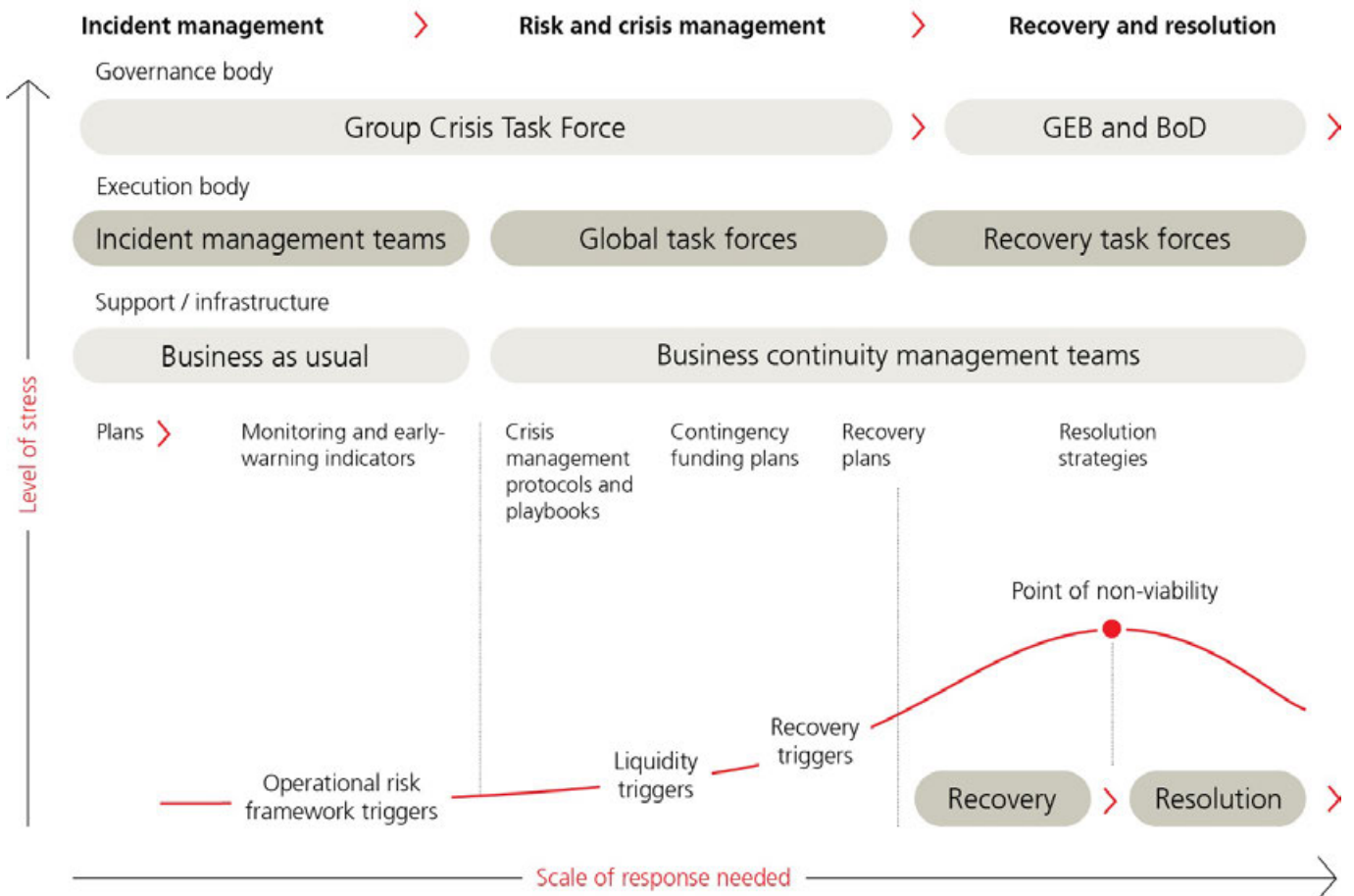
FINMA evaluates the recovery and resolution plans of Swiss SRBs on a regular basis. In its most recent assessment, which was published in April 2023 and based on year-end 2022 information, FINMA re-confirmed that UBS's Swiss emergency plan is effective, that the recovery plan has been approved and that UBS fulfills all resolvability criteria. The same was confirmed for Credit Suisse. This assessment did not reflect the combined organization and the respective plans will need to be amended and approved for the new and combined Group. FINMA will review its resolvability assessment of the combined UBS Group as the integration progresses. A new, interim assessment is expected to be published by FINMA at the end of the second quarter of 2024.

Crisis management framework

The UBS Group’s crisis management framework assigns responsibility and actions depending on the nature of the stress incident and the scale of the response needed.

- For incident, risk and crisis management, the Group Crisis Task Force works with incident management teams that provide monitoring and early-warning indicators at the local / regional level, without needing to activate protocols at the Group level. If a local response is insufficient, global task forces and crisis management teams provide decision-making guidance and coordination, including crisis management plans, protocols and playbooks, and contingency funding plans.
- The Group Executive Board (the GEB) and the Board of Directors (the BoD) would evaluate and decide upon the need to activate the Global Recovery Plan (the GRP) if a stress event reached a severity requiring activation based on the GRP’s recovery risk indicators.
- FINMA has the authority to determine whether the point of non-viability (the PONV), as defined by Swiss law, has been reached and, as part of the resolution plan, has the power to order the bail-in of creditors to recapitalize and stabilize the Group, limit payments of dividends and interest, alter our legal structure, take actions to reduce business risk, and order a restructuring of the bank.

UBS crisis management framework



Credit Suisse AG and its subsidiaries also maintain a separate crisis management framework, including processes, governance and responsibilities, which will be in place as long as those legal entities exist and are subject to standalone recovery and resolution requirements. The standards and processes applied have been harmonized with the UBS framework to the extent possible.

Global Recovery Plan

The GRP provides a tool to restore financial strength if UBS comes under severe capital or liquidity stress. Quantitative and qualitative triggers are monitored daily and are subject to predefined governance and escalation processes. Recovery options are linked to owners and checklists, with the objectives of preserving capital, raising capital or liquidity, or disposing of or winding down businesses.

Global Resolution Strategy

FINMA is required to produce a global resolution plan for UBS. The plan includes setting out measures that FINMA can take to resolve UBS in an orderly manner if the Group enters resolution. The SPE bail-in strategy would involve writing down the Group's remaining equity and additional tier 1 and tier 2 instruments, as well as the bailing in of the TLAC-eligible senior unsecured bonds at the UBS Group AG level. An internal recapitalization of undercapitalized subsidiaries would be executed simultaneously with losses transmitted to UBS AG or Credit Suisse AG, and, ultimately, UBS Group AG. Post-resolution restructuring measures could include disposals or wind-down of businesses and assets.

Local recovery and resolution plans

The Swiss emergency plans demonstrate how UBS's systemically important functions and critical operations in Switzerland can continue if the UBS Group cannot be restructured. This is achieved mainly by operating the Swiss-booked business in separate legal entities and by maintaining sufficient capital and liquidity to ensure their continued operation. Until the merger of Credit Suisse (Schweiz) AG into UBS Switzerland AG, UBS will maintain two separate Swiss emergency plans to cater for differences in the organizational setup and differences in infrastructure.

The US resolution plans set out the steps that could be taken to resolve the US intermediate holding companies (the US IHCs) i.e., UBS Americas Holding LLC and Credit Suisse Holdings (USA), Inc., and their subsidiaries if they suffered material financial distress and the UBS Group was unable or unwilling to provide financial support. As required by US regulations, our US plans contemplate that the US IHCs will commence US bankruptcy proceedings. Prior to this, the plans envisage the US IHCs downstreaming financial resources to their respective subsidiaries to facilitate an orderly wind-down or disposal of businesses. Following the expected integration of Credit Suisse Holdings (USA), Inc. into UBS Americas Holding LLC in 2024, only the resolution plan of UBS Americas Holding LLC will be maintained.

UBS Europe SE updates a local recovery plan annually based on ECB requirements, and resolution planning information and capabilities based on Single Resolution Board requirements. On the basis of such information, the Internal Resolution Team, composed of members of the Single Resolution Board, produces a resolution plan for UBS Europe SE. In addition, several Credit Suisse subsidiaries in Europe will maintain local recovery plans until the Credit Suisse entities are integrated into the UBS intermediate parent undertaking.

UBS operates a UK banking subsidiary with Credit Suisse International, which is subject to the UK Resolvability Assessment Framework (the UK RAF). Under the UK RAF, Credit Suisse International is required to assess its recovery planning and resolvability planning capabilities against the standards defined in the UK RAF on an annual basis and confirm its compliance to the BoE and PRA.

Other local recovery and resolution plans exist for various Group entities and jurisdictions.

Regulatory trends

In 2023, regulatory policy was strongly impacted by the banking turmoil in March, with financial stability concerns returning to the forefront, followed by renewed discussions around the effectiveness of too-big-to-fail / resolution frameworks and subsequent initial lessons drawn being discussed throughout the year. While the reviews by supranational standard-setters and in Switzerland generally upheld the appropriateness of the international regulatory and resolution frameworks, certain themes requiring further attention were identified with additional analyses ongoing.

The digitalization of banking and corresponding policy responses continued throughout 2023, with attention paid to systemic risks, market integrity, investor protection and cross-border aspects related to digital assets. Initial policy efforts started on decentralized finance. In the meantime, most major central banks increased their engagement related to central bank digital currencies. New capabilities and wider adoption of artificial intelligence (AI) have resulted in increased regulatory focus on the topic, particularly regarding sound governance frameworks, safety and fairness. The large-scale use of both traditional and non-traditional data by AI models has given rise to questions around the adequacy of existing data legislation and in some jurisdictions will likely result in enhanced protections. Separately, many jurisdictions continued to make data more available across sectors, with a focus on open finance.

Sustainable finance and climate-related financial risks remained a key focus for policymakers in 2023, where we observed noteworthy activity in the areas of corporate and product disclosures for climate-related financial risks, specifically relating to banks' governance, strategy, and risk management, as well as efforts to standardize and harmonize regulations across different jurisdictions. Policymakers advanced guidelines related to nature and biodiversity topics by intensifying the focus on disclosures, risk management, and quantification methodologies. Furthermore, we observed ongoing regulatory policy related to net-zero financing while transition planning started to become an important focus topic for policymakers. On the topic of products regulation, regulatory initiatives continued to focus on carbon and carbon markets and addressing issues related to greenwashing. Lastly, we saw increased regulatory attention paid to solutions related to social impact investing and blended finance.

The national implementation of the Basel III requirements continued to be an important focus area. The authorities in Switzerland issued rules to implement the final standards into Swiss law, and US banking regulators launched a public consultation in 2023. Switzerland has confirmed the effective date for the revised rules as 1 January 2025. Although the EU is still targeting implementation by January 2025, the UK and the US have delayed the application until July 2025, with the US also including a three-year transition timeline. Differences in the implementation timelines and in the content of the provisions remain a challenge for globally active banks.

In addition, regulatory authorities continued to refine existing regulations, including efforts to strengthen the anti-money-laundering guidelines on beneficial ownership and work on enhancing third-party risk management with operational resilience remaining a key issue. The focus on retail investor protection sharpened, in particular in asset management. In the US, retail investor protection features became a component of an ongoing broader equity market reform. In the UK, reviews of the Senior Managers and Certification Regime focused on determining whether the regime delivers against its original aim and how it can be improved. Finally, in light of increasing risks, non-bank financial intermediation remained a topic of concern with national and supranational policymakers.

We believe the continued adaptations made to our business model and our proactive management of regulatory change put us in a strong position to absorb upcoming changes to the regulatory environment. We trust that our strengthened position as a combined organization will allow us to cope with any potential challenges.

› Refer to the “Regulatory and legal developments” and the “Risk, capital, liquidity and funding, and balance sheet” sections of this report for more information

Regulatory and legal developments

Developments related to the acquisition of the Credit Suisse Group and the banking turmoil in March 2023

Key developments in Switzerland

Based on the emergency ordinance issued by the Swiss Federal Council in connection with the acquisition of the Credit Suisse Group on 16 March 2023, as amended on 19 March 2023, (the Emergency Ordinance), UBS Group AG entered into a loss protection agreement (an LPA) with the Swiss Confederation, with an effective date of 12 June 2023. As part of this agreement, the Swiss Confederation would have borne up to CHF 9bn of losses, if realized, on a designated portfolio of Credit Suisse’s non-core assets after the first CHF 5bn of losses, which would have been borne by UBS.

Under the Emergency Ordinance, UBS AG and Credit Suisse AG also had access to additional liquidity assistance loans, the Emergency Liquidity Assistance Plus (ELA+) loans, provided by the Swiss National Bank (the SNB) of up to CHF 100bn on a combined basis, with the loans under the facility having preferential rights in bankruptcy proceedings. The Credit Suisse Group was also allowed to borrow up to an additional CHF 100bn from the SNB backed by a Swiss federal default guarantee, the Public Liquidity Backstop (the PLB), with the loans having preferential rights in bankruptcy proceedings.

On 11 August 2023, UBS Group AG voluntarily terminated the LPA and the PLB. After reviewing all assets covered by the LPA since the closing of the Transaction in June 2023 and taking the appropriate fair value adjustments, UBS concluded that the LPA was no longer required. All loans under the PLB were fully repaid by the Credit Suisse Group as of the end of May 2023 and Credit Suisse AG fully repaid the outstanding ELA+ loans on 10 August 2023. As of 31 December 2023, Credit Suisse (Schweiz) AG had a total of CHF 38bn outstanding under the Emergency Liquidity Assistance facility, which is fully collateralized by Swiss mortgages.

In parallel with the measures taken by the Swiss Confederation in March 2023, the Swiss Financial Market Supervisory Authority (FINMA) also ordered a write-off of CHF 15.8bn principal amount of Credit Suisse Group AG’s additional tier 1 (AT1) instruments.

In May 2023, the Swiss Federal Department of Finance mandated a group of experts on banking stability to assess the role of banks and the legal and regulatory framework related to the stability of the Swiss financial center. The corresponding report, published in September 2023, concluded that Swiss capital regulations are working as intended and that there is no need for a major revision. However, the report sees a need for reforms with regard to banking supervision and proposes that the relevant authorities be granted broader powers. Furthermore, the report suggests improvements regarding liquidity regulations, including a proposal to extend the supply of liquidity in the case of a crisis. The report also suggests that Swiss authorities should make improvements with regard to crisis preparation and management.

In June 2023, the Swiss Parliament formed a parliamentary inquiry committee that is mandated to investigate the legitimacy, expediency and effectiveness of the management of the competent authorities and bodies in the context of the events involving the Credit Suisse Group. The committee will report to the Swiss Parliament on the results of its investigation and will propose measures to remedy any identified deficiencies. We expect the results to be published in the fourth quarter of 2024. The conclusions by the inquiry committee may include potentially significant recommendations, which could result in more stringent regulation.

In December 2023, FINMA published a report on the case of Credit Suisse that analyzed the development of Credit Suisse in recent years and examined its supervisory work with the bank. In addition, FINMA noted in its report a number of lessons to be learned, calling for a stronger legal basis, specifically for instruments such as a Senior Managers Regime, the power to impose fines, and more stringent rules regarding corporate governance. Furthermore, FINMA explained that it will adapt its supervisory approach in certain areas and will step up its review of whether stabilization measures are ready to be implemented.

The findings of the group of experts and the lessons drawn by FINMA include recommendations that could result in more stringent regulation, and will be considered by the Swiss Federal Council in its next report on systemically important banks, which is to be presented by April 2024.

Key developments in the US

In May 2023, the Federal Reserve Board and the Federal Deposit Insurance Corporation (the FDIC) released reports that covered the circumstances leading to the closing of certain banking organizations following the events in the banking market in March 2023. The reports noted shortcomings in the supervisory agencies' execution of examination programs, including escalation of supervisory issues and staffing. They also raised concerns related to the regulatory framework, including the Federal Reserve's Tailoring Rule and other topics, such as interest rate risk management. UBS expects these developments to impact the regulatory environment in the US, where UBS has significant operations.

In November 2023, the FDIC approved a final rule to implement a special assessment to recover losses incurred by the Deposit Insurance Fund in connection with the failures of Silicon Valley Bank and Signature Bank in March 2023. The assessment is based on the estimated uninsured deposits of each depository institution at the end of 2022. The assessment will be collected over an eight-quarter period that started in January 2024. In the fourth quarter of 2023, UBS Bank USA recorded a charge for the full amount of its estimated assessment of USD 60m.

Key developments at the supranational level

In October 2023, the Basel Committee on Banking Supervision (the BCBS) released a report on the causes of the 2023 banking turmoil. The BCBS argues that while the distress of various banks in March 2023 reflected idiosyncratic factors, recurring themes can be grouped into three broad categories: bank risk-management practices and governance arrangements; strong and effective supervision; and robust regulatory standards.

Also in October 2023, the Financial Stability Board (the FSB) identified in a review several areas related to the effective operationalization and implementation of the international resolution framework that merit further attention as part of future work, but concluded that recent events demonstrate the soundness of the framework.

No concrete changes to the Basel standards or the FSB framework are proposed at this stage, but the follow-up work is particularly focused on strengthening supervisory effectiveness, liquidity risk, interest rate risk in the banking book and the effectiveness of the resolution frameworks.

Developments regarding capital and liquidity adequacy and TBTF frameworks

Developments related to liquidity adequacy

In September 2023, the Swiss Federal Council adopted a dispatch and draft legislation on the introduction of a public liquidity backstop for systemically important banks (SIBs), which was initially implemented as part of the Emergency Ordinance. The proposed legislative changes aim to establish the public liquidity backstop as part of ordinary law in order to enable the Swiss government and the SNB to support an SIB domiciled in Switzerland with liquidity in the process of resolution, in line with other financial centers. The introduction of the public liquidity backstop is intended to increase the confidence of market participants in the ability of SIBs to be successfully recapitalized and remain solvent in a crisis. Furthermore, the draft legislation provides that SIBs will pay the Swiss Confederation an annual fee to mitigate a potential impact on competition and to compensate the Swiss Confederation for its guarantee to the SNB of the public liquidity backstop, if required.

In addition to the public liquidity backstop, the proposed legislative changes would enact into ordinary law additional provisions contained in the Emergency Ordinance, including mandated clawback of variable compensation in the event that government support is provided to an SIB.

The legislative changes are expected to come into force by January 2025, at the earliest, as in November 2023, the Swiss Parliament suspended discussions on the public liquidity backstop until the presentation of the Swiss Federal Council's report on systemically important banks.

Furthermore, FINMA communicated in the third quarter of 2023 the liquidity requirements arising from the revisions to the Swiss Liquidity Ordinance, with the aim of strengthening the resilience of SIBs in Switzerland. The affected legal entities of the UBS Group are compliant with these requirements, which became effective on 1 January 2024.

Developments related to capital adequacy

In July 2023, US banking regulators, including the Federal Reserve Board, the FDIC and the Office of the Comptroller of the Currency (the OCC), issued a public consultation on a proposal that would implement the final components of the Basel III capital standards for US banking organizations and foreign-owned intermediate holding companies, such as UBS Americas Holding LLC and Credit Suisse Holdings (USA), Inc. Among other matters, the proposed rules would end the use of the internal model approach for credit risk by the largest banking organizations and would introduce instead a new standardized approach. In addition, the proposed rules for operational risks would replace the advanced measurement approach with a standardized measure. The proposal calls for a three-year transition period, starting on 1 July 2025, and full implementation by 1 July 2028. We currently estimate that the proposed rule changes would result in increased capital requirements for our US-based intermediate holding companies if implemented as proposed.

In November 2023, the Swiss Federal Council adopted amendments to the Capital Adequacy Ordinance (the CAO) for banks to incorporate the final Basel III standards adopted by the BCBS in Swiss law. The amended CAO will enter into force on 1 January 2025. The final degree of alignment between the Swiss implementation and those in other jurisdictions remains uncertain at this stage. Although EU legislators target implementation by January 2025, the implementation timelines in the UK and the US have been delayed until July 2025. The Swiss Federal Department of Finance will inform the Swiss Federal Council about the status of international implementation by the end of July 2024. We currently estimate that the revised Basel III framework will lead to a further net increase in risk-weighted assets of approximately USD 25bn, of which USD 10bn is in Non-core and Legacy. This estimate is based on static balances, before taking into account mitigating actions, as well as not reflecting the impact of the output floor, which is phased in over time.

Developments related to TBTF frameworks

In August 2023, the Federal Reserve Board and the FDIC issued joint proposals on long-term debt requirements and resolution planning guidance for large banks. The long-term debt proposal would require certain large bank-holding companies, intermediate holding companies and insured depositories with USD 100bn or more in total assets to maintain a minimum amount of long-term debt, intended to enhance the resilience and resolvability of such organizations. Large banking organizations would also be prohibited from certain activities that could complicate the resolution or would lead to contagion risks. If the proposals are implemented, UBS Bank USA would be subject to the long-term debt requirement, which would be incremental to the requirements already imposed upon its parent organization, UBS Americas Holding LLC. The resolution planning guidance proposed by US banking regulators would cover our US-based entities and calls for certain enhancements in the requirements of the submitted resolution plans.

In November 2023, the FSB published the 2023 list of global systemically important banks (G-SIBs). UBS has been moved from Bucket 1 to Bucket 2, corresponding to an increased FSB common equity tier 1 capital surcharge requirement of 1.5% from 1.0%, effective from 1 January 2025. Credit Suisse has been removed from the list. As UBS is subject to higher requirements under the Swiss CAO, the change does not affect the capital requirements applicable to UBS.

In February 2024, the FSB published its Peer Review of Switzerland, which examines Switzerland's implementation of the FSB's TBTF reforms for G-SIBs. The review states that although Swiss authorities have made important steps toward implementing an effective TBTF regime for G-SIBs, additional steps can be taken to further strengthen the Swiss TBTF framework. Recommendations include increasing supervisory resources, strengthening early intervention powers and enhancing the recovery and resolution regime.

Developments regarding climate-related financial risks and sustainable finance

In 2023, the Swiss National Council discussed the revision of the Act on the Reduction of CO₂ Emissions (the CO₂ Act), which contains measures to halve greenhouse gas emissions by 2030 compared with 1990. The proposal is based on supplementing the existing CO₂ Act with additional incentives to reduce emissions in different industry sectors of the economy. For the financial sector, it contains a provision mandating FINMA and the SNB to regularly assess climate-related financial risks in the financial sector and to report the results, as well as potential measures, to the Swiss government. FINMA is currently collecting the data from the financial sector in order to be able to carry out the assessment in 2024. It is expected that the proposal will be formally adopted by the Swiss Parliament in spring 2024.

In June 2023, the Swiss electorate voted in favor of the new Climate and Innovation Act (the CI Act). The CI Act defines a net-zero-by-2050 target for Switzerland, including interim targets for selected sectors of the Swiss economy covering scope 1 and 2 emissions. In addition, each Switzerland-domiciled company is required to set a net-zero target by 1 January 2025. The CI Act also contains provisions for public funding to replace aged heating systems in buildings and for application of innovative technologies within companies. Article 9 of the CI Act requires the financial sector to make an effective contribution to the transition to net zero and sets the general goal of the alignment of financial resources to climate-friendly outcomes. Specific measures to achieve the targets will be proposed in the CO₂ Act.

In December 2023, the Swiss Parliament added a provision on greenwashing to the Unfair Competition Act under which companies are required to make truthful and clear statements in relation to their climate impact that can be substantiated by objective and verifiable bases.

Also in December 2023, the Swiss Federal Council announced that it intends to further improve climate transparency for financial products and to further develop the voluntary Swiss Climate Scores (the SCS), which were introduced in 2022. The SCS provide investors with information about the extent to which their financial investments are compatible with climate goals. The updated SCS, which will apply from 1 January 2025, will continue to prescribe disclosures by financial institutions on climate alignment and climate change mitigation characteristics of financial products and will newly prescribe disclosure of exposures to renewable energy. UBS has committed to the voluntary use of the SCS.

In October 2023, the Federal Reserve Board, the OCC and the FDIC approved guidance on the principles for climate-related financial risk management. The final principles describe how climate-related risks can be addressed in the management of traditional financial risks. The principles cover six areas: governance; policies, procedures and limits; strategic planning; risk management; data, risk measurement and reporting; and scenario analysis. The guidance applies to our US-based operations. UBS is evaluating the guidance to ensure the principles are addressed by the relevant Group practices.

In June 2023, the International Sustainability Standards Board (the ISSB) finalized its first set of requirements for corporate disclosures regarding sustainability matters: IFRS S1 and IFRS S2. IFRS S1 addresses the disclosure of a company's sustainability-related risks and opportunities. IFRS S2 addresses the disclosures for the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities and the entity's strategy for managing risks and opportunities. The standards incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD). These ISSB standards have been available for use from January 2024 onward. UBS's implementation of the standards will depend, among other factors, on whether the standards are adopted in jurisdictions in which UBS files financial reports.

In October 2023, the EU finalized the first set of cross-sectoral European Sustainability Reporting Standards (the ESRS) under the Corporate Sustainability Reporting Directive. In addition to general disclosures and requirements, the ESRS set out disclosure requirements, which are subject to a materiality assessment that is contingent on external assurance, effectively allowing companies to focus on reporting sustainability factors that are material to their businesses. Companies that were previously subject to the Non-Financial Reporting Directive and large non-EU listed companies with more than 500 employees, including UBS, are required to begin reporting under the ESRS for the 2024 financial year, with the first reports to be published in 2025. The European Commission will develop and adopt additional sector-specific reporting standards by June 2026.

In March 2024, the US Securities and Exchange Commission (the SEC) released the final rules regarding climate-related disclosures for investors. The rules will require certain firms, including UBS, to disclose qualitative and quantitative information on the firm's exposures to climate-related risks and risk management practices. The rules are anticipated to be effective for filings for the 2025 financial year.

Other developments in Switzerland

In June 2023, the Swiss electorate voted in favor of the introduction of a minimum corporate tax rate of 15% applicable to companies with a consolidated turnover of more than EUR 750m, as stipulated by the Global Anti-Base Erosion Model Rules (Pillar Two) of the Organisation for Economic Co-operation and Development. In December 2023, the Swiss Federal Council decided on a partial adoption in Switzerland, by way of an ordinance, and, as a result, a domestic minimum top-up tax regime became effective from 1 January 2024, ensuring a Swiss local minimal tax burden of at least 15%. Switzerland will not implement any top-up tax regime in 2024 with respect to non-Swiss taxation below 15%. The Swiss Federal Council will further observe international developments and decide at a later stage if and when any top-up tax with respect to non-Swiss taxation below 15% will be introduced in Switzerland. UBS does not expect the implementation of global minimum taxation in Switzerland to materially impact its effective tax rate.

In August 2023, the Swiss Federal Council launched a consultation on a bill to strengthen the Swiss anti-money-laundering framework, with the aim of reinforcing the integrity and competitiveness of Switzerland as a financial and business location. The measures aim to comply with the international standards of the Financial Action Task Force (the FATF). Among other matters, key elements of the proposal include the introduction of a non-public register managed by the Federal Department of Justice and Police containing information about the beneficial owners of companies and other legal entities in Switzerland, as well as due diligence requirements for activities with an increased risk of money laundering. In the context of the Swiss anti-money-laundering framework, the FATF also acknowledged in October 2023 the progress made by Switzerland, especially with the revision of the Anti-Money Laundering Act adopted in March 2021.

In November 2023, the Swiss Federal Council adopted an amendment to the Financial Market Infrastructure Act that enacts a measure aimed at protecting the Swiss stock exchange infrastructure into Swiss law with effect from 1 January 2024. This ruling followed the EU's decision to withdraw equivalence for the Swiss stock exchange regulation in 2019. The protective measure enables EU firms to trade Swiss shares on the Swiss trading venues, even without EU equivalence. In the event of equivalence recognition by the EU, the measure may be deactivated at any time.

In the first quarter of 2023, the Swiss Federal Council implemented the remaining measures of the 9th and 10th sanctions packages imposed by the EU against Russia in December 2022 and February 2023, respectively. The measures include additional export restrictions and more detailed reporting obligations with regard to frozen assets.

In August 2023, the Swiss Federal Council adopted the EU's 11th package of sanctions against Russia, which was partially adopted by Switzerland in June 2023 by expanding the sanction lists. As part of the 11th sanctions package, the EU has created a specific legal basis for an instrument to prevent the evasion of sanctions. The Swiss Federal Council emphasized its determination to take effective action against the evasion of sanctions and will examine the implementation of this instrument in the event of its actual application by the EU. In addition, Switzerland joined the EU in imposing sanctions at Moldova's request and against Belarus, in view of its continued involvement in Russia's ongoing military aggression against Ukraine.

In September 2023, the Swiss Federal Council issued sanctions measures in connection with the delivery of Iranian drones to Russia. The sale, supply, export and transit of components used in the construction and production of drones is now prohibited. In January 2024, the Swiss Federal Council adopted the measures of the EU's 12th sanctions package relevant to Switzerland, following the expansion of the sanction lists by Switzerland in December 2023. The measures include import bans on certain goods that generate significant revenue for Russia, as well as certain bans in the financial and services sectors. In February 2024, the Federal Department of Economic Affairs, Education and Research adopted measures of the EU's 13th sanctions package, which target, among others, individuals, entities and organizations that are operating in Russia's military-industrial complex and that are involved in supplying defense equipment from the Democratic People's Republic of Korea, as well as officials from the occupied territories of Ukraine.

UBS's sanctions programs are designed to comply with sanctions across multiple jurisdictions, including those imposed by the United Nations, Switzerland, the EU, the UK and the US.

The revised Swiss Federal Data Protection Act and the corresponding Data Protection Ordinance entered into force on 1 September 2023. The revised law represents a fundamental reform that strengthens the rights of consumers regarding their data by enhancing the transparency and accountability rules for companies processing data, among other measures. In addition, it seeks to align Swiss data protection law with the EU General Data Protection Regulation, in order to ensure continued cross-border transmission of data with EU Member States.

Other developments in the US

In October 2023, the Federal Reserve Board, the FDIC and the OCC adopted revisions to their regulations implementing the Community Reinvestment Act (the CRA). The CRA encourages banks to meet the credit needs of the communities in which they do business, with a focus on low- and moderate-income communities. The final rule will implement separate evaluations for retail lending, retail services and products, community development financing, and community development services for banks with over USD 2bn in total assets. For large banks with over USD 10bn in total assets, the evaluation of retail services and products will cover digital delivery systems. The final rule also updates requirements on the reporting of exposures. The rule has an implementation date of 1 April 2024, with additional phase-in periods for general provisions and reporting that extend out to April 2027. UBS Bank USA expects a modest level of increased monitoring and reporting requirements.

In October 2022, the SEC adopted rules requiring US national securities exchanges, including the New York Stock Exchange (the NYSE) and Nasdaq, to adopt listing standards that require issuers to adopt and enforce a policy to recover from executive officers incentive compensation received based on attainment of a financial reporting measure in the event that the issuer is required to prepare an accounting restatement of financial statements due to material non-compliance with financial reporting requirements. The SEC approved the listing standards promulgated by the NYSE and Nasdaq in June 2023 and the clawback policy requirement came into effect as of 1 December 2023. Under the listing standards, an issuer must recover the amount of incentive-based compensation that would not have been received if it had been determined based on the restated financial information. UBS Group AG, UBS AG and Credit Suisse AG each have securities listed on US national securities exchanges and have adopted a policy to comply with the listing standards.

In September 2023, the new rules from the SEC to enhance and standardize disclosure requirements related to cybersecurity incidents and cybersecurity risk management, strategy and governance became effective. Among other changes, the rules require foreign private issuers, including UBS Group AG, UBS AG and Credit Suisse AG, to annually report material information regarding their cybersecurity risk management, strategy and governance on Form 20-F. The Form 20-F disclosures are applicable with annual reports for fiscal years ending on or after 15 December 2023.

Other developments in Europe

US securities markets will transition to one business day after the trade date (T+1) settlement of most transactions in May 2024. In October 2023, the European Securities and Markets Authority (ESMA) launched a call for evidence on shortening the standard settlement cycle for securities transactions from two business days after the trade date (T+2) to T+1. ESMA aims to perform an assessment of the costs and benefits linked to the potential reduction of the securities settlement cycle in the EU and intends to submit the results of its assessment to the European Commission and publish a final report in the fourth quarter of 2024, at the latest. The UK Treasury has also established an Accelerated Settlement Taskforce to consider whether the UK should follow the US and transition to a T+1 settlement. The UK task force is expected to publish its findings in 2024, with further work expected during 2024. UBS is implementing and testing required enhancements based on the US rules and will prepare for further implementation according to the evolving rules and market practice in the UK, the EU and Switzerland.

In May 2023, the European Commission presented draft legislative proposals aimed at empowering retail investors to make investment decisions that are aligned with their needs and preferences and ensuring that they are treated fairly and duly protected. The proposals also aim to encourage greater participation in EU capital markets and to enable a greater volume of funds to flow more easily into EU capital markets. The package revises EU capital markets rules, which, once agreed and in force, could have significant implications and require significant implementation efforts by UBS across business divisions.

In June 2023, legislators in the EU reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive. The provisional agreement includes, alongside measures to implement the remaining elements of the Basel III standard, a framework that would require non-EU firms to establish a physical presence within the EU when providing certain banking services to EU-domiciled clients and counterparties (including deposit-taking and commercial lending), unless they are subject to an exemption. The changes will affect the cross-border provision of certain banking services and will require UBS to adapt its approaches to providing such services to clients in the EU. The requirement is expected to become effective in late 2026, with grandfathering provisions for contracts already in existence at the date of introduction.

In December 2023, the Swiss Confederation and the UK signed a mutual recognition agreement (an MRA) for financial services to facilitate cross-border financial activities. The MRA is supplemented by measures to enhance supervisory cooperation and coordination. The MRA envisages a memorandum of understanding between FINMA and the Bank of England on resolution arrangements, and it is expected to enable Swiss banks to provide cross-border investment services to high net worth UK-domiciled clients and to broadly allow UK and Swiss over-the-counter derivatives counterparties to choose whether to rely on Swiss or UK risk mitigation rules (except for physically settled foreign exchange swaps and forwards). The agreement is expected to apply from 2026, depending on the completion of parliamentary approval in both countries.

Risk factors

Certain risks, including those described below, may affect our ability to execute our strategy or our business activities, financial condition, results of operations and prospects. We are inherently exposed to multiple risks, many of which may become apparent only with the benefit of hindsight. As a result, risks that we do not consider to be material, or of which we are not currently aware, could also adversely affect us. Within each category, the risks that we consider to be most material are presented first.

Strategy, management and operational risks

UBS's acquisition of Credit Suisse Group AG exposes UBS to heightened litigation risk and regulatory scrutiny and entails significant additional costs, liabilities and business integration risks

UBS acquired Credit Suisse Group AG under exceptional circumstances of volatile financial markets and the continued outflows and deteriorating overall financial position of Credit Suisse, in order to avert a failure of Credit Suisse and thus damage to the Swiss financial center and to global financial stability. The acquisition was effected through a merger of Credit Suisse Group AG with and into UBS Group AG, with UBS Group AG succeeding to all assets and all liabilities of Credit Suisse Group AG, becoming the direct or indirect shareholder of the former direct and indirect subsidiaries of Credit Suisse Group AG. Therefore, on a consolidated basis, all assets, risks and liabilities of the Credit Suisse Group became a part of UBS. This includes all ongoing and future litigation, regulatory and similar matters arising out of the business of the Credit Suisse Group, thereby materially increasing UBS's exposure to litigation and investigation risks, as described in further detail below.

We have incurred substantial transaction fees and costs in connection with the transaction and will continue to incur substantial integration and restructuring costs. In addition, we may not realize all of the expected cost reductions and other benefits of the transaction. We may not be able to successfully execute our strategic plans or to achieve the expected benefits of the acquisition of the Credit Suisse Group. The success of the transaction, including anticipated benefits and cost savings, will depend, in part, on the ability to successfully integrate the operations of both firms rapidly and effectively, while maintaining stability of operations and high levels of service to customers of the combined franchise.

Our ability to successfully integrate Credit Suisse will depend on a number of factors, some of which are outside of our control, including our ability to:

- combine the operations of the two firms in a manner that preserves client service, simplifies infrastructure and results in operating cost savings;
- reverse outflows of deposits and client invested assets at Credit Suisse, particularly in its Wealth Management division and in Switzerland, and to attract additional deposits and other client assets to the combined firm;
- achieve cost reductions at the levels and in the time frame we plan;
- enhance, integrate and, where necessary, remediate risk management and financial control and other systems and frameworks, including to remediate the material weaknesses in Credit Suisse's internal controls over financial reporting;
- simplify the legal structure of the combined firm in an expedited manner, through the planned mergers of UBS AG and Credit Suisse AG and of UBS Switzerland AG and Credit Suisse (Schweiz) AG, as well as the creation of a single intermediate holding company (an IHC) for the combined firm in the US, other entity mergers and consolidations and asset dispositions, including obtaining regulatory approvals and licenses required to implement such changes;
- retain staff and to reverse attrition of staff in certain of Credit Suisse's business areas;
- successfully execute the wind-down of the assets and liabilities in our Non-core and Legacy division and release capital and resources for other purposes; and
- resolve outstanding litigation, regulatory and similar matters, including matters relating to Credit Suisse, on terms that are not significantly adverse to the UBS Group, as well as to successfully remediate outstanding regulatory and supervisory matters and meet other regulatory commitments.

Further investigation and planning for integration is taking place, and risks that we do not currently consider to be material, or of which we are not currently aware, could also adversely affect us.

The level of success in the absorption of Credit Suisse, in the integration of the two groups and their businesses, particularly in the area of the Swiss domestic bank, as well as the domestic and international wealth management businesses, the execution of the planned strategy regarding cost reductions and divestment of any non-core assets, and the level of resulting impairments and write-downs, may impact the operational results, share price and the credit rating of UBS entities. The past financial performance of each of UBS Group AG and Credit Suisse may not be indicative of their future financial performance. In addition, the financial effects of management decisions and transactions will likely differ between UBS Group and Credit Suisse as a result of the application of the acquisition method of accounting under IFRS by UBS Group, including valuation adjustments recorded by UBS Group, as well as other differences between US GAAP accounting principles applied by Credit Suisse and IFRS Accounting Standards applied by UBS Group. The combined Group will be required to devote significant management attention and resources to integrating its business practices and support functions. The diversion of management's attention and any delays or difficulties encountered in connection with the transaction and the coordination of the two companies' operations could have an adverse effect on the business, financial results, financial condition or the share price of the combined Group following the transaction. The coordination process may also result in additional and unforeseen expenses.

Our reputation is critical to our success

Our reputation is critical to the success of our strategic plans, business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. In the past, our reputation has been adversely affected by our losses during the 2008 financial crisis, investigations into our cross-border private banking services, criminal resolutions of London Interbank Offered Rates (LIBOR)-related and foreign exchange matters, as well as other matters. We believe that reputational damage as a result of these events was an important factor in our loss of clients and client assets across our asset-gathering businesses. The Credit Suisse Group was more recently subject to significant litigation and regulatory matters and to financial losses that adversely affected its reputation and the confidence of clients, which played a significant role in the events leading to the acquisition of the Credit Suisse Group in March 2023. These events, or new events that cause reputational damage, could have a material adverse effect on our results of operation and financial condition, as well as our ability to achieve our strategic goals and financial targets.

Operational risks affect our business

Our businesses depend on our ability to process a large number of transactions, many of which are complex, across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which we are subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. We also rely on access to, and on the functioning of, systems maintained by third parties, including clearing systems, exchanges, information processors and central counterparties. Any failure of our or third-party systems could have an adverse effect on us. These risks may be greater as we deploy newer technologies, such as blockchain, or processes, platforms or products that rely on these technologies. Our operational risk management and control systems and processes are designed to help ensure that the risks associated with our activities – including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, cyberattacks, breaches of information security, inadequate or ineffective access controls and failure of security and physical protection – are appropriately controlled. If our internal controls fail or prove ineffective in identifying and remedying these risks, we could suffer operational failures that might result in material losses, such as the substantial loss we incurred from the unauthorized trading incident announced in September 2011. The acquisition of the Credit Suisse Group may elevate these risks, particularly during the first phases of integration, as the firms have historically operated under different procedures, IT systems, risk policies and structures of governance.

As a significant proportion of our staff have been and will continue working from outside the office, we have faced, and will continue to face, new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While we have taken measures to manage these risks, these measures could prove not to be effective.

We use automation as part of our efforts to improve efficiency, reduce the risk of error and improve our client experience. We intend to expand the use of robotic processing, machine learning and artificial intelligence (AI) to further these goals. Use of these tools presents their own risks, including the need for effective design and testing; the quality of the data used for development and operation of machine learning and AI tools may adversely affect their functioning and result in errors and other operational risks.

Financial services firms have increasingly been subject to breaches of security and to cyber- and other forms of attack, some of which are sophisticated and targeted attacks intended to gain access to confidential information or systems, disrupt service or steal or destroy data, which may result in business disruption or the corruption or loss of data at UBS's locations or those of third parties. Cyberattacks by hackers, terrorists, criminal organizations, nation states and extremists have also increased in frequency and sophistication. Current geopolitical tensions have also led to increased risk of cyberattack from foreign state actors. In particular, the Russia-Ukraine war and the imposition of significant sanctions on Russia by Switzerland, the US, the EU, the UK and others has resulted and may continue to result in an increase in the risk of cyberattacks. Such attacks may occur on our own systems or on the systems that are operated by external service providers, may be attempted through the introduction of ransomware, viruses or malware, phishing and other forms of social engineering, distributed denial of service attacks and other means. These attempts may occur directly or using equipment or security passwords of our employees, third-party service providers or other users. Cybersecurity risks also have increased due to the widespread use of digital technologies, cloud computing and mobile devices to conduct financial business and transactions, as well as due to generative AI, which increases the capabilities of adversaries to mount sophisticated phishing attacks, for example, through the use of deepfake technologies, and presents new challenges to the protection of our systems and networks and the confidentiality and integrity of our data. During the first quarter of 2023, a third-party vendor, ION XTP, suffered a ransomware attack, which resulted in some disruption to our exchange-traded derivatives clearing activities, although we restored our services within 36 hours, using an available alternative solution. In addition to external attacks, we have experienced loss of client data from failure by employees and others to follow internal policies and procedures and from misappropriation of our data by employees and others.

We may not be able to anticipate, detect or recognize threats to our systems or data and our preventative measures may not be effective to prevent an attack or a security breach. In the event of a security breach, notwithstanding our preventative measures, we may not immediately detect a particular breach or attack. The acquisition of the Credit Suisse Group may elevate and intensify these risks, as would-be attackers have a larger potential target in the combined bank and differences in systems, policies, and platforms could make threat detection more difficult. In addition, the implementation of the large-scale technological change program that is necessary to integrate the combined bank's systems at pace may also result in increased risks. Once a particular attack is detected, time may be required to investigate and assess the nature and extent of the attack, and to restore and test systems and data. If a successful attack occurs at a service provider, as we have recently experienced, we may be dependent on the service provider's ability to detect the attack, investigate and assess the attack and successfully restore the relevant systems and data. A successful breach or circumvention of security of our systems or data or those of a service provider could have significant negative consequences for us, including disruption of our operations, misappropriation of confidential information concerning us or our clients, damage to our systems, financial losses for us or our clients, violations of data privacy and similar laws, litigation exposure, and damage to our reputation. We may be subject to enforcement actions as regulatory focus on cybersecurity increases and regulators have announced new rules, guidance and initiatives on ransomware and other cybersecurity-related issues.

We are subject to complex and frequently changing laws and regulations governing the protection of client and personal data, such as the EU General Data Protection Regulation. Ensuring that we comply with applicable laws and regulations when we collect, use and transfer personal information requires substantial resources and may affect the ways in which we conduct our business. In the event that we fail to comply with applicable laws, we may be exposed to regulatory fines and penalties and other sanctions. We may also incur such penalties if our vendors or other service providers or clients or counterparties fail to comply with these laws or to maintain appropriate controls over protected data. In addition, any loss or exposure of client or other data may adversely damage our reputation and adversely affect our business.

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been on fighting money laundering and terrorist financing. We are required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of our clients under the laws of many of the countries in which we operate. We are also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. We have implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Notwithstanding this, US regulators have found deficiencies in the design and operation of anti-money-laundering programs in our US operations. We have undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for our programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of our programs in these areas, could have serious consequences both from legal enforcement action and from damage to our reputation. Frequent changes in sanctions imposed and increasingly complex sanctions imposed on countries, entities and individuals, as exemplified by the breadth and scope of the sanctions imposed in relation to the war in Ukraine, increase our cost of monitoring and complying with sanctions requirements and increase the risk that we will not identify in a timely manner client activity that is subject to a sanction.

As a result of new and changed regulatory requirements and the changes we have made in our legal structure, the volume, frequency and complexity of our regulatory and other reporting has remained elevated. Regulators have also significantly increased expectations regarding our internal reporting and data aggregation, as well as management reporting. We have incurred, and continue to incur, significant costs to implement infrastructure to meet these requirements. Failure to meet external reporting requirements accurately and in a timely manner or failure to meet regulatory expectations of internal reporting, data aggregation and management reporting could result in enforcement action or other adverse consequences for us.

In addition, despite the contingency plans that we have in place, our ability to conduct business may be adversely affected by disruption in the infrastructure that supports our businesses and the communities in which we operate. This may include disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services that we use or that are used by third parties with whom we conduct business.

We depend on our risk management and control processes to avoid or limit potential losses in our businesses

Controlled risk-taking is a major part of the business of a financial services firm. Some losses from risk-taking activities are inevitable, but, to be successful over time, we must balance the risks we take against the returns generated. Therefore, we must diligently identify, assess, manage and control our risks, not only in normal market conditions but also as they might develop under more extreme, stressed conditions, when concentrations of exposures can lead to severe losses.

We have not always been able to prevent serious losses arising from risk management failures and extreme or sudden market events. We recorded substantial losses on fixed-income trading positions in the 2008 financial crisis, in the unauthorized trading incident in 2011 and, more recently, positions resulting from the default of a US prime brokerage client. In the recent past, the Credit Suisse Group has suffered very significant losses from the default of the US prime brokerage client, the losses in supply chain finance funds (SCFF) managed by it, as well as other matters. As a result of these, Credit Suisse is subject to significant regulatory remediation obligations to address deficiencies in its risk management and control systems, that continue following the merger.

We regularly revise and strengthen our risk management and control frameworks to seek to address identified shortcomings. Nonetheless, we could suffer further losses in the future if, for example:

- we do not fully identify the risks in our portfolio, in particular risk concentrations and correlated risks;
- our assessment of the risks identified, or our response to negative trends, proves to be untimely, inadequate, insufficient or incorrect;
- our risk models prove insufficient to predict the scale of financial risks the bank faces;
- markets move in ways that we do not expect – in terms of their speed, direction, severity or correlation – and our ability to manage risks in the resulting environment is, therefore, affected;
- third parties to whom we have credit exposure or whose securities we hold are severely affected by events and we suffer defaults and impairments beyond the level implied by our risk assessment; or
- collateral or other security provided by our counterparties and clients proves inadequate to cover their obligations at the time of default.

We also hold legacy risk positions, primarily in Non-core and Legacy, that, in many cases, are illiquid and may deteriorate in value. The acquisition of the Credit Suisse Group has increased, materially, the portfolio of business that is outside of our risk appetite and subject to exit that will be managed in the Non-core and Legacy segment.

We also manage risk on behalf of our clients. The performance of assets we hold for our clients may be adversely affected by the same aforementioned factors. If clients suffer losses or the performance of their assets held with us is not in line with relevant benchmarks against which clients assess investment performance, we may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

Investment positions, such as equity investments made as part of strategic initiatives and seed investments made at the inception of funds that we manage, may also be affected by market risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. Deteriorations in the fair value of these positions would have a negative effect on our earnings.

We may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees

The financial services industry is characterized by intense competition, continuous innovation, restrictive, detailed and sometimes fragmented regulation and ongoing consolidation. We face competition at the level of local markets and individual business lines and from global financial institutions that are comparable to us in their size and breadth, as well as competition from new technology-based market entrants, which may not be subject to the same level of regulation. Barriers to entry in individual markets and pricing levels are being eroded by new technology. We expect these trends to continue and competition to increase. Our competitive strength and market position could be eroded if we are unable to identify market trends and developments, do not respond to such trends and developments by devising and implementing adequate business strategies, do not adequately develop or update our technology, including our digital channels and tools, or are unable to attract or retain the qualified people needed.

The amount and structure of our employee compensation is affected not only by our business results but also by competitive factors and regulatory considerations.

In response to the demands of various stakeholders, including regulatory authorities and shareholders, and in order to better align the interests of our staff with other stakeholders, we have increased average deferral periods for stock awards, expanded forfeiture provisions and, to a more limited extent, introduced clawback provisions for certain awards linked to business performance. We have also introduced individual caps on the proportion of fixed to variable pay for the members of the Group Executive Board (GEB), as well as certain other employees. UBS will also be required to introduce and enforce provisions requiring UBS to recover from GEB members and certain other executives a portion of performance-based incentive compensation in the event that the UBS Group or another entity with securities listed on a US national securities exchange, is required to restate its financial statements as a result of a material error.

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect our ability to retain and attract key employees, particularly where we compete with companies that are not subject to these constraints. The loss of key staff and the inability to attract qualified replacements could seriously compromise our ability to execute our strategy and to successfully improve our operating and control environment, and could affect our business performance. This risk is intensified by elevated levels of attrition among Credit Suisse employees. Swiss law requires that shareholders approve the compensation of the Board of Directors (the BoD) and the GEB each year. If our shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on our ability to retain experienced directors and our senior management.

As UBS Group AG is a holding company, its operating results, financial condition and ability to pay dividends and other distributions and / or to pay its obligations in the future depend on funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions

UBS Group AG's ability to pay dividends and other distributions and to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS Group AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory, fiscal or other restrictions. In particular, UBS Group AG's direct and indirect subsidiaries, including UBS AG, Credit Suisse AG, UBS Switzerland AG, Credit Suisse (Schweiz) AG, UBS Americas Holding LLC, Credit Suisse Holdings (USA) Inc., UBS Europe SE and Credit Suisse International, are subject to laws and regulations that require the entities to maintain minimum levels of capital and liquidity, that restrict dividend payments, that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS Group AG or that could affect their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group AG or another member of the Group. For example, in the early stages of the COVID-19 pandemic, the European Central Bank ordered all banks under its supervision to cease dividend distributions, and the Board of Governors of the Federal Reserve System limited capital distributions by bank holding companies and intermediate holding companies. Restrictions and regulatory actions could impede access to funds that UBS Group AG may need to meet its obligations or to pay dividends to shareholders. In addition, UBS Group AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to all prior claims of the subsidiary's creditors.

Our capital instruments may contractually prevent us from proposing the distribution of dividends to shareholders, other than in the form of shares, and from engaging in repurchases of shares, if we do not pay interest on these instruments.

Furthermore, UBS Group AG may guarantee some of the payment obligations of certain of the Group's subsidiaries from time to time. These guarantees may require UBS Group AG to provide substantial funds or assets to subsidiaries or their creditors or counterparties at a time when UBS Group AG is in need of liquidity to fund its own obligations.

The credit ratings of UBS Group AG or its subsidiaries used for funding purposes could be lower than the ratings of the Group's operating subsidiaries, which may adversely affect the market value of the securities and other obligations of UBS Group AG or those subsidiaries on a standalone basis.

Market, credit and macroeconomic risks

Performance in the financial services industry is affected by market conditions and the macroeconomic climate

Our businesses are materially affected by market and macroeconomic conditions. A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, such as international armed conflicts, war, or acts of terrorism, the imposition of sanctions, global trade or global supply chain disruptions, including energy shortages and food insecurity, changes in monetary or fiscal policy, changes in trade policies or international trade disputes, significant inflationary or deflationary price changes, disruptions in one or more concentrated economic sectors, natural disasters, pandemics or local and regional civil unrest. Such developments can have unpredictable and destabilizing effects.

Adverse changes in interest rates, credit spreads, securities prices, market volatility and liquidity, foreign exchange rates, commodity prices, and other market fluctuations, as well as changes in investor sentiment, can affect our earnings and ultimately our financial and capital positions. As financial markets are global and highly interconnected, local and regional events can have widespread effects well beyond the countries in which they occur. Any of these developments may adversely affect our business or financial results.

As a result of significant volatility in the market, our businesses may experience a decrease in client activity levels and market volumes, which would adversely affect our ability to generate transaction fees, commissions and margins, particularly in Global Wealth Management and the Investment Bank. A market downturn would likely reduce the volume and valuation of assets that we manage on behalf of clients, which would reduce recurring fee income that is charged based on invested assets, primarily in Global Wealth Management and Asset Management, and performance-based fees in Asset Management. Such a downturn could also cause a decline in the value of assets that we own and account for as investments or trading positions. In addition, reduced market liquidity or volatility may limit trading opportunities and therefore may reduce transaction-based income and may also impede our ability to manage risks.

Health emergencies, including pandemics and measures taken by governmental authorities to manage them, may have effects such as labor market displacements, supply chain disruptions, and inflationary pressures, and adversely affect global and regional economic conditions, resulting in contraction in the global economy, substantial volatility in the financial markets, crises in markets for goods and services, disruptions in real estate markets, increased unemployment, increased credit and counterparty risk, and operational challenges, as we saw with the COVID-19 pandemic. Such economic or market disruptions, including inflationary pressures, may lead to reduced levels of client activity and demand for our products and services, increased utilization of lending commitments, significantly increased client defaults, continued and increasing credit and valuation losses in our loan portfolios, loan commitments and other assets, and impairments of other financial assets. A fall in equity markets and a consequent decline in invested assets would also reduce recurring fee income in our Global Wealth Management and Asset Management businesses, as we experienced in the second quarter of 2022. These factors and other consequences of a health emergency may negatively affect our financial condition, including possible constraints on capital and liquidity, as well as resulting in a higher cost of capital, and possible downgrades to our credit ratings.

Geopolitical events: Terrorist activity and escalating armed conflict in the Middle East, as well as the continuing Russia–Ukraine war, may have significant impacts on global markets, exacerbate global inflationary pressures and slow global growth. In addition, the ongoing conflicts may continue to cause significant population displacement, and lead to shortages of vital commodities, including energy shortages and food insecurity outside the areas immediately involved in armed conflict. Governmental responses to the armed conflicts, including, with respect to the Russia–Ukraine war, coordinated successive sets of sanctions on Russia and Belarus, and Russian and Belarusian entities and nationals, and the uncertainty as to whether the ongoing conflicts will widen and intensify, may continue to have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. If individual countries impose restrictions on cross-border payments or trade, or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the Eurozone, as a result of the imposition of sanctions on individuals, entities or countries, or escalation of trade restrictions and other actions between the US, or other countries, and China), we could suffer adverse effects on our business, losses from enforced default by counterparties, be unable to access our own assets or be unable to effectively manage our risks.

We could be materially affected if a crisis develops, regionally or globally, as a result of disruptions in markets due to macroeconomic or political developments, trade restrictions, or the failure of a major market participant. Over time, our strategic plans have become more heavily dependent on our ability to generate growth and revenue in emerging markets, including China, causing us to be more exposed to the risks associated with such markets.

Global Wealth Management derives revenues from all the principal regions but has a greater concentration in Asia than many peers and a substantial presence in the US, unlike many European peers. The Investment Bank's business is more heavily weighted to Europe and Asia than our peers, while its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. Our performance may therefore be more affected by political, economic and market developments in these regions and businesses than some other financial service providers.

The extent to which ongoing conflicts, current inflationary pressures and related adverse economic conditions affect our businesses, results of operations and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, including the effects of the current conditions on our clients, counterparties, employees and third-party service providers.

Our credit risk exposure to clients, trading counterparties and other financial institutions would increase under adverse or other economic conditions

Credit risk is an integral part of many of our activities, including lending, underwriting and derivatives activities. Adverse economic or market conditions, or the imposition of sanctions or other restrictions on clients, counterparties or financial institutions, may lead to impairments and defaults on these credit exposures. Losses may be exacerbated by declines in the value of collateral securing loans and other exposures. In our prime brokerage, securities finance and Lombard lending businesses, we extend substantial amounts of credit against securities collateral the value or liquidity of which may decline rapidly. Market closures and the imposition of exchange controls, sanctions or other measures may limit our ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures. Our Swiss mortgage and corporate lending portfolios, which have increased substantially as a result of the Credit Suisse acquisition, are a large part of our overall lending. We are therefore exposed to the risk of adverse economic developments in Switzerland, including property valuations in the housing market, the strength of the Swiss franc and its effect on Swiss exports, a return to negative interest rates applied by the Swiss National Bank, economic conditions within the Eurozone or the EU, and the evolution of agreements between Switzerland and the EU or European Economic Area, which represent Switzerland's largest export market. We have exposures related to real estate in various countries, including a substantial Swiss mortgage portfolio. Although we believe this portfolio is prudently managed, we could nevertheless be exposed to losses if a substantial deterioration in the Swiss real estate market were to occur.

As we experienced in 2020, under the IFRS 9 expected credit loss (ECL) regime, credit loss expenses may increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairments (stage 3), as well as higher ECL from stages 1 and 2. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect our common equity tier 1 (CET1) capital and regulatory capital ratios.

Interest rate trends and changes could negatively affect our financial results

UBS's businesses are sensitive to changes in interest rate trends. A prolonged period of low or negative interest rates, particularly in Switzerland and the Eurozone, adversely affected the net interest income generated by UBS's Personal & Corporate Banking and Global Wealth Management businesses prior to 2022. Actions that UBS took to mitigate adverse effects on income, such as the introduction of selective deposit fees or minimum lending rates, contributed to outflows of customer deposits (a key source of funding for UBS), net new money outflows and a declining market share in its Swiss lending business.

During 2022, interest rates increased sharply in the US and most other markets, including a shift from negative to positive central bank policy rates in the Eurozone and Switzerland, as central banks responded to higher inflation. Higher interest rates generally benefit UBS's net interest income. However, as returns on alternatives to deposits increase with rising interest rates, such as returns on money market funds, UBS experienced outflows from customer deposits and shifts of deposits from lower-interest account types to accounts bearing higher interest rates, such as savings and certificates of deposit, starting with effects in the US, where rates had rapidly increased. In addition, higher-for-longer interest rates, such as those experienced in 2023, have led to similar shifts in euro and Swiss franc deposits. Sustained higher interest rates also may adversely affect our credit counterparties. Customer deposit outflows could require UBS to obtain alternative funding, which would likely be more costly than customer deposits.

Our shareholders' equity and capital are also affected by changes in interest rates.

Currency fluctuation may have an adverse effect on our profits, balance sheet and regulatory capital

We are subject to currency fluctuation risks as a substantial portion of our assets and liabilities are denominated in currencies other than our Group presentation currency, the US dollar. In order to hedge our CET1 capital ratio, our CET1 capital must have foreign currency exposure, which leads to currency sensitivity. As a consequence, it is not possible to simultaneously fully hedge both CET1 capital and the CET1 capital ratio. Accordingly, changes in foreign exchange rates may adversely affect our profits, balance sheet, and capital, leverage and liquidity coverage ratios.

Regulatory and legal risks

Material legal and regulatory risks arise in the conduct of our business

As a global financial services firm operating in more than 50 countries, we are subject to many different legal, tax and regulatory regimes, including extensive regulatory oversight, and are exposed to significant liability risk. We are subject to a large number of claims, disputes, legal proceedings and government investigations, and we expect that our ongoing business activities will continue to give rise to such matters in the future. In addition, as noted above, UBS inherited claims against Credit Suisse entities as part of the acquisition, including matters that may be material to the operating results of the combined Group such as the ongoing SCFF matter. The extent of our financial exposure to these and other matters is material and could substantially exceed the level of provisions that we have established. We are not able to predict the financial and non-financial consequences these matters may have when resolved.

We may be subject to adverse preliminary determinations or court decisions that may negatively affect public perception and our reputation, result in prudential actions from regulators, and cause us to record additional provisions for such matters even when we believe we have substantial defenses and expect to ultimately achieve a more favorable outcome. This risk is illustrated by the award of aggregate penalties and damages of EUR 4.5bn by the court of first instance in France. This award was reduced to an aggregate of EUR 1.8bn by the Court of Appeal, and, in a further appeal, the French Supreme Court referred the case back to the Paris Court of Appeal to reconsider the amount after a new trial.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. Among other things, a guilty plea to, or conviction of, a crime (including as a result of termination of the Deferred Prosecution Agreement Credit Suisse entered into with the US Department of Justice in 2021 to resolve its Mozambique matter) could have material consequences for UBS.

Resolution of regulatory proceedings has required us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate our participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material adverse consequences for us.

Our settlements with governmental authorities in connection with foreign exchange, LIBOR and other benchmark interest rates starkly illustrate the significantly increased level of financial and reputational risk now associated with regulatory matters in major jurisdictions. In connection with investigations related to LIBOR and other benchmark rates, and to foreign exchange and precious metals, very large fines and disgorgement amounts were assessed against us, and we were required to enter guilty pleas despite our full cooperation with the authorities in the investigations and despite our receipt of conditional leniency or conditional immunity from anti-trust authorities in a number of jurisdictions, including the US and Switzerland.

For a number of years, we have been, and we continue to be, subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain our strategic flexibility. We believe we have remediated the deficiencies that led to significant losses in the past and made substantial changes in our controls and conduct risk frameworks to address the issues highlighted by the LIBOR-related, foreign exchange and precious metals regulatory resolutions. We have also undertaken extensive efforts to implement new regulatory requirements and meet heightened expectations.

Credit Suisse and UBS have become the target of lawsuits, and may become the target of further litigation, in connection with the merger transaction and / or the regulatory and other actions taken in connection with the merger transaction, all of which could result in substantial costs. Since the close of the acquisition, various litigation claims have been lodged against UBS under Swiss merger law alleging that Credit Suisse Group AG shareholders received disadvantaged treatment in the acquisition. In addition, numerous cases have been lodged against the Swiss Financial Market Supervisory Authority (FINMA) in respect of the write-down of the Credit Suisse Group's additional tier 1 (AT1) bonds ordered by FINMA. UBS Group AG, as the successor to Credit Suisse Group AG, is participating in proceedings as an aggrieved party. The cumulative effects of the litigations to which UBS has succeeded and the claims related to the acquisition and the circumstances surrounding it, may have material adverse consequences for the combined Group.

We continue to be in active dialogue with regulators concerning the actions we are taking to improve our operational risk management, risk control, anti-money-laundering, data management and other frameworks, and otherwise seek to meet supervisory expectations, but there can be no assurance that our efforts will have the desired effects. As a result of this history, our level of risk with respect to regulatory enforcement may be greater than that of some of our peers.

Substantial changes in regulation may adversely affect our businesses and our ability to execute our strategic plans

Since the financial crisis of 2008, we have been subject to significant regulatory requirements, including recovery and resolution planning, changes in capital and prudential standards, changes in taxation regimes as a result of changes in governmental administrations, new and revised market standards and fiduciary duties, as well as new and developing environmental, social and governance (ESG) standards and requirements. Notwithstanding attempts by regulators to align their efforts, the measures adopted or proposed for banking regulation differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution. Regulatory reviews of the events leading to the failures of US banks and our acquisition of Credit Suisse in 2023, as well as regulatory measures to complete the implementation of the Basel 3 standards, may increase capital, liquidity and other requirements applicable to banks, including UBS. In addition, Swiss regulatory changes with regard to such matters as capital and liquidity have often proceeded more quickly than those in other major jurisdictions, and Switzerland's requirements for major international banks are among the strictest of the major financial centers. This could put Swiss banks, such as UBS, at a disadvantage when competing with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

Our implementation of additional regulatory requirements and changes in supervisory standards, as well as our compliance with existing laws and regulations, continue to receive heightened scrutiny from supervisors. If we do not meet supervisory expectations in relation to these or other matters, or if additional supervisory or regulatory issues arise, we would likely be subject to further regulatory scrutiny, as well as measures that may further constrain our strategic flexibility.

Resolvability and resolution and recovery planning: We have moved significant operations into subsidiaries to improve resolvability and meet other regulatory requirements, and this has resulted in substantial implementation costs, increased our capital and funding costs and reduced operational flexibility. For example, we have transferred all of our US subsidiaries under a US intermediate holding company to meet US regulatory requirements and have transferred substantially all the operations of Personal & Corporate Banking and Global Wealth Management booked in Switzerland to UBS Switzerland AG to improve resolvability.

These changes create operational, capital, liquidity, funding and tax inefficiencies. Our operations in subsidiaries are subject to local capital, liquidity, stable funding, capital planning and stress testing requirements. These requirements have resulted in increased capital and liquidity requirements in affected subsidiaries, which limit our operational flexibility and negatively affect our ability to benefit from synergies between business units and to distribute earnings to the Group.

Under the Swiss too-big-to-fail (TbTF) framework, we are required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure. Moreover, under this framework and similar regulations in the US, the UK, the EU and other jurisdictions in which we operate, we are required to prepare credible recovery and resolution plans detailing the measures that would be taken to recover in a significant adverse event or in the event of winding down the Group or the operations in a host country through resolution or insolvency proceedings. If a recovery or resolution plan that we produce is determined by the relevant authority to be inadequate or not credible, relevant regulation may permit the authority to place limitations on the scope or size of our business in that jurisdiction, or oblige us to hold higher amounts of capital or liquidity or to change our legal structure or business in order to remove the relevant impediments to resolution.

The authorities in Switzerland and internationally are working on lessons learned from the Credit Suisse and the US regional bank failures, which might result in additional requirements regarding resolution planning and early intervention tools for authorities.

Capital and prudential standards: As an internationally active Swiss systemically relevant bank (an SRB), we are subject to capital and total loss-absorbing capacity (TLAC) requirements that are among the most stringent in the world. Moreover, many of our subsidiaries must comply with minimum capital, liquidity and similar requirements and, as a result, UBS Group AG and UBS AG have contributed a significant portion of their capital and provide substantial liquidity to these subsidiaries. These funds are available to meet funding and collateral needs in the relevant entities, but are generally not readily available for use by the Group as a whole.

We expect our risk-weighted assets (RWA) to further increase as the effective date for additional capital standards promulgated by the Basel Committee on Banking Supervision (the BCBS) draws nearer. In connection with the acquisition of the Credit Suisse Group, FINMA has permitted Credit Suisse entities to continue to apply certain prior interpretations and has provided supervisory rulings on the treatment of certain items for RWA or capital purposes. In general, these interpretations require that UBS phase out the treatment over the next several years. In addition, FINMA has agreed that the additional capital requirement applicable to Swiss SRBs, which is based on market share in Switzerland and leverage ratio denominator (LRD), will not increase as a result of the acquisition of the Credit Suisse Group before the end of 2025. The phase-out or end of these periods will likely increase our overall capital requirements, and such increase may be substantial.

Increases in capital and liquidity standards could significantly curtail our ability to pursue strategic opportunities or to return capital to shareholders.

Market regulation and fiduciary standards: Our wealth and asset management businesses operate in an environment of increasing regulatory scrutiny and changing standards with respect to fiduciary and other standards of care and the focus on mitigating or eliminating conflicts of interest between a manager or advisor and the client, which require effective implementation across the global systems and processes of investment managers and other industry participants. For example, we have made material changes to our business processes, policies and the terms on which we interact with these clients in order to comply with US Securities and Exchange Commission (SEC) Regulation Best Interest, which is intended to enhance and clarify the duties of brokers and investment advisers to retail customers, and the Volcker Rule, which limits our ability to engage in proprietary trading, as well as changes in European and Swiss market conduct regulation. Future changes in the regulation of our duties to customers may require us to make further changes to our businesses, which would result in additional expense and may adversely affect our business. We may also become subject to other similar regulations substantively limiting the types of activities in which we may engage or the way we conduct our operations.

In many instances, we provide services on a cross-border basis, and we are therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonize the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect our ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities based on determinations of equivalence of home country regulation, substituted compliance or similar principles of comity. A negative determination with respect to Swiss equivalence could limit our access to the market in those jurisdictions and may negatively influence our ability to act as a global firm. For example, the EU declined to extend its equivalence determination for Swiss exchanges, which lapsed as of 30 June 2019.

UBS has experienced cross-border outflows over a number of years as a result of heightened focus by fiscal authorities on cross-border investment and fiscal amnesty programs, in anticipation of the implementation in Switzerland of the global automatic exchange of tax information, and as a result of the measures UBS has implemented in response to these changes. Further changes in local tax laws or regulations and their enforcement, additional cross-border tax information exchange regimes, national tax amnesty or enforcement programs or similar actions may affect our clients' ability or willingness to do business with us and could result in additional cross-border outflows.

If we experience financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on our shareholders and creditors

Under the Swiss Banking Act, FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS Group AG, UBS AG, Credit Suisse AG, UBS Switzerland AG and Credit Suisse (Schweiz) AG, if there is justified concern that an entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfills capital adequacy requirements. Such powers include ordering protective measures, instituting restructuring proceedings (and exercising any Swiss resolution powers in connection therewith), and instituting liquidation proceedings, all of which may have a material adverse effect on shareholders and creditors or may prevent UBS Group AG, UBS AG, UBS Switzerland AG, Credit Suisse AG or Credit Suisse (Schweiz) AG from paying dividends or making payments on debt obligations.

UBS would have limited ability to challenge any such protective measures, and creditors and shareholders would also have limited ability under Swiss law or in Swiss courts to reject them, seek their suspension, or challenge their imposition, including measures that require or result in the deferment of payments.

If restructuring proceedings are opened with respect to UBS Group AG, UBS AG, UBS Switzerland AG, Credit Suisse AG or Credit Suisse (Schweiz) AG, the resolution powers that FINMA may exercise include the power to: (i) transfer all or some of the assets, debt and other liabilities, and contracts of the entity subject to proceedings to another entity; (ii) stay for a maximum of two business days (a) the termination of, or the exercise of rights to terminate, netting rights, (b) rights to enforce or dispose of certain types of collateral or (c) rights to transfer claims, liabilities or certain collateral, under contracts to which the entity subject to proceedings is a party; and / or (iii) partially or fully write down the equity capital and regulatory capital instruments and, if such regulatory capital is fully written down, write down or convert into equity the other debt instruments of the entity subject to proceedings. Shareholders and creditors would have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised. They would have only limited rights to challenge any decision to exercise resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

Upon full or partial write-down of the equity and regulatory capital instruments of the entity subject to restructuring proceedings, the relevant shareholders and creditors would receive no payment in respect of the equity and debt that is written down, the write-down would be permanent, and the investors would likely not, at such time or at any time thereafter, receive any shares or other participation rights, or be entitled to any write-up or any other compensation in the event of a potential subsequent recovery of the debtor. If FINMA orders the conversion of debt of the entity subject to restructuring proceedings into equity, the securities received by the investors may be worth significantly less than the original debt and may have a significantly different risk profile. In addition, creditors receiving equity would be effectively subordinated to all creditors of the restructured entity in the event of a subsequent winding up, liquidation or dissolution of the restructured entity, which would increase the risk that investors would lose all or some of their investment.

FINMA has significant discretion in the exercise of its powers in connection with restructuring proceedings. Furthermore, certain categories of debt obligations, such as certain types of deposits, are subject to preferential treatment. As a result, holders of obligations of an entity subject to a Swiss restructuring proceeding may have their obligations written down or converted into equity even though obligations ranking on par with such obligations are not written down or converted.

Developments in sustainability, climate, environmental and social standards and regulations may affect our business and impact our ability to fully realize our goals

We have set ambitious goals for ESG matters. These goals include our ambitions for environmental sustainability in our operations, including carbon emissions, in the business we do with clients and in products that we offer. They also include goals or aspirations for diversity in our workforce and supply chain, and support for the United Nations Sustainable Development Goals. There is substantial uncertainty as to the scope of actions that may be required of us, governments and others to achieve the goals we have set, and many of our goals and objectives are only achievable with a combination of government and private action. National and international standards and expectations, industry and scientific practices, regulatory taxonomies, and disclosure obligations addressing these matters are relatively immature and are rapidly evolving. In addition, there are significant limitations in the data available to measure our climate and other goals. Although we have defined and disclosed our goals based on the standards existing at the time of disclosure, there can be no assurance (i) that the various ESG regulatory and disclosure regimes under which we operate will not come into conflict with one another, (ii) that the current standards will not be interpreted differently than our understanding or change in a manner that substantially increases the cost or effort for us to achieve such goals or (iii) that additional data or methods, whether voluntary or required by regulation, may substantially change our calculation of our goals and ambitions. It is possible that such goals may prove to be considerably more difficult or even impossible to achieve. The evolving standards may also require us to substantially change the stated goals and ambitions. If we are not able to achieve the goals we have set, or can only do so at significant expense to our business, we may fail to meet regulatory expectations, incur damage to our reputation or be exposed to an increased risk of litigation or other adverse action.

While ESG regulatory regimes and international standards are being developed, including to require consideration of ESG risks in investment decisions, some jurisdictions, notably in the US, have developed rules restricting the consideration of ESG factors in investment and business decisions. Under these anti-ESG rules, companies that are perceived as boycotting or discriminating against certain industries may be restricted from doing business with certain governmental entities. Our businesses may be adversely affected if we are considered as discriminating against companies based on ESG considerations, or if further anti-ESG rules are developed or broadened.

Material weaknesses of Credit Suisse controls over financial reporting

In March 2023, prior to the acquisition by UBS Group AG, the Credit Suisse Group and Credit Suisse AG disclosed that their management had identified material weaknesses in internal control over financial reporting as a result of which, the Credit Suisse Group and Credit Suisse AG had concluded that, as of 31 December 2022, their internal control over financial reporting were not effective, and for the same reasons, reached the same conclusion regarding 31 December 2021. A material weakness is a deficiency or a combination of deficiencies in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of a registrant's financial statements will not be prevented or detected on a timely basis. The material weaknesses result in a risk that a material error may not be detected by Credit Suisse's internal controls that could result in a material misstatement to Credit Suisse's reported financial results, which are consolidated with UBS Group AG's results.

The material weaknesses that were identified relate to the failure to design and maintain an effective risk assessment process to identify and analyze the risk of material misstatements in our financial statements and the failure to design and maintain effective monitoring activities relating to (i) providing sufficient management oversight over the internal control evaluation process to support Credit Suisse internal control objectives; (ii) involving appropriate and sufficient management resources to support the risk assessment and monitoring objectives; and (iii) assessing and communicating the severity of deficiencies in a timely manner to those parties responsible for taking corrective action. These material weaknesses contributed to an additional material weakness, as the Credit Suisse Group management did not design and maintain effective controls over the classification and presentation of the consolidated statement of cash flows under US GAAP.

Credit Suisse subsequently started a remediation program to address the identified material weaknesses and has implemented additional controls and procedures. Based on the work completed to date, Credit Suisse management has assessed that the changes to internal control made to address the material weakness relating to the classification and presentation of the consolidated statement of cash flows are effective in design, but that additional time is required to conclude that these controls and processes are operating effectively on a sustainable basis. The remaining material weaknesses at Credit Suisse relate to the risk and severity assessment of internal controls. Credit Suisse has implemented an enhanced severity assessment framework and additional management oversight of severity assessments. UBS has determined to remediate the internal control risk identification weakness by integrating Credit Suisse into the UBS internal control risk assessment and evaluation framework in 2024. The operating effectiveness of the of both the risk and severity assessment processes will be assessed based on an evaluation of the 2024 risk assessment and control testing process. In light of the above, Credit Suisse management has concluded that these material weaknesses were not fully remediated at 31 December 2023.

In addition, since the acquisition, UBS has commenced a review of the processes and systems giving rise to the material weaknesses and the remediation program undertaken. This review is ongoing, and UBS and Credit Suisse expect to adopt and implement further controls and procedures following the completion of the review. In the course of this review, UBS and Credit Suisse may become aware of facts that cause UBS to broaden the scope of the review.

UBS Group AG management and UBS AG management have assessed that, as of 31 December 2023, UBS's internal control over financial reporting was effective. Under guidance published by the SEC, companies are permitted to exclude the processes and controls certain acquired businesses from their assessment of internal control over financial reporting during the year of acquisition. Accordingly, UBS Group AG has excluded Credit Suisse entities, from UBS Group AG and UBS AG management's assessments of internal control over financial reporting as of 31 December 2023.

Our financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards

We prepare our consolidated financial statements in accordance with IFRS Accounting Standards. The application of these accounting standards requires the use of judgment based on estimates and assumptions that may involve significant uncertainty at the time they are made. This is the case, for example, with respect to the measurement of fair value of financial instruments, the recognition of deferred tax assets (DTAs), the assessment of the impairment of goodwill, expected credit losses and estimation of provisions for litigation, regulatory and similar matters. Such judgments, including the underlying estimates and assumptions, which encompass historical experience, expectations of the future and other factors, are regularly evaluated to determine their continuing relevance based on current conditions. Using different assumptions could cause the reported results to differ. Changes in assumptions, or failure to make the changes necessary to reflect evolving market conditions, may have a significant effect on the financial statements in the periods when changes occur. Estimates of provisions may be subject to a wide range of potential outcomes and significant uncertainty. For example, the broad range of potential outcomes in our legal proceedings in France and in a number of Credit Suisse's legal proceedings increase the uncertainty associated with assessing the appropriate provision. If the estimates and assumptions in future periods deviate from the current outlook, our financial results may also be negatively affected.

Changes to IFRS Accounting Standards or interpretations thereof may cause future reported results and financial positions to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. For example, the introduction of the ECL regime under IFRS 9 in 2018 fundamentally changed how credit risk arising from loans, loan commitments, guarantees and certain revocable facilities is accounted for. Under the ECL regime, credit loss expenses may increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairments (stage 3), as well as higher ECL from stages 1 and 2, only gradually diminishing once the economic outlook improves. As we observed in 2020, this effect may be more pronounced in a deteriorating economic environment. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect our CET1 capital and regulatory capital ratios.

We may be unable to maintain our capital strength

Capital strength enables us to grow our businesses and absorb increases in regulatory and capital requirements. Our ability to maintain our capital ratios is subject to numerous risks, including the financial results of our businesses, the effect of changes to capital standards, methodologies and interpretations that may adversely affect the calculation of our capital ratios, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. Our capital and leverage ratios are driven primarily by RWA, LRD and eligible capital, all of which may fluctuate based on a number of factors, some of which are outside of our control. The results of our businesses may be adversely affected by events arising from other risk factors described herein. In some cases, such as litigation and regulatory risk and operational risk events, losses may be sudden and large. These risks could reduce the amount of capital available for return to shareholders and hinder our ability to achieve our capital returns target of a progressive cash dividend coupled with a share repurchase program.

Our eligible capital may be reduced by losses recognized within net profit or other comprehensive income. Eligible capital may also be reduced for other reasons, including acquisitions that change the level of goodwill, changes in temporary differences related to DTAs included in capital, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, changes in regulatory interpretations on the inclusion or exclusion of items contributing to our shareholders' equity in regulatory capital, and changes in the value of certain pension fund assets and liabilities or in the interest rate and other assumptions used to calculate the changes in our net defined benefit obligation recognized in other comprehensive income.

RWA are driven by our business activities, by changes in the risk profile of our exposures, by changes in our foreign currency exposures and foreign exchange rates, and by regulation. For instance, substantial market volatility, a widening of credit spreads, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in an increase in RWA. Changes in the calculation of RWA, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures and other methodology changes, as well as the finalization of the Basel III framework and Fundamental Review of the Trading Book promulgated by the BCBS, which are expected to increase our RWA.

The leverage ratio is a balance sheet-driven measure and therefore limits balance sheet-intensive activities, such as lending, more than activities that are less balance sheet intensive, and it may constrain our business even if we satisfy other risk-based capital requirements. Our LRD is driven by, among other things, the level of client activity, including deposits and loans, foreign exchange rates, interest rates, other market factors and changes in required liquidity. Many of these factors are wholly or partly outside of our control.

The effect of taxes on our financial results is significantly influenced by tax law changes and reassessments of our deferred tax assets and, also, operating losses of certain entities with no associated tax benefit

Our effective tax rate is highly sensitive to our performance, our expectation of future profitability and any potential increases or decreases in statutory tax rates, such as any potential increase or decrease in the US federal corporate tax rate. Furthermore, based on prior years' tax losses and deductible temporary differences, we have recognized DTAs reflecting the probable recoverable level based on future taxable profit as informed by our business plans. If our performance is expected to produce diminished taxable profit in future years, particularly in the US, we may be required to write down all or a portion of the currently recognized DTAs through the income statement in excess of anticipated amortization. This would have the effect of increasing our effective tax rate in the year in which any write-downs are taken. Conversely, if we expect the performance of entities in which we have unrecognized tax losses to improve, particularly in the US or the UK, we could potentially recognize additional DTAs. The effect of doing so would be to reduce our effective tax rate in years in which additional DTAs are recognized and to increase our effective tax rate in future years. Our effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This, in turn, would cause a write-down of the associated DTAs. Conversely, an increase in US corporate tax rates would result in an increase in the Group's DTAs.

We generally revalue our DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account our updated business plans. We consider the performance of our businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of our DTAs, including the remaining tax loss carry-forward period and our assessment of expected future taxable profits over the life of DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict.

Our results in past years have demonstrated that changes in the recognition of DTAs can have a very significant effect on our reported results. Any future change in the manner in which UBS remeasures DTAs could affect UBS's effective tax rate, particularly in the year in which the change is made.

Our full-year effective tax rate would be impacted if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected or if certain branches and subsidiaries incur operating losses that we cannot benefit from through the income statement. In particular, operating losses at entities or branches that cannot offset for tax purposes taxable profits in other Group entities, and which do not result in additional DTA recognition, would increase our effective tax rate. In addition, tax laws or the tax authorities in countries where we have undertaken legal structure changes may cause entities to be subject to taxation as permanent establishments or may prevent the transfer of tax losses incurred in one legal entity to newly organized or reorganized subsidiaries or affiliates or may impose limitations on the utilization of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilize the tax losses in the originating entity, the DTAs associated with such tax losses may be required to be written down through the income statement.

Changes in tax law may materially affect our effective tax rate and, in some cases, may substantially affect the profitability of certain activities. In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws, including assertions that we are required to pay taxes in a jurisdiction as a result of activities connected to that jurisdiction constituting a permanent establishment or similar theory, and changes in our assessment of uncertain tax positions, could cause the amount of taxes we ultimately pay to materially differ from the amount accrued.

We may incur material future tax liabilities in connection with the acquisition of the Credit Suisse Group

In the past, the Credit Suisse Group has recorded significant impairments of the tax value of its participations in subsidiaries below their tax acquisition costs. As a result of the acquisition of the Credit Suisse Group, tax acquisition costs of participations held by Credit Suisse Group AG and its subsidiaries have been transferred to the UBS Group. UBS Group AG and its subsidiaries may become subject to additional Swiss tax on future reversals of such impairments for Swiss tax purposes. Reversals of prior impairments may occur to the extent that the net asset value of the previously impaired subsidiary increases, e.g., as a result of an increase in retained earnings. Although it is difficult to quantify this additional future tax exposure, as various potential mitigants (e.g., transfers of assets and liabilities, business activities, subsidiary investments, as well as other restructuring measures within the combined Group in the course of the integration) exist, it may be material.

Liquidity and funding risk

Liquidity and funding management are critical to UBS's ongoing performance

The viability of our business depends on the availability of funding sources, and our success depends on our ability to obtain funding at times, in amounts, for tenors and at rates that enable us to efficiently support our asset base in all market conditions. Our funding sources have generally been stable, but could change in the future because of, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A substantial part of our liquidity and funding requirements are met using short-term unsecured funding sources, including retail and wholesale deposits and the regular issuance of money market securities. A change in the availability of short-term funding could occur quickly.

The addition of loss-absorbing debt as a component of capital requirements, the regulatory requirements to maintain minimum TLAC at UBS's holding company and at certain of its subsidiaries, as well as the power of resolution authorities to bail in TLAC instruments and other debt obligations, and uncertainty as to how such powers will be exercised, caused and may still cause a further increase in UBS's cost of funding, and could potentially increase the total amount of funding required, in the absence of other changes in its business.

Reductions in our credit ratings may adversely affect the market value of the securities and other obligations and increase our funding costs, in particular with regard to funding from wholesale unsecured sources, and could affect the availability of certain kinds of funding. In addition, as experienced in connection with the Moody's Investors Service Ltd. downgrade of UBS AG's long-term debt rating in June 2012, rating downgrades can require us to post additional collateral or make additional cash payments under trading agreements. Our credit ratings, together with our capital strength and reputation, also contribute to maintaining client and counterparty confidence, and it is possible that rating changes could influence the performance of some of our businesses. The acquisition of the Credit Suisse Group has elevated these risks and may cause these risks to intensify. Upon the close of the acquisition in June 2023, Fitch Ratings Ireland Limited downgraded the Long-Term Issuer Default Ratings (IDRs) of UBS Group AG to "A" from "A+" and of UBS AG to "A+" from "AA-". Fitch Ratings Ltd. also upgraded Credit Suisse AG's Long-Term IDR to "A+" from "BBB+".

The requirement to maintain a liquidity coverage ratio of high-quality liquid assets to estimated stressed short-term net cash outflows, and other similar liquidity and funding requirements, oblige us to maintain high levels of overall liquidity, limit our ability to optimize interest income and expense, make certain lines of business less attractive and reduce our overall ability to generate profits. The liquidity coverage ratio and net stable funding ratio requirements are intended to ensure that we are not overly reliant on short-term funding and that we have sufficient long-term funding for illiquid assets. The relevant calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in market-wide and firm-specific stress situations. In an actual stress situation, however, our funding outflows could exceed the assumed amounts. Further, UBS is subject to increased liquidity requirements related to too-big-to-fail (TBTF) measures under the direction of FINMA, which became effective on 1 January 2024.

Financial and operating performance

Management report

Accounting and financial reporting

Critical accounting estimates and judgments

In preparing our financial statements in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (the IASB), we apply judgment and make estimates and assumptions that may involve significant uncertainty at the time they are made. We regularly reassess those estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, and update them as necessary. Changes in estimates and assumptions may have significant effects on the financial statements. Furthermore, actual results may differ significantly from our estimates, which could result in significant losses to the Group, beyond what we expected or provided for.

Key areas involving a high degree of judgment and areas where estimates and assumptions are significant to the consolidated financial statements include the following (note references below are found in the “Consolidated financial statements” section of this report):

- provisional amounts of identifiable assets acquired and liabilities assumed in connection with the acquisition of the Credit Suisse Group (refer to “Note 2 Accounting for the acquisition of Credit Suisse Group”);
- expected credit loss measurement (refer to “Note 20 Expected credit loss measurement”);
- fair value measurement (refer to “Note 21 Fair value measurement”);
- income taxes (refer to “Note 9 Income taxes”);
- provisions and contingent liabilities (refer to “Note 18 Provisions and contingent liabilities”);
- post-employment benefit plans (refer to “Note 27 Post-employment benefit plans”);
- goodwill (refer to Note 13 Goodwill and intangible assets”); and
- consolidation of structured entities (refer to “Note 29 Interests in subsidiaries and other entities”).

› Refer to “Note 1 Summary of material accounting policies” in the “Consolidated financial statements” section of this report and to the “Risk factors” section of this report for more information

Adjustment made within the IFRS 3 measurement period after publication of the fourth quarter 2023 report

The acquisition of the Credit Suisse Group in the second quarter of 2023 resulted in provisional negative goodwill of USD 28.9bn. Following the publication of the unaudited fourth quarter 2023 report on 6 February 2024, UBS has refined its acquisition-date fair value estimates in accordance with the 12-month measurement period requirements provided by IFRS 3, Business combinations. This has resulted in an adjustment of USD 1.2bn, decreasing the negative goodwill to USD 27.7bn. As a result, 2023 operating profit before tax and 2023 net profit attributable to shareholders decreased by USD 1.2bn, basic earnings per share decreased by USD 0.38 to USD 8.83 and diluted earnings per share decreased by USD 0.36 to USD 8.45. In addition, the CET1 capital ratio decreased to 14.4% from 14.5%.

› Refer to “Note 2 Accounting for the acquisition of the Credit Suisse Group” in the “Consolidated financial statements” section of this report for more information

Non-adjusting post balance sheet event

In March 2024, we have entered into agreements with entities and funds managed by affiliates of Apollo Global Management (collectively, Apollo) and Atlas SP Partners (Atlas) to conclude the investment management agreement under which Atlas has managed Credit Suisse’s retained portfolio of assets of its former securitized products group (SPG). Following this agreement, the assets previously managed by Atlas will be managed in Non-core and Legacy. The parties have also agreed to conclude the transition services agreement under which Credit Suisse has provided services to Atlas. In addition, Credit Suisse AG has entered into an agreement to transfer to Apollo approximately USD 8bn of senior secured asset-based financing. As part of the loan transfer, Credit Suisse AG will extend a one-year USD 750m swingline facility to the borrowers under the transferred financing facilities. In UBS Group, we expect to recognize a net gain in the first quarter of 2024 of around USD 0.3bn and Credit Suisse AG is expected to recognize a net loss of around USD 0.9bn from the conclusion of the investment management agreement and assignment of the loan facilities. The differences reflect adjustments UBS Group made under IFRS as part of the purchase price allocation at the closing of the acquisition of Credit Suisse Group, as well as provisions in the second and third quarter of 2023 that are not recognized under Credit Suisse AG’s US GAAP accounting policies.

Group performance

Income statement

| USD m | For the year ended | | | % change from |
|---|--------------------|---------------|---------------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.21 | 31.12.22 |
| Net interest income | 7,297 | 6,621 | 6,705 | 10 |
| Other net income from financial instruments measured at fair value through profit or loss | 11,583 | 7,517 | 5,850 | 54 |
| Net fee and commission income | 21,570 | 18,966 | 22,387 | 14 |
| Other income | 384 | 1,459 | 452 | (74) |
| Total revenues | 40,834 | 34,563 | 35,393 | 18 |
| Negative goodwill | 27,748 | | | |
| Credit loss expense / (release) | 1,037 | 29 | (148) | |
| Personnel expenses | 24,899 | 17,680 | 18,387 | 41 |
| General and administrative expenses | 10,156 | 5,189 | 5,553 | 96 |
| Depreciation, amortization and impairment of non-financial assets | 3,750 | 2,061 | 2,118 | 82 |
| Operating expenses | 38,806 | 24,930 | 26,058 | 56 |
| Operating profit / (loss) before tax | 28,739 | 9,604 | 9,484 | 199 |
| Tax expense / (benefit) | 873 | 1,942 | 1,998 | (55) |
| Net profit / (loss) | 27,866 | 7,661 | 7,486 | 264 |
| Net profit / (loss) attributable to non-controlling interests | 16 | 32 | 29 | (49) |
| Net profit / (loss) attributable to shareholders | 27,849 | 7,630 | 7,457 | 265 |
| Comprehensive income | | | | |
| Total comprehensive income | 28,857 | 3,167 | 5,119 | 811 |
| Total comprehensive income attributable to non-controlling interests | 22 | 18 | 13 | 19 |
| Total comprehensive income attributable to shareholders | 28,836 | 3,149 | 5,106 | 816 |

Selected financial information of our business divisions and Group Items

| USD m | For the year ended 31.12.23 | | | | | | | Total |
|---|-----------------------------|------------------------------|------------------|-----------------|----------------------------------|--------------------------|-------------------|---------------|
| | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | Negative goodwill | |
| Total revenues as reported | 21,190 | 8,436 | 2,639 | 8,661 | 741 | (833) | | 40,834 |
| <i>of which: accretion of PPA adjustments on financial instruments and other effects</i> | 719 | 1,013 | | 583 | | (35) | | 2,280 |
| <i>of which: losses related to investment in SIX Group</i> | (190) | (317) | | | | | | (508) |
| Total revenues (underlying) | 20,661 | 7,741 | 2,639 | 8,078 | 741 | (798) | | 39,062 |
| Negative goodwill | | | | | | | 27,748 | 27,748 |
| Credit loss expense / (release) | 147 | 501 | 0 | 190 | 193 | 6 | | 1,037 |
| Operating expenses as reported | 17,454 | 4,787 | 2,321 | 8,515 | 5,290 | 440 | | 38,806 |
| <i>of which: integration-related expenses</i> | 988 | 383 | 205 | 692 | 1,772 | 438 | | 4,478 |
| <i>of which: acquisition-related costs</i> | | | | | | 202 | | 202 |
| <i>of which: amortization from newly recognized intangibles resulting from the acquisition of the Credit Suisse Group</i> | | 65 | | | | | | 65 |
| Operating expenses (underlying) | 16,466 | 4,338 | 2,116 | 7,823 | 3,518 | (200) | | 34,061 |
| Operating profit / (loss) before tax as reported | 3,589 | 3,148 | 318 | (44) | (4,741) | (1,279) | 27,748 | 28,739 |
| Operating profit / (loss) before tax (underlying) | 4,048 | 2,902 | 522 | 64 | (2,969) | (603) | | 3,963 |

| USD m | For the year ended 31.12.22 | | | | | | | Total |
|--|-----------------------------|------------------------------|------------------|-----------------|----------------------------------|--------------------------|-------------------|--------------|
| | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | Negative goodwill | |
| Total revenues as reported | 18,967 | 4,302 | 2,961 | 8,717 | 237 | (622) | | 34,563 |
| <i>of which: net gain from disposals</i> | | | 848 | | | | | 848 |
| <i>of which: gains from sales of subsidiary and business</i> | 219 | | | | | | | 219 |
| <i>of which: losses in the first quarter of 2022 from transactions with Russian counterparties</i> | | | | (93) | | | | (93) |
| <i>of which: litigation settlement</i> | | | | | 62 | | | 62 |
| <i>of which: gain from sales of real estate</i> | | | | | | 68 | | 68 |
| Total revenues (underlying) | 18,748 | 4,302 | 2,114 | 8,810 | 175 | (690) | | 33,459 |
| Credit loss expense / (release) | 0 | 39 | 0 | (12) | 2 | 1 | | 29 |
| Operating expenses as reported | 13,989 | 2,452 | 1,564 | 6,832 | 104 | (12) | | 24,930 |
| Operating profit / (loss) before tax as reported | 4,977 | 1,812 | 1,397 | 1,897 | 131 | (611) | | 9,604 |
| Operating profit / (loss) before tax (underlying) | 4,758 | 1,812 | 550 | 1,990 | 69 | (679) | | 8,500 |

¹ During 2023, Non-core and Legacy became a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been restated to reflect these changes.

Integration-related expenses by business division and Group Items

| USD m | For the year ended |
|--|--------------------|
| | 31.12.23 |
| Global Wealth Management | 988 |
| Personal & Corporate Banking | 383 |
| Asset Management | 205 |
| Investment Bank | 692 |
| Non-core and Legacy ¹ | 1,772 |
| Group Items ¹ | 438 |
| Total net integration-related expenses | 4,478 |
| <i>of which: personnel expenses</i> | <i>2,192</i> |
| <i>of which: general and administrative expenses</i> | <i>1,436</i> |
| <i>of which: depreciation, amortization and impairment of non-financial assets</i> | <i>850</i> |

¹ During 2023, Non-core and Legacy (previously reported within Group Functions) became a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been restated to reflect these changes.

2023 compared with 2022

The acquisition of the Credit Suisse Group had a significant impact on the results for 2023, including the recognition of negative goodwill, impacts from accretion of purchase price allocation (PPA) adjustments on financial instruments, and integration-related costs. As the integration of the UBS and Credit Suisse businesses continues, from the third quarter of 2023 onward, a new business division, Non-core and Legacy, became a reportable segment containing assets and liabilities that have been assessed as not strategic in light of the acquisition.

› Refer to “**Note 2 Accounting for the acquisition of the Credit Suisse Group**” in the “**Consolidated financial statements**” section of this report for more information

Underlying results

In addition to reporting our results in accordance with IFRS Accounting Standards, we report underlying results that exclude items of profit or loss that management believes are not representative of the underlying performance.

In 2023, underlying revenues exclude accretion of PPA adjustments on financial instruments measured at amortized cost, including off-balance sheet positions and other related effects, arising from the acquisition of the Credit Suisse Group. Accretion of PPA adjustments on financial instruments is accelerated when the related financial instrument is terminated or disposed of before its contractual maturity. No adjustment is made for accretion of PPA adjustments on financial instruments within the Non-core and Legacy due to the nature of the business model. Underlying revenues also exclude losses relating to our investment in SIX Group.

Underlying expenses exclude integration-related expenses that are temporary, incremental and directly related to the integration of Credit Suisse into UBS, including costs of internal staff and contractors substantially dedicated to integration activities, retention awards, redundancy costs, incremental expenses from the shortening of useful lives of property, equipment and software, and impairment charges relating to these assets. Classification as integration-related expenses does not affect the timing of recognition and measurement of those expenses or the presentation thereof in the income statement. Integration-related expenses incurred by Credit Suisse also included expenses associated with restructuring programs that existed prior to the acquisition.

Acquisition-related costs consist of costs directly attributable to the acquisition of the Credit Suisse Group and mainly include consulting and legal fees.

Results

In 2023, reported net profit attributable to shareholders increased by USD 20,219m to USD 27,849m, which included negative goodwill of USD 27,748m relating to the acquisition of the Credit Suisse Group and a net tax expense of USD 873m.

Operating profit before tax increased by USD 19,135m to USD 28,739m, primarily reflecting negative goodwill and an increase in total revenues, partly offset by higher operating expenses and net credit loss expenses. Operating expenses increased by USD 13,876m, or 56%, to USD 38,806m, largely due to the consolidation of Credit Suisse expenses of USD 10,598m, and included integration-related expenses of USD 4,478m. This increase was mainly driven by a USD 7,219m increase in personnel expenses and a USD 4,967m increase in general and administrative expenses. Depreciation, amortization and impairment of non-financial assets increased by USD 1,689m. Net credit loss expenses were USD 1,037m, compared with USD 29m in 2022. Total revenues increased by USD 6,271m, or 18%, to USD 40,834m, driven by the consolidation of Credit Suisse revenues of USD 7,566m, and included USD 2,280m of accretion resulting from PPA adjustments on financial instruments and other effects. Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increased by USD 4,743m and net fee and commission income increased by USD 2,604m. These increases were partly offset by a USD 1,075m decrease in other income, largely attributable to the prior year including a gain of USD 848m in Asset Management on the sale of our shareholding in our Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc.

Underlying results 2023 vs 2022

For 2023, underlying results exclude negative goodwill of USD 27,748m, USD 2,280m of accretion impacts resulting from PPA adjustments on financial instruments and other effects, as well as losses of USD 508m from our investment in SIX Group. We have also excluded from operating expenses integration-related expenses of USD 4,478m, acquisition-related costs of USD 202m and USD 65m of amortization from newly recognized intangibles resulting from the acquisition of the Credit Suisse Group.

On an underlying basis, profit before tax decreased by USD 4,537m, or 53%, to USD 3,963m, reflecting a USD 9,131m increase in underlying operating expenses and an increase in net credit loss expenses of USD 1,008m, partly offset by a USD 5,603m increase in underlying total revenues.

Total revenues

Net interest income and other net income from financial instruments measured at fair value through profit or loss

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increased by USD 4,743m to USD 18,880m, mainly driven by the consolidation of USD 4,302m of Credit Suisse revenues, and included USD 1,533m of accretion of PPA adjustments on financial instruments and other effects.

Personal & Corporate Banking increased by USD 3,381m to USD 6,066m, largely attributable to the consolidation of USD 2,451m of Credit Suisse revenues, and included USD 917m of accretion of PPA adjustments on financial instruments and other effects. The remaining increase was mainly driven by higher deposit margins, which resulted from higher interest rates, and higher loan revenues, partly offset by lower deposit fees. 2022 included a benefit from the Swiss National Bank deposit exemption. Excluding accretion effects, underlying net interest income was USD 4,387m.

Global Wealth Management increased by USD 1,969m to USD 8,324m, largely attributable to the consolidation of USD 1,718m of Credit Suisse revenues, and included USD 671m of accretion of PPA adjustments on financial instruments and other effects. The remaining increase was mainly driven by higher deposit margins, resulting from higher interest rates, partly offset by the effects of shifts to lower-margin deposit products. Excluding accretion effects, underlying net interest income was USD 6,294m.

Non-core and Legacy increased by USD 273m to USD 391m, mainly due to the transfer of assets and liabilities into Non-core and Legacy following the acquisition of the Credit Suisse Group. Revenues included net gains from position marks and unwinds, along with net carry from securitized products and credit products.

Investment Bank decreased by USD 734m to USD 5,035m, despite the consolidation of USD 34m of Credit Suisse revenues. The decrease was mainly attributable to lower revenues in the Derivatives & Solutions business, mostly driven by Equity Derivatives, Rates and Foreign Exchange, due to lower levels of both volatility and client activity. This was partly offset by an increase in Financing, reflecting higher client balances.

- › Refer to "Note 4 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information

Net interest income and other net income from financial instruments measured at fair value through profit or loss

| USD m | For the year ended | | | % change from 31.12.22 |
|---|--------------------|---------------|---------------|---------------------------|
| | 31.12.23 | 31.12.22 | 31.12.21 | |
| Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3,527 | 5,218 | 5,274 | (32) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 3,770 | 1,403 | 1,431 | 169 |
| Other net income from financial instruments measured at fair value through profit or loss | 11,583 | 7,517 | 5,850 | 54 |
| Total | 18,880 | 14,137 | 12,555 | 34 |
| Global Wealth Management | 8,324 | 6,355 | 5,341 | 31 |
| of which: net interest income | 6,965 | 5,273 | 4,244 | 32 |
| of which: transaction-based income from foreign exchange and other intermediary activity ¹ | 1,359 | 1,082 | 1,097 | 26 |
| Personal & Corporate Banking | 6,066 | 2,685 | 2,557 | 126 |
| of which: net interest income | 5,304 | 2,191 | 2,120 | 142 |
| of which: transaction-based income from foreign exchange and other intermediary activity ¹ | 762 | 494 | 437 | 54 |
| Asset Management | (2) | (23) | (13) | (92) |
| Investment Bank ² | 5,035 | 5,769 | 5,067 | (13) |
| Non-core and Legacy | 391 | 118 | 7 | 232 |
| Group Items | (935) | (767) | (404) | 22 |

¹ Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line Other net income from financial instruments measured at fair value through profit or loss. The amounts reported on this line are one component of Transaction-based income in the management discussion and analysis of Global Wealth Management and Personal & Corporate Banking in the "Global Wealth Management" and "Personal & Corporate Banking" sections of this report, respectively. ² Investment Bank information is provided at the business line level rather than by financial statement reporting line in order to reflect the underlying business activities, which is consistent with the structure of the management discussion and analysis in the "Investment Bank" section of this report.

Net fee and commission income

Net fee and commission income increased by USD 2,604m to USD 21,570m and included USD 747m of accretion of PPA adjustments on financial instruments, which was included in other fee and commission income, mainly in the Investment Bank.

Fees for portfolio management and related services increased by USD 1,614m to USD 10,673m, largely due to the consolidation of USD 1,583m of Credit Suisse revenues.

Excluding the consolidation of Credit Suisse revenues, investment fund fees decreased by USD 212m, driven by Global Wealth Management and Asset Management, mainly reflecting negative market performance.

Excluding the consolidation of Credit Suisse revenues, net brokerage fees decreased by USD 204m, driven by lower levels of client activity in Global Wealth Management and lower market volumes of cash equities in Execution Services in the Investment Bank.

- › Refer to "Note 5 Net fee and commission income" in the "Consolidated financial statements" section of this report for more information

Other income

Other income decreased by USD 1,075m to USD 384m, largely due to a USD 380m decrease in share of net profits from associates and joint ventures, which included USD 508m losses relating to our investment in SIX Group, partly offset by higher recognition of recurring share of net profits. These losses reflected UBS's share of impairments taken by SIX Group on its investment in Worldline and on goodwill related to its Bolsas y Mercados Españoles (BME) subsidiary. This was partly offset by USD 174m of mortgage servicing rights fees, attributable to the consolidation of Credit Suisse revenues, as well as a USD 62m increase in gains recognized on repurchases of UBS's own debt instruments. In contrast, in 2022, other income included gains from disposals of associates and subsidiaries, including a gain of USD 848m in Asset Management on the sale of our shareholding in our Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc., gains in Global Wealth Management of USD 133m on the sale of our domestic wealth management business in Spain, USD 86m on the sale of UBS Swiss Financial Advisers AG and USD 41m on the sale of our US alternative investments administration business.

- › Refer to "Note 6 Other income" in the "Consolidated financial statements" section of this report for more information
- › Refer to "Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses" in the "Consolidated financial statements" section of this report for more information about the gains from disposals of associates and subsidiaries

Credit loss expense / release

Total net credit loss expenses were USD 1,037m in 2023, reflecting net credit loss expenses of USD 593m related to stage 1 and 2 positions and net credit loss expenses of USD 445m related to credit-impaired (stage 3 and purchased credit-impaired) positions. Expected credit loss (ECL) expenses of USD 593m for the performing loans were predominantly attributable to the initial recognition of ECL allowances and provisions after the date of the acquisition of the Credit Suisse Group. Credit-impaired net expenses amounted to USD 445m, of which USD 325m was within the Credit Suisse portfolio and USD 120m was within the UBS portfolio. As per IFRS 9, no ECL allowances and provisions had to be recognized on the acquisition date for credit-impaired exposures, after the fair valuation as per the PPA.

- › Refer to "Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about credit loss expenses / releases
- › Refer to the "Risk factors" section of this report for more information

Credit loss expense / (release)

| USD m | Performing positions | | Credit-impaired positions | | Total |
|------------------------------------|----------------------|-------------|---------------------------|--|--------------|
| | Stages 1 and 2 | Stage 3 | Purchased | | |
| For the year ended 31.12.23 | | | | | |
| Global Wealth Management | 108 | 27 | 13 | | 147 |
| Personal & Corporate Banking | 290 | 183 | 27 | | 501 |
| Asset Management | 1 | (1) | 0 | | 0 |
| Investment Bank | 110 | 78 | 2 | | 190 |
| Non-core and Legacy | 78 | 91 | 25 | | 193 |
| Group Items ¹ | 5 | 0 | 0 | | 6 |
| Total | 593 | 378 | 67 | | 1,037 |
| For the year ended 31.12.22 | | | | | |
| Global Wealth Management | (5) | 5 | | | 0 |
| Personal & Corporate Banking | 27 | 12 | | | 39 |
| Asset Management | 0 | 0 | | | 0 |
| Investment Bank | 6 | (18) | | | (12) |
| Non-core and Legacy | 0 | 2 | | | 2 |
| Group Items ¹ | 1 | 0 | | | 1 |
| Total | 29 | 0 | | | 29 |
| For the year ended 31.12.21 | | | | | |
| Global Wealth Management | (28) | (1) | | | (29) |
| Personal & Corporate Banking | (62) | (24) | | | (86) |
| Asset Management | 0 | 1 | | | 1 |
| Investment Bank | (34) | 0 | | | (34) |
| Non-core and Legacy | 0 | 0 | | | 0 |
| Group Items ¹ | 0 | 0 | | | 0 |
| Total | (123) | (25) | | | (148) |

¹ Starting with the third quarter of 2023, Non-core and Legacy became a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been restated to reflect these changes.

Operating expenses

Personnel expenses

Personnel expenses increased by USD 7,219m to USD 24,899m, mainly due to the consolidation of Credit Suisse expenses of USD 6,330m, and included integration-related expenses of USD 2,192m covering post-employment benefit plans, awards granted to employees to support retention and operational stability, severance expenses, and the alignment of Credit Suisse processes to the UBS variable compensation framework. Salaries and variable compensation increased by USD 5,843m due to the aforementioned effects and also salary adjustments, higher variable compensation, and foreign currency effects. Social security costs also increased by USD 529m. Pension and other post-employment benefit plans increased by USD 567m as a result of the aforementioned factors and included an increase in the pension plan obligation of the Swiss pension plan of Credit Suisse following the decision to align that Swiss pension plan to UBS's Swiss pension plan, which resulted in a pre-tax loss of USD 245m (CHF 207m) in the fourth quarter of 2023 and an offsetting gain in other comprehensive income due to the asset ceiling.

- › Refer to the "Compensation" section of this report for more information
- › Refer to "Note 7 Personnel expenses," "Note 27 Post-employment benefit plans" and "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of this report for more information

General and administrative expenses

General and administrative expenses increased by USD 4,967m to USD 10,156m, largely due to the consolidation of Credit Suisse expenses of USD 3,000m, and included total integration-related expenses of USD 1,436m, mainly from higher consulting and real estate costs, as well as acquisition-related costs of USD 202m, also mainly related to consulting fees. Excluding the aforementioned effects, general and administrative expenses increased by USD 1,050m, mainly due to a USD 665m increase in provisions related to the US residential mortgage-backed securities litigation matter, as well as an increase in technology costs of USD 190m.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future, and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

- › Refer to "Note 8 General and administrative expenses" and "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information

Depreciation, amortization and impairment of non-financial assets

Depreciation, amortization and impairment of non-financial assets increased by USD 1,689m to USD 3,750m, largely due to the consolidation of Credit Suisse expenses of USD 1,268m, and included total integration-related expenses of USD 850m, mainly attributable to impairment and accelerated depreciation of right-of-use assets associated with real estate leases, as well as a USD 206m impairment of software projects in progress resulting from a reprioritization of software development activity in the context of the acquisition. Excluding the aforementioned effects, depreciation, amortization and impairment of non-financial assets increased by USD 146m, mainly due to higher depreciation of internally developed software, reflecting a higher level of capitalized costs.

Operating expenses

| USD m | For the year ended | | | % change from 31.12.22 |
|---|--------------------|---------------|---------------|---------------------------|
| | 31.12.23 | 31.12.22 | 31.12.21 | |
| Personnel expenses | 24,899 | 17,680 | 18,387 | 41 |
| of which: salaries | 10,997 | 7,045 | 7,339 | 56 |
| of which: variable compensation | 9,845 | 7,954 | 8,280 | 24 |
| of which: performance awards | 3,986 | 3,205 | 3,190 | 24 |
| of which: financial advisors ¹ | 4,549 | 4,508 | 4,860 | 1 |
| of which: other | 1,310 | 241 | 229 | 444 |
| of which: other personnel expenses ² | 4,058 | 2,681 | 2,768 | 51 |
| General and administrative expenses | 10,156 | 5,189 | 5,553 | 96 |
| of which: net expenses for litigation, regulatory and similar matters | 809 | 348 | 911 | 133 |
| of which: other general and administrative expenses | 9,347 | 4,841 | 4,642 | 93 |
| Depreciation, amortization and impairment of non-financial assets | 3,750 | 2,061 | 2,118 | 82 |
| Total operating expenses | 38,806 | 24,930 | 26,058 | 56 |

¹ Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Consists of expenses related to contractors, social security, post-employment benefit plans, and other personnel expenses. Refer to "Note 7 Personnel expenses" in the "Consolidated financial statements" section of this report for more information.

Tax

Income tax expenses of USD 873m were recognized for the Group in 2023, representing an effective tax rate of 3.0%, compared with USD 1,942m for 2022, which represented an effective tax rate of 20.2%. The income tax expenses for 2023 included Swiss tax expenses of USD 1,035m and a non-Swiss net tax benefit of USD 162m.

The Swiss tax expenses included current tax expenses of USD 883m in respect of taxable profits of UBS Switzerland AG and other Swiss entities and deferred tax expenses of USD 152m that primarily related to the amortization of deferred tax assets (DTAs), as deductions related to temporary differences were made against profits.

The non-Swiss net tax benefit included current tax expenses of USD 684m that related to expenses of USD 100m in respect of US corporate alternative minimum tax (CAMT) and USD 584m in respect of other taxable profits of non-Swiss subsidiaries and branches. However, these were more than offset by a net deferred tax benefit of USD 846m that primarily related to a benefit of USD 754m in respect of remeasurements of DTAs, which included USD 480m in respect of net upward revaluations of DTAs for certain entities in connection with the Group's business planning process and USD 274m in respect of an increase in DTAs that resulted from an increase in the expected value of future tax deductions for deferred compensation awards due to an increase in the Group's share price during the year. In addition, the net deferred tax benefit included a benefit of USD 100m in respect of the recognition of DTAs for tax credits carried forward in respect of CAMT, which was partly offset by a net deferred tax expense of USD 8m.

The low effective tax rate for the year of 3.0% primarily reflects that the negative goodwill gain that was recorded in the income statement did not result in any tax expense, as well as the aforementioned tax benefit of USD 754m in respect of the remeasurement of DTAs. However, these benefits were partly offset by the impact of operating losses that were incurred by certain entities, reflecting integration-related expenses and restructuring costs, that did not result in any tax benefits because they cannot be offset with profits of other group entities and they did not result in any DTA recognition. If further such operating losses are incurred in 2024, the Group's tax expense for the year may be significantly higher than the Group's structural rate of 23% but, the Group's effective tax rate is expected to decrease towards the structural rate in subsequent years, as such losses decrease.

- › Refer to "Note 9 Income taxes" in the "Consolidated financial statements" section of this report for more information
- › Refer to the "Risk factors" section of this report for more information

Total comprehensive income attributable to shareholders

In 2023, total comprehensive income attributable to shareholders was USD 28,836m, reflecting net profit of USD 27,849m, which included the recognition of negative goodwill on the acquisition of the Credit Suisse Group of USD 27,748m, and other comprehensive income (OCI), net of tax, of USD 986m.

Foreign currency translation OCI was USD 1,456m, mainly due to the significant strengthening of the Swiss franc (10%) and the euro (3%) against the US dollar.

OCI related to cash flow hedges was USD 1,275m, mainly reflecting net losses on hedging instruments that were reclassified from OCI to the income statement.

Defined benefit plan OCI, net of tax, was positive USD 40m. Total net pre-tax OCI related to the Credit Suisse Swiss pension plan was positive USD 217m. This reflected losses of USD 1,161m from the defined benefit obligation (DBO) remeasurement, more than offset by an increase in the plan assets of USD 443m and a decrease in the effect of the asset ceiling under IFRS Accounting Standards of USD 935m. These changes include an increase in the pension plan obligation of the Swiss pension plan of Credit Suisse following the decision to align the Swiss pension scheme to that of UBS, which resulted in a pre-tax loss of USD 245m (CHF 207m) in the fourth quarter of 2023 and an offsetting gain in OCI due to the asset ceiling. Total pre-tax OCI related to the UBS Swiss pension plan was negative USD 93m, reflecting losses of USD 3,285m from the DBO remeasurement, almost entirely offset by an increase in the plan assets of USD 791m and a decrease in the effect of the asset ceiling under IFRS Accounting Standards of USD 2,401m. The DBO remeasurement loss of USD 3,285m was mainly driven by a loss of USD 2,358m due to a decrease in the applicable discount rate and an experience loss of USD 1,140m, reflecting the effects of differences between the previous actuarial assumptions and what actually occurred. These losses were partly offset by gains of USD 366m resulting from a decrease in the expected rate of interest credit on retirement savings.

Total pre-tax OCI related to our non-Swiss pension plans was negative USD 15m, mostly driven by the UK and German pension plans, which recorded negative net pre-tax OCI of USD 41m and USD 16m, respectively, partly offset by the US pension plans, which had a positive OCI of USD 45m, and the remaining pension plans.

OCI related to own credit on financial liabilities designated at fair value was negative USD 1,769m, primarily due to a tightening of our own credit spreads.

- › Refer to "Statement of comprehensive income" in the "Consolidated financial statements" section of this report for more information
- › Refer to "Note 21 Fair value measurement" in the "Consolidated financial statements" section of this report for more information about own credit on financial liabilities designated at fair value
- › Refer to "Note 26 Hedge accounting" in the "Consolidated financial statements" section of this report for more information about cash flow hedges of forecast transactions
- › Refer to "Note 27 Post-employment benefit plans" in the "Consolidated financial statements" section of this report for more information about OCI related to defined benefit plans

Sensitivity to interest rate movements

As of 31 December 2023, we estimated that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income from our banking book of approximately USD 1.8bn in the first year after such a shift. Of this increase, approximately USD 1.1bn, USD 0.4bn and USD 0.1bn would result from changes in Swiss franc, US dollar and euro interest rates, respectively. A parallel shift in yield curves by –100 basis points could lead to a combined decrease in annual net interest income of approximately USD 1.9bn in the first year after such a shift, showing similar currency contributions as for the aforementioned increase in rates.

These estimates are based on a hypothetical scenario of an immediate change in interest rates, equal across all currencies and relative to implied forward rates as of 31 December 2023 applied to our banking book. These estimates further assume no change to balance sheet size and product mix, stable foreign exchange rates, and no specific management action. These estimates do not represent a forecast of net interest income variability.

Seasonal characteristics

Our revenues may show seasonal patterns, notably in the Investment Bank and transaction-based revenues for Global Wealth Management, and typically reflect the highest client activity levels in the first quarter, with lower levels throughout the rest of the year, especially during the summer months and the end-of-year holiday season.

Key figures

Below we provide an overview of selected key figures of the Group. For further information about key figures related to capital management, refer to the “Capital, liquidity and funding, and balance sheet” section of this report.

Cost / income ratio

The cost / income ratio was 95.0%, compared with 72.1%, mainly reflecting an increase in operating expenses, partly offset by an increase in total revenues. The operating loss incurred by Credit Suisse entities is reflected in the overall increase of the ratio for the UBS Group. On an underlying basis, the cost / income ratio was 87.2%, compared with 74.5%, mainly reflecting an increase in operating expenses on an underlying basis, partly offset by an increase in total revenues on an underlying basis.

Return on common equity tier 1 capital

The annualized return on our common equity tier 1 (CET1) capital was 42.3%, compared with 17.0%, reflecting a USD 20,219m increase in net profit attributable to shareholders, with a partly offsetting effect driven by a USD 20.9bn increase in average CET1 capital. On an underlying basis, the return on CET1 capital was 4.2%, compared with 14.6%.

CET1 capital

CET1 capital increased by USD 33.0bn to USD 78.5bn as of 31 December 2023, predominantly due to an operating profit before tax (excluding negative goodwill) of USD 1.0bn, the acquisition of the Credit Suisse Group, which resulted in an increase of USD 34.9bn as of the acquisition date (including transitional CET1 PPA adjustments of USD 5.0bn, net of tax), an increase in eligible DTAs on temporary differences of USD 1.9bn and positive effects from foreign currency translation of USD 1.5bn, partly offset by dividend accruals of USD 2.2bn, current tax expenses of USD 1.6bn, share repurchases of USD 1.3bn under our share repurchase programs, amortization of transitional CET1 PPA adjustments (interest rate and own credit) of USD 0.7bn (net of tax), and an increase in compensation- and own share-related capital components of USD 0.3bn.

Risk-weighted assets

Risk-weighted assets (RWA) increased by USD 226.9bn to USD 546.5bn, primarily due to a USD 237.7bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, RWA decreased by USD 10.8bn, primarily driven by decreases of USD 19.0bn due to asset size and other movements and USD 3.7bn due to model updates and methodology changes, partly offset by an increase of USD 11.8bn due to currency effects.

CET1 capital ratio

Our CET1 capital ratio increased to 14.4% from 14.2%, reflecting the aforementioned increase in CET1 capital, partly offset by a USD 226.9bn increase in RWA.

Leverage ratio denominator

During 2023, the leverage ratio denominator (LRD) increased by USD 666.9bn to USD 1,695.4bn, primarily due to a USD 644.4bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, the LRD increased by USD 53.8bn due to currency effects, partly offset by USD 31.3bn due to asset size and other movements.

CET1 leverage ratio

Our CET1 leverage ratio increased to 4.6% from 4.4%, due to the aforementioned increase in CET1 capital, partly offset by the USD 666.9bn increase in the LRD.

Personnel

The number of personnel employed was 138,462 (workforce count) as of 31 December 2023, a net increase of 50,246 compared with 31 December 2022, predominantly due to the onboarding of Credit Suisse staff to the UBS Group. The number of internal personnel employed as of 31 December 2023 was 112,842 (full-time equivalents), a net increase of 40,245 compared with 31 December 2022, and included 39,032 (full-time equivalents) employed by the Credit Suisse sub-group. The number of external staff was approximately 25,619 (workforce count), a net increase of 10,001 compared with 31 December 2022.

Equity, CET1 capital and returns

| USD m, except where indicated | As of or for the year ended | | |
|--|-----------------------------|----------|----------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Net profit | | | |
| Net profit attributable to shareholders | 27,849 | 7,630 | 7,457 |
| Equity | | | |
| Equity attributable to shareholders | 86,108 | 56,876 | 60,662 |
| Less: goodwill and intangible assets | 7,515 | 6,267 | 6,378 |
| Tangible equity attributable to shareholders | 78,593 | 50,609 | 54,283 |
| Less: other CET1 deductions | 107 | 5,152 | 9,003 |
| CET1 capital | 78,485 | 45,457 | 45,281 |
| Return on equity | | | |
| Return on equity (%) | 37.4 | 13.3 | 12.6 |
| Return on tangible equity (%) | 41.3 | 14.9 | 14.1 |
| Underlying return on tangible equity (%) | 4.1 | 12.8 | |
| Return on CET1 capital (%) | 42.3 | 17.0 | 17.5 |
| Underlying return on CET1 capital (%) | 4.2 | 14.6 | |

Global Wealth Management

Global Wealth Management

| | As of or for the year ended | | % change from |
|---|-----------------------------|-----------------------|---------------|
| <i>USD m, except where indicated</i> | 31.12.23 | 31.12.22 ¹ | 31.12.22 |
| Results | | | |
| Net interest income | 6,965 | 5,273 | 32 |
| Recurring net fee income ² | 10,793 | 10,282 | 5 |
| Transaction-based income ² | 3,569 | 3,137 | 14 |
| Other income | (137) | 275 | |
| Total revenues | 21,190 | 18,967 | 12 |
| Credit loss expense / (release) | 147 | 0 | |
| Operating expenses | 17,454 | 13,989 | 25 |
| Business division operating profit / (loss) before tax | 3,589 | 4,977 | (28) |
| Underlying results | | | |
| Total revenues as reported | 21,190 | 18,967 | 12 |
| <i>of which: gains from sales of subsidiary and business</i> | | 219 | |
| <i>of which: accretion of PPA adjustments on financial instruments and other effects</i> | 719 | | |
| <i>of which: losses related to investment in SIX Group</i> | (190) | | |
| Total revenues (underlying)² | 20,661 | 18,748 | 10 |
| Credit loss expense / (release) | 147 | 0 | |
| Operating expenses as reported | 17,454 | 13,989 | 25 |
| <i>of which: integration-related expenses²</i> | 988 | | |
| Operating expenses (underlying)² | 16,466 | 13,989 | 18 |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | 122 | 244 | (50) |
| Business division operating profit / (loss) before tax as reported | 3,589 | 4,977 | (28) |
| Business division operating profit / (loss) before tax (underlying)² | 4,048 | 4,758 | (15) |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | (27.9) | 4.1 | |
| Cost / income ratio (%) ² | 82.4 | 73.8 | |
| Average attributed equity (USD bn) | 22.8 | 20.0 | 14 |
| Return on attributed equity (%) ² | 15.8 | 24.9 | |
| Financial advisor compensation ³ | 4,548 | 4,508 | 1 |
| Net new fee-generating assets (USD bn) ² | n.m. | 60.1 | |
| Fee-generating assets (USD bn) ² | 1,619 | 1,271 | 27 |
| Net new assets (USD bn) ² | 131.7 | 89.2 | |
| Net new money (USD bn) ² | 65.0 | 40.5 | |
| Invested assets (USD bn) ² | 3,850 | 2,815 | 37 |
| Loans, gross (USD bn) ⁴ | 284.3 | 225.0 | 26 |
| Customer deposits (USD bn) ⁴ | 466.9 | 348.2 | 34 |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{2,5} | 0.4 | 0.3 | |
| Advisors (full-time equivalents) | 10,027 | 9,215 | 9 |
| Underlying performance measures | | | |
| Pre-tax profit growth (year-on-year, %) ² | (14.9) | 1.6 | |
| Cost / income ratio (%) ² | 79.7 | 74.6 | |

¹ Information reflects Global Wealth Management as reported on in the Annual Report 2022. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. We started to report fee-generating assets and net new fee-generating assets on a consolidated basis, including Credit Suisse data, from the fourth quarter of 2023 onward. ³ Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Recruitment loans to financial advisors were USD 1,754m as of 31 December 2023. ⁴ Loans and Customer deposits in this table include customer brokerage receivables and payables, respectively, which are presented in a separate reporting line on the balance sheet. ⁵ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures. Excludes loans to financial advisors.

2023 compared with 2022

Results

Profit before tax decreased by USD 1,388m, or 28%, to USD 3,589m, mainly due to higher operating expenses, largely driven by the acquisition of the Credit Suisse Group, partly offset by higher total revenues. The prior year included a USD 133m gain from the sale of our domestic wealth management business in Spain, an USD 86m gain from the sale of UBS Swiss Financial Advisers AG and a USD 41m gain from the sale of our US alternative investments administration business. Underlying profit before tax was USD 4,048m, after excluding USD 719m of accretion of purchase price allocation (PPA) adjustments on financial instruments and other effects, losses of USD 190m related to our investment in SIX Group and integration-related expenses of USD 988m.

Total revenues

Total revenues increased by USD 2,223m, or 12%, to USD 21,190m, largely driven by the consolidation of Credit Suisse revenues, and included the aforementioned USD 719m of accretion of PPA adjustments on financial instruments and other effects. The increase was partly offset by the aforementioned losses of USD 190m, as well as the aforementioned gains from the sales in 2022. Excluding accretion effects and the aforementioned losses, underlying total revenues were USD 20,661m.

Net interest income increased by USD 1,692m, or 32%, to USD 6,965m, largely attributable to the consolidation of Credit Suisse net interest income, and included USD 672m of accretion of PPA adjustments on financial instruments and other effects, with the remaining increase mainly driven by higher deposit margins, resulting from higher interest rates, partly offset by the effects of shifts to lower-margin deposit products. Excluding accretion effects, underlying net interest income was USD 6,293m.

Recurring net fee income increased by USD 511m, or 5%, to USD 10,793m, mainly driven by the consolidation of Credit Suisse recurring net fee income, partly offset by negative market performance.

Transaction-based income increased by USD 432m, or 14%, to USD 3,569m, mainly driven by the consolidation of Credit Suisse transaction-based income, and included USD 47m of accretion of PPA adjustments on financial instruments and other effects, partly offset by lower levels of client activity, particularly in Americas and Asia Pacific. Excluding accretion effects, underlying transaction-based income was USD 3,522m.

Other income was negative USD 137m, compared with positive other income of USD 275m, mainly as 2022 included gains from the sales of our domestic wealth management business in Spain, UBS Swiss Financial Advisers AG and our US alternative investments administration business. 2023 included the aforementioned losses of USD 190m related to our investment in SIX Group. Excluding these losses of USD 190m, underlying other income was positive USD 53m.

Credit loss expense / release

Net credit loss expenses were USD 147m, compared with net expenses of USD 0m, reflecting net credit loss expenses of USD 108m related to stage 1 and 2 positions and net credit loss expenses of USD 40m related to credit-impaired (stage 3 and purchased credit-impaired) positions. Stage 1 and 2 expected credit loss (ECL) expenses of USD 108m were predominantly attributable to the initial recognition of ECL allowances and provisions on the date of the acquisition of the Credit Suisse Group.

Operating expenses

Operating expenses increased by USD 3,465m, or 25%, to USD 17,454m, largely due to the consolidation of Credit Suisse expenses, integration-related expenses and higher technology expenses. In addition, 2023 included a charge of USD 60m for the special assessment by the US Federal Deposit Insurance Corporation (the FDIC) to recover losses incurred by the Deposit Insurance Fund in connection with the failures of Silicon Valley Bank and Signature Bank. These effects were partly offset by lower provisions for litigation, regulatory and similar matters. Excluding integration-related expenses of USD 988m, underlying operating expenses were USD 16,466m.

Pre-tax profit growth

Pre-tax profit growth was negative 27.9%, compared with positive 4.1%.

Cost / income ratio

The cost / income ratio increased to 82.4% from 73.8%, as higher operating expenses more than offset higher total revenues.

Invested assets

Invested assets increased by USD 1,035bn, or 37%, to USD 3,850bn, mainly driven by the consolidation of Credit Suisse invested assets, positive market performance (excluding interest and dividends, which are now included in net new assets) of USD 249bn, net new asset inflows of USD 132bn and positive foreign currency effects of USD 34bn, partly offset by a reclassification of USD 38bn related to non-strategic relationships and a transfer of USD 5bn to Non-core and Legacy.

Loans

Loans increased by USD 59.3bn to USD 284.3bn, mainly driven by the consolidation of Credit Suisse loans and positive foreign currency effects, partly offset by net new loan outflows of USD 20.7bn.

› Refer to the "Risk management and control" section of this report for more information

Customer deposits

Customer deposits increased by USD 118.7bn to USD 466.9bn, mainly driven by the consolidation of Credit Suisse customer deposits, net inflows into fixed-term deposit products, and positive foreign currency effects, partly offset by continued shifts into money market funds and US-government securities.

Regional breakdown of performance measures

| <i>As of or for the year ended 31.12.23</i> <i>USD bn, except where indicated</i> | Americas ¹ | Switzerland ² | EMEA ² | Asia Pacific ² | Global ³ | Global Wealth Management |
|--|-----------------------|--------------------------|-------------------|---------------------------|---------------------|--------------------------|
| Total revenues (USD m) | 10,386 | 2,829 | 4,424 | 3,003 | 548 | 21,190 |
| Operating profit / (loss) before tax (USD m) | 1,057 | 1,209 | 1,196 | 661 | (534) | 3,589 |
| Operating profit / (loss) before tax underlying (USD m) | 1,057 | 1,214 | 1,207 | 669 | (99) | 4,048 |
| Cost / income ratio (%) ⁴ | 89.7 | 57.1 | 72.7 | 77.4 | | 82.4 |
| Cost / income ratio underlying (%) ⁴ | 89.7 | 56.9 | 72.5 | 77.2 | | 79.7 |
| Loans, gross | 97.3 ⁵ | 76.9 | 63.4 | 45.8 | 0.9 | 284.3 |
| Net new loans | (8.2) | (1.9) | (3.7) | (6.8) | 0.0 | (20.7) |
| Net new money ⁴ | 5.4 | 23.3 | 4.9 | 32.6 | (1.3) | 65.0 |
| Net new assets ⁴ | 43.4 | 29.9 | 15.0 | 44.6 | (1.3) | 131.7 |
| Fee-generating assets ⁴ | 933 | 173 | 361 | 152 | 1 | 1,619 |
| Invested assets ⁴ | 1,888 | 663 | 649 | 645 | 5 | 3,850 |
| Advisors (full-time equivalents) | 6,117 | 988 | 1,737 | 1,101 | 84 | 10,027 |

¹ Including the following business units: United States and Canada; and Latin America. ² In the third quarter of 2023, the invested assets of Global Financial Intermediaries were transferred from EMEA and Asia Pacific to the Switzerland region, to better align it to the management structure. These changes were applied prospectively and had no impact on previous periods. ³ Includes minor functions, which are not included in the four regions individually presented in this table, and also includes impacts from accretion of purchase price allocation adjustments on financial instruments and other effects and integration-related expenses. ⁴ Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ⁵ Loans include customer brokerage receivables, which are presented in a separate reporting line on the balance sheet.

Regional comments: 2023 compared with 2022

Americas

Profit before tax decreased by USD 691m to USD 1,057m. Total revenues decreased by USD 248m, or 2%, to USD 10,386m, driven by lower net interest income, transaction-based income and other income, partly offset by the consolidation of Credit Suisse revenues in 2023. In addition, 2023 included the aforementioned charge of USD 60m for the special assessment by the FDIC. The cost / income ratio increased to 89.7% from 83.7%. Loans decreased 4% compared with 2022, to USD 97.3bn, mainly reflecting USD 8.2bn of net new loan outflows. Net new asset inflows were USD 43.4bn.

Switzerland

Profit before tax increased by USD 392m to USD 1,209m. Total revenues increased by USD 970m, or 52%, to USD 2,829m, driven by the transfer of the Global Financial Intermediaries business to the Switzerland region, as well as the consolidation of Credit Suisse revenues in 2023. The cost / income ratio increased to 57.1% from 55.2%. Loans increased 71% compared with 2022, to USD 76.9bn, as USD 1.9bn of net new loan outflows were offset by the transfer of the Global Financial Intermediaries business to the Switzerland region, as well as the consolidation of Credit Suisse loans. Net new asset inflows were USD 29.9bn.

EMEA

Profit before tax decreased by USD 294m to USD 1,196m. Total revenues increased by USD 511m, or 13%, to USD 4,424m, largely driven by the consolidation of Credit Suisse revenues, partly offset by the transfer of the Global Financial Intermediaries business to the Switzerland region. In addition, 2022 included gains from the aforementioned sales. The cost / income ratio increased to 72.7% from 61.9%. Loans increased 46% compared with 2022, to USD 63.4bn, driven by the consolidation of Credit Suisse loans and partly offset by the transfer of the Global Financial Intermediaries business to the Switzerland region, as well as USD 3.7bn of net new loan outflows. Net new asset inflows were USD 15.0bn.

Asia Pacific

Profit before tax decreased by USD 282m to USD 661m. Total revenues increased by USD 447m, or 17%, to USD 3,003m, mainly driven by the consolidation of Credit Suisse revenues and increases in net interest income. The cost / income ratio increased to 77.4% from 63.2%. Loans increased 33% compared with 2022, to USD 45.8bn, driven by the consolidation of Credit Suisse loans, partly offset by USD 6.8bn of net new loan outflows. Net new asset inflows were USD 44.6bn.

Global

Operating loss before tax was USD 534m, mainly including USD 964m of integration-related expenses and losses of USD 190m related to our investment in SIX Group, partly offset by USD 719m of accretion of PPA adjustments on financial instruments and other effects.

Personal & Corporate Banking

Personal & Corporate Banking – in Swiss francs

| | As of or for the year ended | | % change from |
|---|-----------------------------|-----------------------|---------------|
| <i>CHF m, except where indicated</i> | 31.12.23 | 31.12.22 ¹ | 31.12.22 |
| Results | | | |
| Net interest income | 4,727 | 2,087 | 126 |
| Recurring net fee income ² | 1,349 | 812 | 66 |
| Transaction-based income ² | 1,663 | 1,154 | 44 |
| Other income | (198) | 46 | |
| Total revenues | 7,541 | 4,099 | 84 |
| Credit loss expense / (release) | 450 | 36 | |
| Operating expenses | 4,267 | 2,337 | 83 |
| Business division operating profit / (loss) before tax | 2,824 | 1,726 | 64 |
| Underlying results | | | |
| Total revenues as reported | 7,541 | 4,099 | 84 |
| <i>of which: accretion of PPA adjustments on financial instruments and other effects</i> | <i>896</i> | | |
| <i>of which: losses related to investment in SIX Group</i> | <i>(267)</i> | | |
| Total revenues (underlying)² | 6,912 | 4,099 | 69 |
| Credit loss expense / (release) | 450 | 36 | |
| Operating expenses as reported | 4,267 | 2,337 | 83 |
| <i>of which: integration-related expenses²</i> | <i>337</i> | | |
| <i>of which: amortization from newly recognized intangibles resulting from the acquisition of the Credit Suisse Group</i> | <i>58</i> | | |
| Operating expenses (underlying)² | 3,872 | 2,337 | 66 |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | <i>(8)</i> | <i>(12)</i> | <i>(31)</i> |
| Business division operating profit / (loss) before tax as reported | 2,824 | 1,726 | 64 |
| Business division operating profit / (loss) before tax (underlying)² | 2,591 | 1,726 | 50 |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | 63.6 | 8.8 | |
| Cost / income ratio (%) ² | 56.6 | 57.0 | |
| Average attributed equity (CHF bn) | 13.9 | 8.8 | 57 |
| Return on attributed equity (%) ² | 20.3 | 19.5 | |
| Loans, gross (CHF bn) | 283.6 | 142.9 | 98 |
| Customer deposits (CHF bn) | 273.0 | 167.2 | 63 |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{2,3} | 0.9 | 0.8 | |
| Underlying performance measures | | | |
| Pre-tax profit growth (year-on-year, %) ² | 50.1 | 11.1 | |
| Cost / income ratio (%) ² | 56.0 | 57.0 | |

¹ Information reflects Personal & Corporate Banking as reported on in the Annual Report 2022. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ³ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

2023 compared with 2022

Results

Profit before tax increased by CHF 1,098m, or 64%, to CHF 2,824m, mainly due to the acquisition of the Credit Suisse Group. Underlying profit before tax was CHF 2,591m, after excluding CHF 896m of accretion of purchase price allocation (PPA) adjustments on financial instruments and other effects, losses of CHF 267m related to our investment in SIX Group, integration-related expenses of CHF 337m, and CHF 58m of amortization from newly recognized intangibles resulting from the acquisition of the Credit Suisse Group.

Total revenues

Total revenues increased by CHF 3,442m, or 84%, to CHF 7,541m, mainly due to the consolidation of Credit Suisse revenues, and included CHF 896m of accretion of PPA adjustments on financial instruments and other effects. The remaining increase largely reflected increases across almost all income lines, predominantly in net interest income, partly offset by the aforementioned losses of CHF 267m in other income. Excluding the aforementioned accretion effects, underlying total revenues were CHF 6,912m.

Net interest income increased by CHF 2,640m, or 126%, to CHF 4,727m, largely attributable to the consolidation of Credit Suisse net interest income, and included CHF 811m of accretion of PPA adjustments on financial instruments and other effects, with the remaining increase mainly driven by higher deposit margins, which resulted from higher interest rates, and higher loan revenues, partly offset by lower deposit fees. 2022 included a benefit from the Swiss National Bank deposit exemption. Excluding accretion effects, underlying net interest income was CHF 3,916m.

Recurring net fee income increased by CHF 537m, or 66%, to CHF 1,349m, mainly attributable to the consolidation of Credit Suisse recurring net fee income, with the remaining increase mostly driven by higher revenues from account and custody fees.

Transaction-based income increased by CHF 509m, or 44%, to CHF 1,663m, largely attributable to the consolidation of Credit Suisse transaction-based income, and included CHF 85m of accretion of PPA adjustments on financial instruments and other effects, with the remaining increase mainly driven by higher income from Corporate & Institutional Clients. Excluding accretion effects, underlying transaction-based income was CHF 1,578m.

Other income was negative CHF 198m, compared with positive other income of CHF 46m, mainly reflecting the losses of CHF 267m related to our investment in SIX Group.

Credit loss expense / release

Net credit loss expenses were CHF 450m, compared with net expenses of CHF 36m, reflecting net credit loss expenses related to stage 1 and 2 positions and net credit loss expenses related to credit-impaired (stage 3 and purchased credit-impaired) positions. Stage 1 and 2 expected credit loss (ECL) expenses were predominantly attributable to the initial recognition of ECL allowances and provisions on the date of the acquisition of the Credit Suisse Group.

Operating expenses

Operating expenses increased by CHF 1,930m, or 83%, to CHF 4,267m, largely due to the consolidation of Credit Suisse expenses, with the remaining increase mostly reflecting integration-related expenses, as well as higher technology expenses and accruals for variable compensation. Excluding integration-related expenses of CHF 337m and CHF 58m of amortization from newly recognized intangibles resulting from the acquisition of the Credit Suisse Group, underlying operating expenses were CHF 3,872m.

Cost / income ratio

The cost / income ratio decreased to 56.6% from 57.0%, as an increase in total revenues more than offset an increase in operating expenses.

Personal & Corporate Banking – in US dollars

| <i>USD m, except where indicated</i> | As of or for the year ended | | % change from |
|---|-----------------------------|-----------------------|---------------|
| | 31.12.23 | 31.12.22 ¹ | 31.12.22 |
| Results | | | |
| Net interest income | 5,304 | 2,191 | 142 |
| Recurring net fee income ² | 1,511 | 852 | 77 |
| Transaction-based income ² | 1,859 | 1,212 | 53 |
| Other income | (238) | 48 | |
| Total revenues | 8,436 | 4,302 | 96 |
| Credit loss expense / (release) | 501 | 39 | |
| Operating expenses | 4,787 | 2,452 | 95 |
| Business division operating profit / (loss) before tax | 3,148 | 1,812 | 74 |
| Underlying results | | | |
| Total revenues as reported | 8,436 | 4,302 | 96 |
| <i>of which: accretion of PPA adjustments on financial instruments and other effects</i> | <i>1,013</i> | | |
| <i>of which: losses related to investment in SIX Group</i> | <i>(317)</i> | | |
| Total revenues (underlying)² | 7,741 | 4,302 | 80 |
| Credit loss expense / (release) | 501 | 39 | |
| Operating expenses as reported | 4,787 | 2,452 | 95 |
| <i>of which: integration-related expenses²</i> | <i>383</i> | | |
| <i>of which: amortization from newly recognized intangibles resulting from the acquisition of the Credit Suisse Group</i> | <i>65</i> | | |
| Operating expenses (underlying)² | 4,338 | 2,452 | 77 |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | <i>(9)</i> | <i>(13)</i> | <i>(31)</i> |
| Business division operating profit / (loss) before tax as reported | 3,148 | 1,812 | 74 |
| Business division operating profit / (loss) before tax (underlying)² | 2,902 | 1,812 | 60 |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | 73.8 | 4.7 | |
| Cost / income ratio (%) ² | 56.7 | 57.0 | |
| Average attributed equity (USD bn) | 15.5 | 9.3 | 67 |
| Return on attributed equity (%) ² | 20.3 | 19.5 | |
| Loans, gross (USD bn) | 336.9 | 154.6 | 118 |
| Customer deposits (USD bn) | 324.3 | 180.8 | 79 |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{2,3} | 0.9 | 0.8 | |
| Underlying performance measures | | | |
| Pre-tax profit growth (year-on-year, %) ² | 60.2 | 6.9 | |
| Cost / income ratio (%) ² | 56.0 | 57.0 | |

¹ Information reflects Personal & Corporate Banking as reported on in the Annual Report 2022. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ³ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

Asset Management

Asset Management

| | As of or for the year ended | | % change from |
|--|-----------------------------|-----------------------|---------------|
| <i>USD m, except where indicated</i> | 31.12.23 | 31.12.22 ¹ | 31.12.22 |
| Results | | | |
| Net management fees ² | 2,507 | 2,050 | 22 |
| Performance fees | 104 | 64 | 63 |
| Net gain from disposals | 27 | 848 | (97) |
| Total revenues | 2,639 | 2,961 | (11) |
| Credit loss expense / (release) | 0 | 0 | |
| Operating expenses | 2,321 | 1,564 | 48 |
| Business division operating profit / (loss) before tax | 318 | 1,397 | (77) |
| Underlying results | | | |
| Total revenues as reported | 2,639 | 2,961 | (11) |
| <i>of which: net gain from disposals³</i> | | <i>848</i> | |
| Total revenues (underlying)⁴ | 2,639 | 2,114 | 25 |
| Credit loss expense / (release) | 0 | 0 | |
| Operating expenses as reported | 2,321 | 1,564 | 48 |
| <i>of which: integration-related expenses⁴</i> | <i>205</i> | | |
| Operating expenses (underlying)⁴ | 2,116 | 1,564 | 35 |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | <i>8</i> | <i>1</i> | |
| Business division operating profit / (loss) before tax as reported | 318 | 1,397 | (77) |
| Business division operating profit / (loss) before tax (underlying)⁴ | 522 | 550 | (5) |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ⁴ | (77.3) | 35.7 | |
| Cost / income ratio (%) ⁴ | 88.0 | 52.8 | |
| Average attributed equity (USD bn) | 2.0 | 1.7 | 19 |
| Return on attributed equity (%) ⁴ | 15.6 | 81.2 | |
| Gross margin on invested assets (bps) ^{4,5} | 19 | 27 | |
| Underlying performance measures | | | |
| Pre-tax profit growth (year-on-year, %) ⁴ | (5.0) | (46.6) | |
| Cost / income ratio (%) ⁴ | 80.2 | 74.0 | |
| Information by business line / asset class | | | |
| Net new money (USD bn)⁴ | | | |
| Equities | (4.0) | (12.8) | |
| Fixed Income | 17.8 | 36.5 | |
| <i>of which: money market</i> | <i>22.3</i> | <i>26.3</i> | |
| Multi-asset & Solutions | 2.2 | (1.3) | |
| Hedge Fund Businesses | (4.2) | 2.3 | |
| Real Estate & Private Markets | 2.7 | 0.2 | |
| Total net new money excluding associates⁶ | 14.6 | 24.8 | |
| <i>of which: net new money excluding money market</i> | <i>(7.7)</i> | <i>(1.6)</i> | |
| Associates ⁷ | 1.1 | 7.7 | |
| Total net new money⁵ | 15.7 | 32.5 | |
| Invested assets (USD bn)⁴ | | | |
| Equities | 644 | 456 | 41 |
| Fixed Income | 445 | 296 | 51 |
| <i>of which: money market</i> | <i>134</i> | <i>119</i> | <i>13</i> |
| Multi-asset & Solutions | 274 | 155 | 77 |
| Hedge Fund Businesses | 57 | 55 | 3 |
| Real Estate & Private Markets | 156 | 102 | 54 |
| Total invested assets excluding associates | 1,577 | 1,064 | 48 |
| <i>of which: passive strategies</i> | <i>715</i> | <i>443</i> | <i>61</i> |
| Associates ⁷ | 72 | 24 | 205 |
| Total invested assets⁵ | 1,649 | 1,088 | 52 |

Asset Management (continued)

| | As of or for the year ended | | % change from |
|--|-----------------------------|-----------------------|---------------|
| <i>USD m, except where indicated</i> | 31.12.23 | 31.12.22 ¹ | 31.12.22 |
| Information by region | | | |
| Invested assets (USD bn)⁴ | | | |
| Americas | 402 | 298 | 35 |
| Asia Pacific ⁵ | 211 | 173 | 22 |
| Europe, Middle East and Africa (excluding Switzerland) | 354 | 263 | 35 |
| Switzerland | 682 | 354 | 93 |
| Total invested assets⁵ | 1,649 | 1,088 | 52 |
| Information by channel | | | |
| Invested assets (USD bn)⁴ | | | |
| Third-party institutional | 939 | 606 | 55 |
| Third-party wholesale | 177 | 116 | 53 |
| UBS's wealth management businesses | 461 | 342 | 35 |
| Associates ⁷ | 72 | 24 | 205 |
| Total invested assets⁵ | 1,649 | 1,088 | 52 |

¹ Information reflects Asset Management as reported on in the Annual Report 2022. ² Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign-exchange hedging as part of the fund services offering), distribution fees, incremental fund-related expenses, gains or losses from seed money and co-investments, funding costs, the negative pass-through impact of third-party performance fees, and other items that are not Asset Management's performance fees. ³ Only includes items that are deemed material. ⁴ Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ⁵ Starting with the second quarter of 2023, net new money and invested assets include net new money and invested assets from associates, to better reflect the business strategy. Comparative figures have been restated to reflect this change. ⁶ A net new money inflow of USD 4.1bn was recognized in the fourth quarter of 2022 for the provision of hedge fund services to Global Wealth Management Americas. ⁷ The invested assets and net new money amounts reported for associates are prepared in accordance with their local regulatory requirements and practices.

2023 compared with 2022

Results

Profit before tax decreased by USD 1,079m, or 77%, to USD 318m, primarily due to 2022 including a gain of USD 848m from the sale of our shareholding in the Mitsubishi Corp.-UBS Realty Inc. joint venture. Excluding integration-related expenses of USD 205m, underlying profit before tax was USD 522m.

Total revenues

Total revenues decreased by USD 322m, or 11%, to USD 2,639m, primarily due to 2022 including the aforementioned gain of USD 848m. The decrease was partly offset by higher revenues due to the consolidation of Credit Suisse revenues and net gain from disposals of USD 27m, mainly from the completion of the sale of a majority stake in UBS Hana Asset Management Co., Ltd.

Net management fees increased by USD 457m, or 22%, to USD 2,507m, largely due to the consolidation of Credit Suisse net management fees, partly offset by negative market performance, continued margin compression and negative pass-through fees, with the corresponding offset in performance fees.

Performance fees increased by USD 40m, or 63%, to USD 104m, mainly attributable to the consolidation of Credit Suisse performance fees, the effect of the aforementioned pass-through fees and increases in Hedge Fund Businesses, partly offset by decreases in Real Estate & Private Markets and Equities.

Operating expenses

Operating expenses increased by USD 757m, or 48%, to USD 2,321m, mainly reflecting the consolidation of Credit Suisse expenses. The increase was also due to integration-related expenses, adverse foreign currency effects and increases in technology expenses, control function expenses, and outsourcing costs, partly offset by lower personnel expenses. Excluding integration-related expenses of USD 205m, underlying operating expenses were USD 2,116m.

Cost / income ratio

The cost / income ratio increased to 88.0% from 52.8%, reflecting both higher operating expenses and lower total revenues.

Invested assets

Invested assets increased by USD 561bn to USD 1,649bn, reflecting the consolidation of Credit Suisse invested assets, positive market performance of USD 108bn, positive foreign currency effects of USD 51bn and positive net new money of USD 16bn, partly offset by a reduction of USD 24bn related to divestments, primarily the sale of UBS Hana Asset Management Co., Ltd., and a reduction of USD 5bn due to the elimination of the cross-investments of the UBS Asset Management sub-group and the Credit Suisse Asset Management sub-group, as UBS policy does not allow for double counting of assets within the same reporting segment. Excluding money market flows and associates, net new money was negative USD 8bn.

Investment performance

As of year-end 2023, Morningstar assigned a four- or five-star rating to 61% of our retail and institutional funds assets under management (AuM) (both actively managed and passive), on an AuM-weighted basis. Furthermore, 51% of our actively managed open-ended retail and institutional funds AuM are ranked, on an AuM-weighted basis over a three-year investment period, above their respective peer median.

Investment performance as of 31 December 2023

| In % | Total traditional investments | Equities | Fixed Income | Multi-asset |
|--|-------------------------------|----------|--------------|-------------|
| % of UBS Asset Management fund assets rated as 4- or 5-star ^{1,2} | 61 | 70 | 52 | 38 |
| % of UBS Asset Management fund assets above peer median over a 3-year investment period ^{1,3} | 51 | 53 | 65 | 34 |

¹ Morningstar® Essentials Quantitative Star Rating & Rankings; © Morningstar 2024, extract date 10 January 2024. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and / or its content providers; (2) may not be copied or distributed; (3) is not warranted to be accurate, complete or timely; and (4) does not constitute advice of any kind, whether investment, tax, legal or otherwise. User is solely responsible for ensuring that it complies with all laws, regulations and restrictions applicable to it. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information, except where such damages or losses cannot be limited or excluded by law in your jurisdiction. Past performance is no guarantee of future results. For more detailed information about the Morningstar Rating, including its methodology, please go to: https://s21.q4cdn.com/198919461/files/doc_downloads/othr_disclosure_materials/MorningstarRatingforFunds.pdf. ² Percentage of AuM to which Morningstar has assigned a four- or five-star rating. AuM reflect the AuM of Asset Management's retail and institutional funds (both actively managed and passive) across all domiciles for which Asset Management owns the investment performance, i.e., Asset Management is either the sole portfolio manager or co-portfolio manager. Universe is approximately 37% of all active and passive traditional assets of Asset Management (Equities, Fixed Income excluding money market, and Multi-asset) as of 31 December 2023. ³ Percentage of AuM above peer median over a three-year investment period. AuM reflect the AuM of Asset Management's actively managed open-ended retail and institutional funds across all domiciles for which Asset Management owns the investment performance, i.e., Asset Management is either the sole portfolio manager or co-portfolio manager. Universe is approximately 29% of all active traditional assets of Asset Management (Equities, Fixed Income excluding money market, and Multi-asset) as of 31 December 2023.

Investment Bank

Investment Bank

| USD m, except where indicated | As of or for the year ended | 31.12.22 ¹ | % change from |
|-------------------------------|-----------------------------|-----------------------|---------------|
| | 31.12.23 | 31.12.22 ¹ | 31.12.22 |

Results

| | | | |
|---|--------------|--------------|-------------|
| Advisory | 746 | 733 | 2 |
| Capital Markets | 1,649 | 854 | 93 |
| Global Banking | 2,395 | 1,587 | 51 |
| Execution Services | 1,578 | 1,643 | (4) |
| Derivatives & Solutions | 2,707 | 3,665 | (26) |
| Financing | 1,981 | 1,822 | 9 |
| Global Markets | 6,265 | 7,129 | (12) |
| <i>of which: Equities</i> | <i>4,546</i> | <i>4,970</i> | <i>(9)</i> |
| <i>of which: Foreign Exchange, Rates and Credit</i> | <i>1,720</i> | <i>2,160</i> | <i>(20)</i> |
| Total revenues | 8,661 | 8,717 | (1) |
| Credit loss expense / (release) | 190 | (12) | |
| Operating expenses | 8,515 | 6,832 | 25 |
| Business division operating profit / (loss) before tax | (44) | 1,897 | |

Underlying results

| | | | |
|--|--------------|--------------|-------------|
| Total revenues as reported | 8,661 | 8,717 | (1) |
| <i>of which: accretion of PPA adjustments on financial instruments</i> | <i>583</i> | | |
| <i>of which: losses in the first quarter of 2022 from transactions with Russian counterparties</i> | | <i>(93)</i> | |
| Total revenues (underlying)² | 8,078 | 8,810 | (8) |
| Credit loss expense / (release) | 190 | (12) | |
| Operating expenses as reported | 8,515 | 6,832 | 25 |
| <i>of which: integration-related expenses²</i> | <i>692</i> | | |
| Operating expenses (underlying)² | 7,823 | 6,832 | 15 |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | <i>78</i> | <i>122</i> | <i>(36)</i> |
| Business division operating profit / (loss) before tax as reported | (44) | 1,897 | |
| Business division operating profit / (loss) before tax (underlying)² | 64 | 1,990 | (97) |

Performance measures and other information

| | | | |
|--|---------|--------|---|
| Pre-tax profit growth (year-on-year, %) ² | (102.3) | (27.9) | |
| Cost / income ratio (%) ² | 98.3 | 78.4 | |
| Average attributed equity (USD bn) | 13.8 | 13.0 | 7 |
| Return on attributed equity (%) ² | (0.3) | 14.6 | |

Underlying performance measures

| | | | |
|--|--------|--------|--|
| Pre-tax profit growth (year-on-year, %) ² | (96.8) | (43.0) | |
| Cost / income ratio (%) ² | 96.8 | 77.6 | |

¹ Information reflects the Investment Bank as reported on in the Annual Report 2022. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method.

2023 compared with 2022

Results

Loss before tax was USD 44m, compared with profit before tax of USD 1,897m in 2022, mainly due to higher operating expenses associated with the acquisition of the Credit Suisse Group, and included integration-related expenses, as well as lower total revenues. Excluding USD 583m of accretion of purchase price allocation (PPA) adjustments on financial instruments and integration-related expenses of USD 692m, underlying profit before tax was USD 64m.

Total revenues

Total revenues decreased by USD 56m, or 1%, to USD 8,661m, due to lower Global Markets revenues, which decreased by USD 864m, or 12%, partly offset by higher Global Banking revenues, which increased by USD 808m, or 51%. Prior-year total revenues included USD 93m of losses in the first quarter of 2022 from transactions with Russian counterparties. The consolidation of Credit Suisse revenues included USD 583m of accretion of PPA adjustments on financial instruments. Excluding the aforementioned accretion effects, underlying total revenues were USD 8,078m.

Global Banking

Global Banking revenues increased by USD 808m, or 51%, to USD 2,395m, mainly due to the consolidation of Credit Suisse revenues, and included USD 580m of accretion of PPA adjustments on financial instruments. Excluding accretion effects, underlying Global Banking revenues increased by USD 228m, or 14%. The relevant market fee pool^{1,2} decreased 16%.

Advisory revenues increased by USD 13m, or 2%, to USD 746m, mainly due to higher merger and acquisition transaction revenues. The relevant global fee pool² decreased 25%.

Capital Markets revenues increased by USD 795m, or 93%, to USD 1,649m, partly due to the consolidation of Credit Suisse revenues, and included USD 580m of the aforementioned accretion effects. Excluding accretion effects, underlying Capital Markets revenues increased by USD 215m, or 25%, mainly due to prior-year mark-to-market losses. Capital Markets fee-pool-comparable revenues increased 2% year on year. The relevant global fee pool^{1,2} decreased 7%.

Global Markets

Global Markets revenues decreased by USD 864m, or 12%, to USD 6,265m, primarily driven by lower Derivatives & Solutions revenues.

Execution Services revenues decreased by USD 65m, or 4%, to USD 1,578m, due to lower market volumes in Cash Equities, partly offset by higher revenues from foreign exchange products that are traded over electronic platforms.

Derivatives & Solutions revenues decreased by USD 958m, or 26%, to USD 2,707m, mostly driven by Equity Derivatives, Rates and Foreign Exchange, due to lower levels of both volatility and client activity.

Financing revenues increased by USD 159m, or 9%, to USD 1,981m, reflecting higher client balances.

Equities

Global Markets Equities revenues decreased by USD 424m, or 9%, to USD 4,546m, mainly driven by lower Equity Derivatives and Cash Equities revenues.

Foreign Exchange, Rates and Credit

Global Markets Foreign Exchange, Rates and Credit revenues decreased by USD 440m, or 20%, to USD 1,720m, primarily driven by lower Foreign Exchange and Rates revenues.

Credit loss expense / release

Net credit loss expenses were USD 190m, compared with net releases of USD 12m, reflecting net credit loss expenses of USD 110m related to stage 1 and 2 positions and net credit loss expenses of USD 80m related to credit-impaired (stage 3 and purchased credit-impaired) positions. Stage 1 and 2 expected credit loss (ECL) expenses of USD 110m were predominantly attributable to the initial recognition of ECL allowances and provisions on the date of the acquisition of the Credit Suisse Group.

Operating expenses

Operating expenses increased by USD 1,683m, or 25%, to USD 8,515m, largely due to integration-related expenses, the consolidation of Credit Suisse expenses, and higher technology expenses. Excluding integration-related expenses of USD 692m, underlying operating expenses were USD 7,823m.

Cost / income ratio

The cost / income ratio increased to 98.3% from 78.4%, reflecting both higher operating expenses and lower total revenues.

¹ UBS fee-pool-comparable revenues consist of revenues from: merger-and-acquisition-related transactions; Equity Capital Markets, excluding derivatives; Leveraged Capital Markets, excluding the impact of mark-to-market movements on loan portfolios; and Debt Capital Markets, excluding revenues related to debt underwriting of UBS instruments.

² Source: Dealogic, as of 29 December 2023.

Non-core and Legacy

Non-core and Legacy¹

| USD m | As of or for the year ended | | % change from |
|--|-----------------------------|-----------------------|---------------|
| | 31.12.23 | 31.12.22 ² | 31.12.22 |
| Results | | | |
| Total revenues | 741 | 237 | 212 |
| Credit loss expense / (release) | 193 | 2 | |
| Operating expenses | 5,290 | 104 | |
| Operating profit / (loss) before tax | (4,741) | 131 | |
| Underlying results | | | |
| Total revenues as reported | 741 | 237 | 212 |
| <i>of which: litigation settlement</i> | | 62 | |
| Total revenues (underlying) ³ | 741 | 175 | 323 |
| Credit loss expense / (release) | 193 | 2 | |
| Operating expenses as reported | 5,290 | 104 | |
| <i>of which: integration-related expenses³</i> | 1,772 | | |
| Operating expenses (underlying) ³ | 3,518 | 104 | |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | 637 | (12) | |
| Operating profit / (loss) before tax as reported | (4,741) | 131 | |
| Operating profit / (loss) before tax (underlying) ³ | (2,969) | 69 | |
| Performance measures and other information | | | |
| Average attributed equity | 5.2 | 1.1 | 390 |
| Risk-weighted assets (USD bn) | 72.0 | 13.0 | 454 |
| Leverage ratio denominator (USD bn) | 137.1 | 6.3 | |

¹ Starting with the third quarter of 2023, Non-core and Legacy represents a separate reportable segment and includes positions and businesses not aligned with our strategy and policies. ² Information reflects Non-core and Legacy Portfolio as reported on in Group Functions in the Annual Report 2022. ³ Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method.

Composition of Non-core and Legacy¹

| USD bn | RWA | | Total assets | | LRD | |
|----------------------------|-------------|-------------|--------------|-------------|--------------|------------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Exposure category | | | | | | |
| Equities | 3.1 | | 20.0 | | 13.4 | |
| Macro | 9.3 | 1.9 | 55.7 | 9.3 | 24.8 | 2.4 |
| Loans | 11.2 | | 13.0 | | 14.8 | |
| Securitized products | 13.5 | 1.0 | 26.2 | 2.2 | 27.6 | 2.1 |
| Credit | 2.8 | | 5.2 | | 4.9 | |
| High-quality liquid assets | | | 50.5 | 1.8 | 50.5 | 1.8 |
| Operational risk | 30.0 | 10.1 | | | | |
| Other | 2.0 | | 2.3 | | 1.1 | |
| Total | 72.0 | 13.0 | 172.9 | 13.4 | 137.1 | 6.3 |

¹ During the fourth quarter of 2023, we have revised allocations and aligned methodologies across UBS and Credit Suisse.

2023 compared with 2022

Results

Loss before tax was USD 4,741m, compared with profit before tax of USD 131m. Excluding integration-related expenses of USD 1,772m, underlying loss before tax was USD 2,969m.

Total revenues

Total revenues increased by USD 504m to USD 741m, mainly due to the transfer of assets and liabilities into Non-core and Legacy following the acquisition of the Credit Suisse Group. Revenues included net gains from position marks and unwinds, along with net carry from securitized products and credit products.

Credit loss expense / release

Net credit loss expenses were USD 193m, compared with net expenses of USD 2m, reflecting net credit loss expenses of USD 78m related to stage 1 and 2 positions and net credit loss expenses of USD 116m related to credit-impaired (stage 3 and purchased credit-impaired) positions. Stage 1 and 2 expected credit loss (ECL) expenses of USD 78m were predominantly attributable to the initial recognition of ECL allowances and provisions on the date of the acquisition of the Credit Suisse Group.

Operating expenses

Operating expenses were USD 5,290m, compared with USD 104m, and included integration-related expenses of USD 1,772m, driven by onerous contract provisions, real estate impairments and personnel costs. Excluding integration-related expenses, underlying operating expenses were USD 3,518m.

Risk-weighted assets and leverage ratio denominator

Risk-weighted assets increased by USD 70.8bn to USD 83.8bn at the end of the second quarter of 2023, mainly driven by the transfer of assets and liabilities into Non-core and Legacy following the acquisition of the Credit Suisse Group. Similarly, the leverage ratio denominator increased by USD 202.4bn to USD 208.7bn at the end of the second quarter of 2023. Since then, Non-core and Legacy has made significant progress against its capital reduction goals by reducing risk-weighted assets by USD 11.8bn, or 14%, to USD 72.0bn and reducing the leverage ratio denominator by USD 71.6bn, or 34%, to USD 137.1bn.

Group Items

Group Items¹

| | As of or for the year ended | | % change from |
|--|-----------------------------|-----------------------|---------------|
| USD m | 31.12.23 | 31.12.22 ² | 31.12.22 |
| Results | | | |
| Total revenues | (833) | (622) | 34 |
| Credit loss expense / (release) | 6 | 1 | |
| Operating expenses | 440 | (12) | |
| Operating profit / (loss) before tax | (1,279) | (611) | 109 |
| Underlying results | | | |
| Total revenues as reported | (833) | (622) | 34 |
| <i>of which: accretion of PPA adjustments on financial instruments</i> | (35) | | |
| <i>of which: gain from sales of real estate</i> | | 68 | |
| Total revenues (underlying) ³ | (798) | (690) | 16 |
| Credit loss expense / (release) | 6 | 1 | |
| Operating expenses as reported | 440 | (12) | |
| <i>of which: integration-related expenses³</i> | 438 | | |
| <i>of which: acquisition-related costs</i> | 202 | | |
| Operating expenses (underlying) ³ | (200) | (12) | |
| <i>of which: expenses for litigation, regulatory and similar matters</i> | (27) | 6 | |
| Operating profit / (loss) before tax as reported | (1,279) | (611) | 109 |
| Operating profit / (loss) before tax (underlying) ³ | (603) | (679) | (11) |

¹ Starting with the third quarter of 2023, Group Items reflects the integration of Group Functions and the Corporate Center (Credit Suisse) and excludes UBS's Non-core and Legacy Portfolio, which was previously reported within Group Functions. ² Information reflects Group Functions as reported on in the Annual Report 2022, excluding Non-core and Legacy Portfolio. ³ Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method.

2023 compared with 2022

Results

Loss before tax was USD 1,279m, compared with a loss of USD 611m, mainly due to the acquisition of the Credit Suisse Group. Excluding USD 35m of accretion of purchase price allocation adjustments on financial instruments, integration-related expenses of USD 438m and acquisition-related costs of USD 202m, underlying loss before tax was USD 603m, compared with USD 679m in 2022, excluding a gain of USD 68m from the sale of real estate.

Income from Group hedging and own debt, including hedge accounting ineffectiveness, was net positive USD 247m, compared with net negative income of USD 375m. The results in the prior year were driven by mark-to-market effects on portfolio-level economic hedges due to rising interest rates and cross-currency-basis widening. Income related to centralized Group Treasury risk management was negative USD 256m, compared with negative USD 4m in 2022.

In addition, 2023 included a USD 272m increase in funding costs related to deferred tax assets, partly offset by remeasurement losses in 2022 of USD 46m on properties held for sale.

Risk, capital, liquidity and funding, and balance sheet

Management report

Audited information according to IFRS 7 and IAS 1

Risk and capital disclosures provided in line with the requirements of IFRS 7, *Financial Instruments: Disclosures*, and IAS 1, *Presentation of Financial Statements*, form part of the financial statements included in the "Consolidated financial statements" section of this report and are audited by the independent registered public accounting firm Ernst & Young Ltd, Basel. This information is marked as "Audited" within this section of the report.

Signposts

The **Audited** signpost that is displayed at the beginning of a section, table or chart indicates that those items have been audited. A triangle symbol – ▲ – indicates the end of the audited section, table or chart.

Risk management and control

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Risk management and control

Overview of risks arising from our business activities

Key risks by business division and Group Items

| Business divisions and Group Items | Key financial risks arising from business activities |
|---|---|
| Global Wealth Management | <p>Credit risk from collateralized lending primarily against securities, private equity and hedge fund interest, investors' uncalled capital commitments, and residential and commercial real estate, other real assets such as ships and aircraft, as well as from derivatives trading. Also includes corporate lending and other unsecured lending.</p> <p>Market risk from municipal securities and taxable fixed-income securities. Interest rate risk in the banking book related to Global Wealth Management is transferred to and managed by Group Treasury.</p> |
| Personal & Corporate Banking | <p>Credit risk from mortgages (owner-occupied and income-producing), secured and unsecured corporate lending, commodity trade finance, trade and export finance, consumer finance, and lending to banks and other regulated clients, as well as a small amount of derivatives trading activity.</p> <p>Minimal contribution to market risk. Interest rate risk in the banking book related to Personal & Corporate Banking is transferred to and managed by Group Treasury.</p> |
| Asset Management | <p>Credit risk and market risk on client assets invested in Asset Management funds can impact management and performance fees and cause heightened fund outflows, liquidity risk and losses on our seed capital and co-investments.</p> <p>Small amounts of credit and market risk for on-balance sheet items.</p> |
| Investment Bank | <p>Credit risk from lending (take-and-hold, as well as temporary loan underwriting activities), derivatives trading and securities financing.</p> <p>Market risk from primary underwriting activities and secondary trading.</p> |
| Non-core and Legacy | <p>Credit risk arising from large, less-liquid structured financing transactions, including some with residential and commercial real estate collateral, a material corporate loan portfolio and a counterparty credit trading portfolio with lending against securities collateral and derivatives.</p> <p>Market risk from structured trades, large portfolios of loans and securitized products, and both complex and simple credit, interest rate and equity derivative transactions.</p> |
| Group Items | <p>Credit and market risk arising from management of the Group's balance sheet, capital, profit or loss and liquidity portfolios.</p> <p>Structural risk arising from asset and liability management and liquidity and funding risk (managed by Group Treasury).</p> |

Non-financial risks consist of compliance risks (including employment and conduct risks), financial crime, operational risk (including model risks and cyber- and information-security risks), legal risks and reputational risks. These are an inevitable consequence of being in business and can arise as a result of our past and current business activities across all business divisions and Group Items.

› Refer to "Risk categories" in this section for more information about other financial and non-financial risks relevant to UBS

Key risk developments

Upon the legal close of the acquisition of the Credit Suisse Group, we have applied existing UBS prudent risk management practices to material risks of Credit Suisse. Positions and businesses not aligned with the core strategy and policies of UBS have been ring-fenced in the Non-core and Legacy business division, with the aim of ensuring a timely and orderly wind-down. UBS's transactional approval authorities were applied to Credit Suisse and a set of risk standards and escalation protocols were put in place to ensure the application of the UBS risk appetite to the combined organization. Our risk governance continued to operate along our three lines of defense, and our organizational structure has been adapted, with the aim of facilitating robust oversight of the combined business throughout the integration. A significant portion of our risk policies have been reviewed and harmonized. We are continuing to focus on aligning our policies while moving toward a fully integrated risk framework, which is expected to be achieved by the end of 2025.

Due to the acquisition of the Credit Suisse Group, we saw an increase in total net credit loss expenses to USD 1,037m and an increase in credit-impaired exposure to USD 6.4bn. Our banking products exposure increased to USD 1,179bn and our traded products exposure increased to USD 64bn. For UBS Group excluding Credit Suisse, market risk remained at low levels, as a result of our focus on managing tail risks, while Credit Suisse continues with the strategic migration of positions to UBS and de-risking within Non-core and Legacy.

Risk categories

We categorize the risk exposures of our business divisions and Group Items as outlined in the table below. Our risk appetite framework is designed to capture all risk categories.

› Refer to “Risk appetite framework” in this section for more information

| | Risk managed by | Independent oversight by |
|---|---------------------------------------|--------------------------|
| Financial risks | | |
| <p>Audited Credit risk: the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations toward UBS. This includes settlement risk, loan underwriting risk and step-in risk.</p> <p>Settlement risk: the risk of loss resulting from transactions that involve exchange of value (e.g., security versus cash) where we must deliver without first being able to determine with certainty that we will receive the consideration.</p> <p>Loan underwriting risk: the risk of loss arising during the holding period of financing transactions that are intended for further distribution.</p> <p>Step-in risk: the risk that UBS may decide to provide financial support to an unconsolidated entity that is facing stress in the absence of, or in excess of, any contractual obligations to provide such support. ▲</p> | Business divisions | Risk Control |
| <p>Audited Market risk (traded and non-traded): 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, as well as variables that may be unobservable or only indirectly observable, such as volatilities and correlations. Market risk includes issuer risk and investment risk.</p> <p>Issuer risk: the risk of loss that would occur if an issuer to which we are exposed through tradable securities or derivatives referencing the issuer was subject to a credit-related event.</p> <p>Investment risk: issuer risk associated with positions held as financial investments. ▲</p> | Business divisions and Group Treasury | Risk Control |
| <p>Country risk: the risk of loss resulting from country-specific events. This includes the risk of sovereign default and also transfer risk, which involves a country’s authorities preventing or restricting the payment of an obligation, as well as systemic risk events arising from country-specific political or macroeconomic developments.</p> | Business divisions | Risk Control |
| <p>Sustainability and climate risk: the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other environmental, social and governance matters. Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Sustainability and climate risks may manifest as credit, market, liquidity, business and non-financial risks for UBS resulting in potential adverse financial, liability and reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate).</p> | Business divisions | Risk Control |
| <p>Treasury risk: the risks associated with asset and liability management and our liquidity and funding positions, as well as structural exposures including pension risks.</p> <p>Audited Liquidity risk: the risk that the firm will not be able to efficiently meet both expected and unexpected current and forecast cash flows and collateral needs without affecting either daily operations or the financial condition of the firm. ▲</p> <p>Audited Funding risk: the risk that the firm will be unable, on an ongoing basis, to borrow funds in the market on an unsecured (or even secured) basis at an acceptable price to fund actual or proposed commitments, i.e., the risk that UBS’s funding capacity is not sufficient to support the firm’s current business and desired strategy. ▲</p> <p>Interest rate risk in the banking book: the risk to the firm’s capital and earnings arising from the adverse effects of interest rate movements on the firm’s banking book positions. The risk is transferred from the originating business divisions, i.e., Global Wealth Management and Personal & Corporate Banking, to Group Treasury to risk manage this centrally and benefit from Group-wide netting while leaving the business divisions with margin management.</p> <p>Structural foreign exchange risk: the risk of decreases in our capital due to changes in foreign exchange rates with an adverse translation effect on capital held in currencies other than the US dollar.</p> <p>Pension risk: the risk of a negative impact on our capital as a result of deteriorating funded status from decreases in the fair value of assets held in defined benefit pension funds and / or changes in the value of defined benefit pension obligations due to changes in actuarial assumptions (e.g., discount rate, life expectancy, rate of pension increase) and / or changes to plan designs.</p> | Group Treasury | Risk Control |
| <p>Business risk: the potential negative impact on earnings from lower-than-expected business volumes and / or margins, to the extent they are not offset by a decrease in expenses. For example, changes in the competitive landscape, client behavior or market conditions can potentially have a negative impact.</p> | Group Treasury and Human Resources | Risk Control and Finance |
| | Business divisions | Risk Control and Finance |

| | Risk managed by | Independent oversight by |
|---|--|---|
| Non-financial risks | | |
| <p>Compliance risk: the risk of failure to comply with laws, rules and regulations, internal policies and procedures, and the firm's Code of Conduct and Ethics.</p> <p>Employment risk: the risks arising from acts inconsistent with laws, rules and regulations or the firm's human resources policies governing employment practices, discrimination, compensation and employee-related taxes and benefits.</p> <p>Conduct risk: 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.</p> | Business divisions | Group Compliance, Regulatory & Governance (GCRG) Human Resources GCRG |
| <p>Financial crime risk: the risk of failure to prevent financial crime (including money laundering, terrorist financing, sanctions or embargo violations, internal and external fraud, bribery, and corruption).</p> | Business divisions and Financial Crime Prevention | GCRG |
| <p>Operational risk: the risk resulting from inadequate or failed internal processes, people or systems, or from external causes (deliberate, accidental or natural).</p> <p>Cybersecurity and information-security risk: the risk of a malicious internal or external act, or a failure of IT hardware or software, or human error, leading to a material impact on confidentiality, integrity or availability of UBS's data or information systems.</p> <p>Model risk: the risk of adverse consequences (e.g., financial loss, due to legal matters, operational loss, biased business decisions, or reputational damage) resulting from decisions based on incorrect / inadequate or misused model outputs and reports.</p> | Business divisions Business divisions and the Group Operations and Technology Office Model owner | GCRG GCRG Risk Control |
| <p>Legal risk: the risk of: (i) being held liable for a breach of applicable laws, rules or regulations; (ii) being held liable for a breach of contractual or other legal obligations; (iii) an inability or failure to enforce or protect contractual rights or non-contractual rights sufficiently to protect UBS's interests; and (iv) being party to a claim or investigated by an external regulator or authority in respect of any of the above (and the risk of loss of attorney-client privilege in the context of any such claim).</p> | Business divisions | Legal |
| <p>Reputational risk: the risk of an unfavorable perception of UBS or a decline in the firm's reputation from the point of view of clients, shareholders, regulators, employees or the general public, which may lead to potential financial loss and / or loss of market share.</p> | All businesses and functions | All control functions |

Top and emerging risks

The top and emerging risks disclosed below reflect those that we currently think have the potential to materialize within one year and which could significantly affect the Group. Investors should also carefully review all information set out in the "Risk factors" section of this report, where we discuss these and other material risks that we consider could have an effect on our ability to execute our strategy and may affect our business activities, financial condition, results of operations and business prospects.

- We remain watchful of a range of geopolitical developments and political changes in a number of countries, as well as international tensions arising from the Russia–Ukraine war, conflicts in the Middle East and US–China trade relations. Geopolitical tensions will continue to create uncertainty and complicate the energy price outlook. We are closely watching elections in several key markets in 2024.
- Inflation has abated to some extent in major Western economies, though there are still concerns regarding future developments, and central banks' monetary policy is in the spotlight. The potential for "higher-for-longer" interest rates raises the prospect of a global recession, particularly as the growth of China's economy has been muted. This combination of factors translates into a more uncertain and volatile environment, which increases the risk of financial market disruption.
- We are exposed to a number of macroeconomic issues, as well as general market conditions. As noted in "Market, credit and macroeconomic risks" in the "Risk factors" section of this report, these external pressures may have a significant adverse effect on our business activities and related financial results, primarily through reduced margins and revenues, asset impairments and other valuation adjustments. Accordingly, these macroeconomic factors are considered in the development of stress-testing scenarios for our ongoing risk management activities.
- We are monitoring the downturn in the commercial real estate sector. Adverse effects on valuations from higher interest rates and structural decline in demand for office and retail space may trigger broader impacts given bank and non-bank lenders' material balance sheet exposure to the sector.

- We are exposed to substantial changes in the regulation of our businesses that could have a material adverse effect on our business, as discussed in the “Regulatory and legal developments” section of this report and in “Regulatory and legal risks” in the “Risk factors” section of this report.
- As a global financial services firm, we are subject to many different legal, tax and regulatory regimes and extensive regulatory oversight. We are exposed to significant liability risk, and we are subject to various claims, disputes, legal proceedings and government investigations, as noted in “Regulatory and legal risks” in the “Risk factors” section of this report. Information about litigation, regulatory and similar matters we consider significant is disclosed in “Note 18 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report.
- Global geopolitical trends increase the likelihood of external state-driven cyber activity. Alongside a general trend toward more sophisticated forms of ransomware and other cyber threats, there is a risk of business disruption or corruption or loss of data. Additionally, as a result of the dynamic and material nature of recent geopolitical and environmental events and the operational complexity of all our businesses, we are continually exposed to operational resilience scenarios such as process error, failed execution, system failures and fraud.
- Conduct risks are inherent in our businesses. Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to us. Management of conduct risks is an integral part of our risk management framework. Financial crime (including money laundering, terrorist financing, sanctions violations, fraud, bribery, and corruption) presents significant risk. Heightened regulatory expectations and attention require investment in people and systems, while emerging technologies and changing geopolitical risks further increase the complexity of identifying and preventing financial crime.
 - › Refer to “Non-financial risk” in this section and “Strategy, management and operational risks” in the “Risk factors” section of this report for more information
- Sustainability and climate risks continue to be in the focus of regulators and stakeholders, with further emphasis put on measurement of nature-related risk and management of greenwashing risks in 2023. To address these emerging risks, UBS has enhanced its nature-related risk methodology and established guidelines for sustainable lending, bonds and GHG Emissions Trading to address potential greenwashing risks.
 - › Refer to “Sustainability and climate risk” in this section of the report for more information
 - › Refer to “Appendix 2 – Governance” to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for a full description of our sustainability and climate risk policy framework
- In addition, industry guidelines and regulations are emerging simultaneously in various jurisdictions, leading to an increased risk of divergence, which in turn increases the risk that UBS may not comply with all relevant regulations.
 - › Refer to “Sustainability and climate risk” and “Non-financial risk” sections of this report
- New risks continue to emerge. For example, client demand for distributed ledger technology, blockchain-based assets and virtual currencies creates new risks, to which we currently have limited exposure and for which relevant control frameworks are continuously enhanced and implemented.

Risk governance

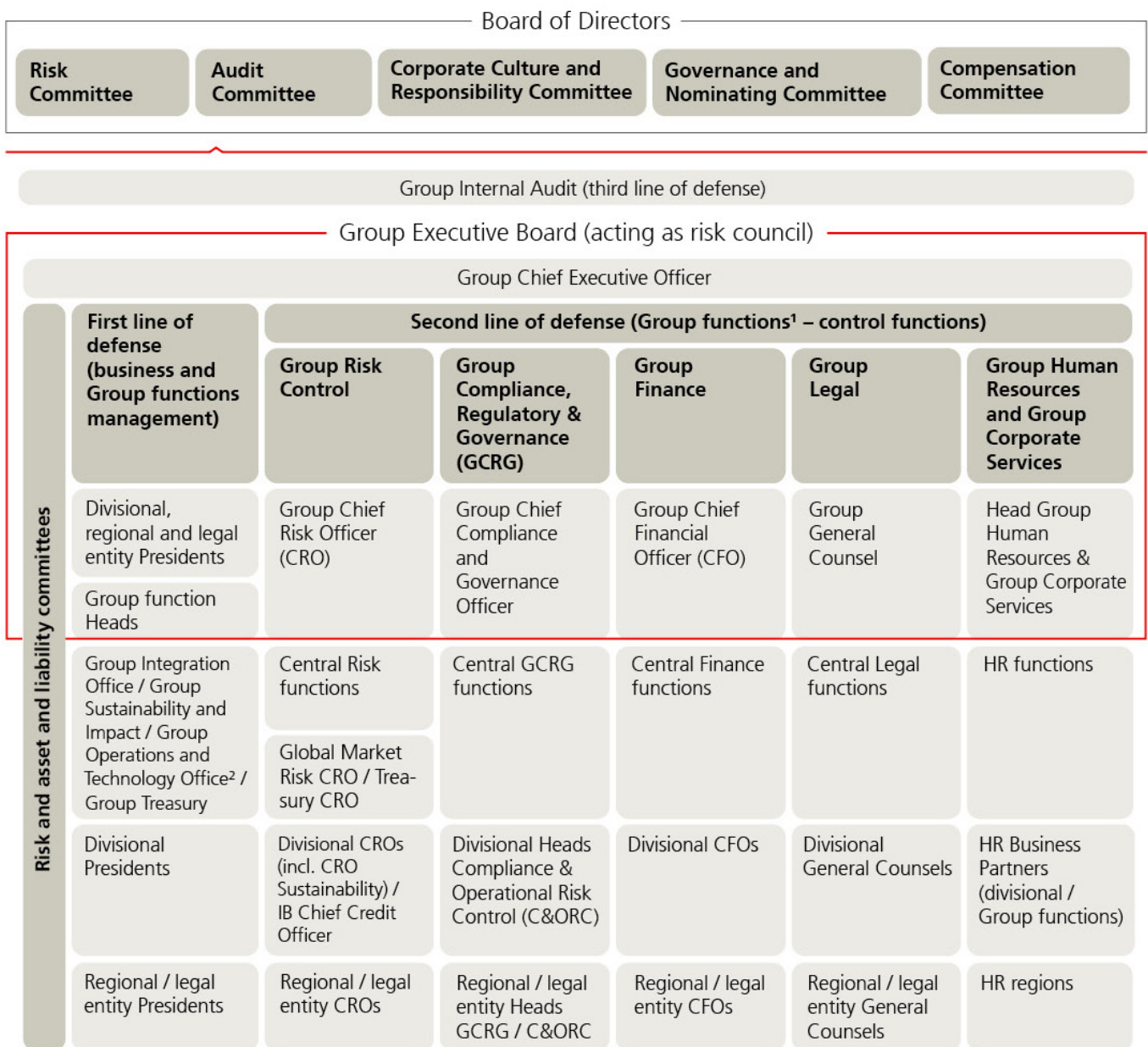
Our risk governance framework operates along three lines of defense.

Our first line of defense, business management, owns its risks and is accountable for maintaining effective processes and systems to manage them in compliance with applicable laws, rules and regulations, as well as internal standards, including identifying control weaknesses and inadequate processes.

Our second line of defense, control functions, is separate from the business and reports directly to the Group Chief Executive Officer (the Group CEO). Control functions provide independent oversight, challenge financial and non-financial risks arising from the firm’s business activities, and establish independent frameworks for risk assessment, measurement, aggregation, control and reporting, protecting against non-compliance with applicable laws, rules and regulations.

Our third line of defense, Group Internal Audit (GIA), reports to the Chairman and to the Audit Committee. This function assesses the design and operating effectiveness and sustainability of processes to define risk appetite, governance, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal governance standards.

The key roles and responsibilities for risk management and control are shown in the chart below and described further below.



¹ Our Group functions are support and control functions that provide services for the business divisions and include the following major areas: Group Services (which consists of the Group Operations and Technology Office, Corporate Services, Compliance, Regulatory & Governance, Finance, Risk Control, Human Resources, Communications & Branding, Legal, the Group Integration Office, Group Sustainability and Impact, and Chief Strategy Office) and Group Treasury.
² Including the Cyber Information Security Office. ▲

Audited | The Board of Directors (the BoD) approves the risk management and control framework of the Group, including the Group and business division overall risk appetite. The BoD is supported by its Risk Committee, which monitors and oversees the Group’s risk profile and the implementation of the risk framework approved by the BoD, and approves the Group’s risk appetite methodology. The Corporate Culture and Responsibility Committee (the CCRC) helps the BoD meet its duty to safeguard and advance UBS’s reputation for responsible and sustainable conduct, reviewing stakeholder concerns and expectations pertaining to UBS’s societal contribution and corporate culture. The Audit Committee assists the BoD with its oversight duty relating to financial reporting and internal controls over financial reporting, and the effectiveness of whistleblowing procedures and the external and internal audit functions.

The Group Executive Board (the GEB) has overall responsibility for establishing and implementing a risk management and control framework in the Group, managing the risk profile of the Group as a whole.

The Group CEO has responsibility and accountability for the management and performance of the Group, has risk authority over transactions, positions and exposures, and allocates risk authority delegated by the BoD to the business divisions and Group functions.

The business division Presidents and Group functional heads are responsible for the operation and management of their business divisions and Group functions, including controlling the risk appetite of the business divisions.

The regional Presidents ensure cross-divisional collaboration in their regions and are mandated to inform the GEB about any regional activities and issues that may give rise to actual or potentially material regulatory or reputational concerns.

The Group Chief Risk Officer (the Group CRO) is responsible for developing the Group's risk management and control framework (including risk principles and risk appetite) for credit, market, country, treasury, model and sustainability and climate risks. This includes risk measurement and aggregation, portfolio controls, risk reporting, and taking decisions on transactions, positions, exposures, portfolio limits and allowances in accordance with the risk control authorities delegated to the Group CRO.

The Group Chief Compliance and Governance Officer is responsible for developing the Group's risk management and control framework (including taxonomies and risk appetite) for non-financial risks, as well as implementing independent control frameworks for these risks.

The Group Chief Financial Officer (the Group CFO) is responsible for transparency in assessing the financial performance of the Group and the business divisions, and for managing the Group's financial accounting, controlling, forecasting, planning and reporting. Additional responsibilities include managing and controlling UBS's tax affairs, treasury and capital management, including regulatory ratios, asset and liability management, and developing UBS's inorganic strategy (mergers and acquisitions) in collaboration with the GEB.

The Group Chief Operations and Technology Officer is responsible for driving Group-wide digitalization, delivering technology services, infrastructure and operations, including cybersecurity and information security, for our clients and employees, and providing Group-wide data governance.

The Group General Counsel manages the Group's legal affairs, ensuring effective and timely assessment of legal matters impacting the Group or its businesses, and managing and reporting all litigation matters.

The Head Group Human Resources & Group Corporate Services defines and executes a human resources strategy aligned to UBS's objectives, supplies real estate infrastructure and controls supply and demand management activities.

The Group Integration Officer develops UBS's integration strategy with regard to Credit Suisse within agreed design principles and in accordance with UBS's strategy and coordinates with integration teams to ensure coherent and consistent execution of integration plans and milestones.

GIA independently assesses the soundness of UBS's risk and control culture and reliability of financial and operational information. GIA also assesses the design, operating effectiveness and sustainability of processes to define strategy and risk appetite, governance processes, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal documents. The Head GIA reports to the Chairman of the BoD. GIA also has a functional reporting line to the BoD Audit Committee.

Some of these roles and responsibilities are replicated for significant entities of the Group. Designated entity risk officers oversee and control financial and non-financial risks for significant entities of UBS as part of the entity control framework, which complements the Group's risk management and control framework. ▲

Risk appetite framework

We have a defined Group-level risk appetite, covering financial and non-financial risk types, via a complementary set of qualitative and quantitative risk appetite statements. This is reviewed and recalibrated annually and presented to the BoD for approval.

Our risk appetite is defined at the aggregate Group level and reflects the risk that we are willing to accept or wish to avoid. It is set via complementary qualitative and quantitative risk appetite statements defined at a firm-wide level and is embedded throughout our business divisions and legal entities by Group, business division and legal entity policies, limits and authorities. Our risk appetite is reviewed and recalibrated annually, with the aim of ensuring that risk-taking at every level of the organization is in line with our strategic priorities, our capital and liquidity plans, our *Pillars, Principles and Behaviors*, and minimum regulatory requirements. The "Risk appetite framework" chart below shows the key elements of the framework, which is described in detail in this section.

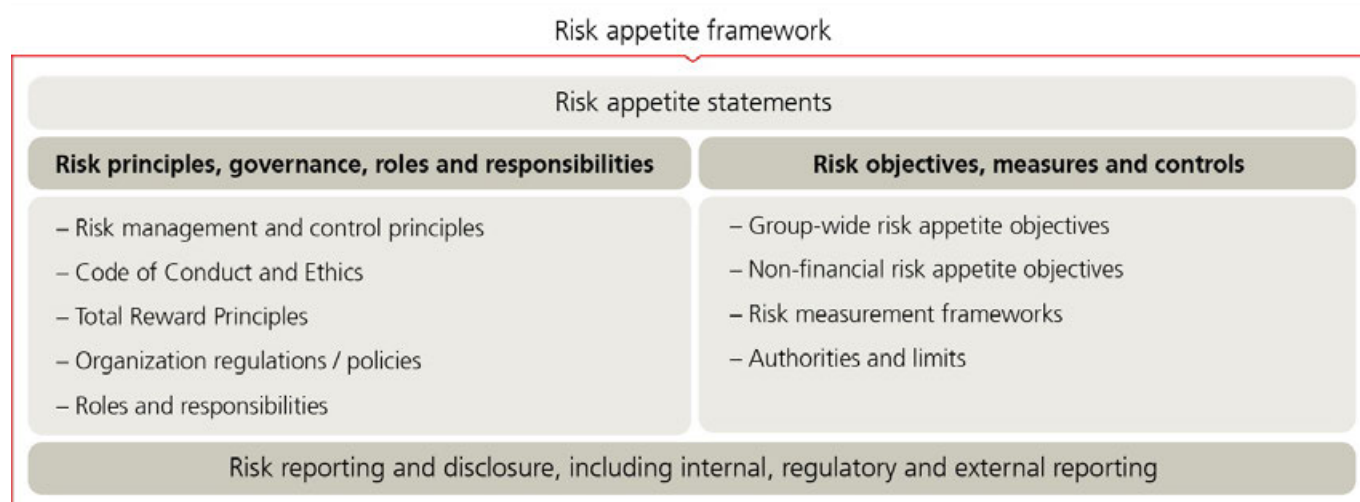
Qualitative risk appetite statements aim to ensure we maintain the desired risk culture. Quantitative risk appetite objectives are designed to enhance UBS's resilience against the effects of potential severe adverse economic or geopolitical events. These risk appetite objectives cover minimum capital and leverage ratios, solvency, earnings, liquidity and funding, and are subject to periodic review, including the yearly business planning process. These objectives are complemented by a standardized set of quantitative firm-wide non-financial risk appetite objectives established at the Group and business division levels. Non-financial risk events exceeding predetermined risk tolerances, expressed as percentages of UBS's total operating income, must be escalated as per the firm-wide escalation framework.

The quantitative risk appetite objectives are supported by a comprehensive suite of risk limits set at a portfolio level to monitor specific portfolios and to identify potential risk concentrations.

The status of our quantitative risk appetite objectives is evaluated each month and reported to the BoD and the GEB. As our risk appetite may change over time, portfolio limits and associated approval authorities are subject to periodic reviews and changes, particularly in the context of our annual business planning process.

Our risk appetite framework is governed by a single overarching policy and conforms to the Financial Stability Board's Principles for an Effective Risk Appetite Framework. The former UBS risk appetite framework is applied to the combined UBS Group.

Risk appetite framework



Risk principles and risk culture

Maintaining a strong risk culture is a prerequisite for success in today's highly complex operating environment and a source of sustainable competitive advantage.

Our risk appetite framework combines all the important elements of our risk culture, expressed in our *Pillars, Principles and Behaviors*, our risk management and control principles, our Code of Conduct and Ethics, and our Total Reward Principles. They help to create a solid foundation for promoting risk awareness, leading to appropriate risk-taking and the establishing of robust risk management and control processes. These principles are supported by a range of initiatives covering employees at all levels, for example the *UBS House View on Leadership*, which is a set of explicit expectations that establishes consistent leadership standards across UBS, and our Principles of Good Supervision, which establish clear expectations of managers and employees regarding supervisory responsibilities, specifically: to take responsibility; to know and organize their business; to know their employees and what they do; to create a good risk culture; and to respond to and resolve issues.

- › Refer to "Employees" in the "How we create value for our stakeholders" section of this report for more information about our Pillars, Principles and Behaviors
- › Refer to the Code of Conduct and Ethics of UBS at ubs.com/code for more information

Risk management and control principles

| | |
|---|---|
| Protection of financial strength | Protecting UBS's financial strength by controlling our risk exposure and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate firm-wide level across all risk types. |
| Protection of reputation | Protecting our reputation through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles, particularly our Code of Conduct and Ethics. |
| Business management accountability | Maintaining management accountability, whereby business management owns all risks assumed throughout the Group and is responsible for the continuous and active management of all risk exposures to provide for balanced risk and return. |
| Independent controls | Independent control functions that monitor the effectiveness of the businesses' risk management and oversee risk-taking activities. |
| Risk disclosure | Disclosure of risks to senior management, the BoD, investors, regulators, credit rating agencies and other stakeholders with an appropriate level of comprehensiveness and transparency. |

Whistleblowing policies and procedures exist to encourage an environment where staff are comfortable raising concerns. There are multiple channels via which individuals may, either openly or anonymously, escalate suspected breaches of laws, regulations, rules and other legal requirements, our Code of Conduct and Ethics, policies or relevant professional standards. We are committed to ensuring there is appropriate training and communication to staff and legal entity representatives, including information about new regulatory requirements.

Mandatory training programs cover various compliance-related and risk-related topics, including operational risk and anti-money laundering. Additional specialized training is provided depending on employees' specific roles and responsibilities, e.g., credit risk and market risk training for those working in trading areas.

Quantitative risk appetite objectives

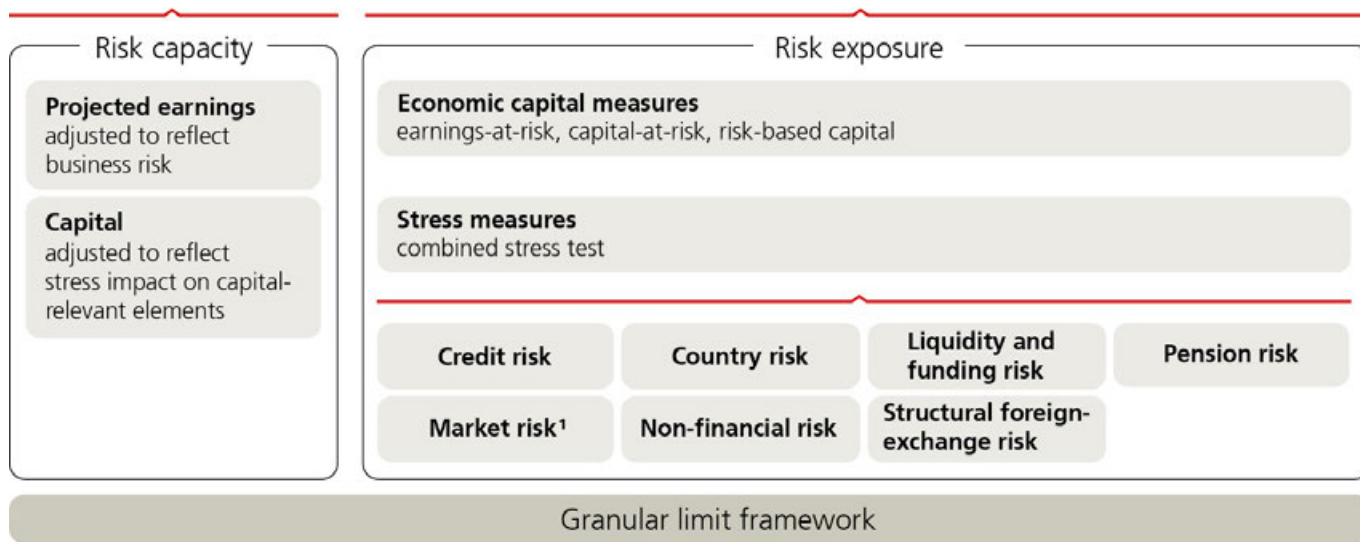
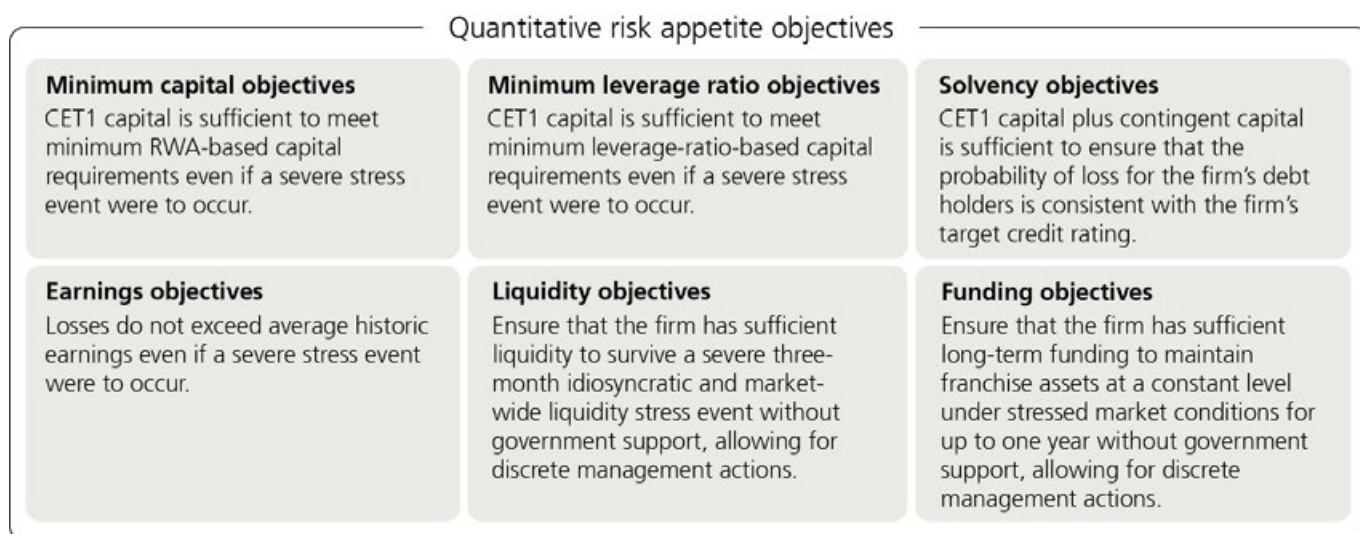
Our quantitative risk appetite objectives aim to ensure that our aggregate risk exposure remains within desired risk capacity, based on capital and business plans. The specific definition of risk capacity for each objective is aimed at ensuring we have sufficient capital, earnings, funding and liquidity to protect our businesses and exceed minimum regulatory requirements under a severe stress event. The risk appetite objectives are evaluated during the annual business planning process and approved by the BoD. The comparison of risk exposure with risk capacity is a key consideration in decisions on potential adjustments to the business strategy, risk profile, and the level of capital returns to shareholders.

In the annual business planning process, UBS's business strategy is reviewed, the risk profile that our operations and activities result in is assessed, and that risk profile is stressed. We use both scenario-based stress tests and economic capital risk measurement techniques to assess the effects of severe stress events at a firm-wide level. These complementary frameworks capture exposures to material risks across our business divisions and Group Items.

The BoD has approved the following risk appetite objectives for the combined UBS Group.

› Refer to "Risk measurement" in this section for more information about our stress testing and economic capital measures

Quantitative risk appetite objectives



¹ Includes interest rate risk. Refer to "Risk categories" in this section for more information.

Our risk capacity is underpinned by performance targets and capital guidance as per our business plan. When determining our risk capacity in case of a severe stress event, we estimate projected earnings under stress, factoring in lower expected income and expenses. We also consider capital impacts under stress from deferred tax assets, pension plan assets and liabilities, and accruals for capital returns to shareholders.

Risk appetite objectives define the aggregate risk exposure acceptable at the firm-wide level, given our risk capacity. The maximum acceptable risk exposure is supported by a full set of risk limits, which are cascaded to businesses and portfolios. These limits aim to ensure that our risks remain in line with risk appetite.

Risk appetite statements at the business division level are derived from the firm-wide risk appetite. They may also include division-specific strategic goals related to that division's activities and risks. Risk appetite statements are also set for certain legal entities, which must be consistent with the firm-wide risk appetite framework and approved in accordance with Group and legal entity regulations. Differences may exist that reflect the specific nature, size, complexity and regulations applicable to the relevant legal entity.

Internal risk reporting

Comprehensive and transparent reporting of risks is central to our risk governance framework's control and oversight responsibilities and required by our risk management and control principles. Accordingly, risks are reported at a frequency and level of detail commensurate with the extent and variability of the risk and the needs of the various governance bodies, regulators and risk authority holders.

Since the acquisition of the Credit Suisse Group, the Group Risk Summary report provides a monthly overview of the combined risk profile across UBS AG and Credit Suisse AG, covering both financial and non-financial risks. The report recently also included the status of our risk appetite objectives and the results of firm-wide stress testing. With respect to financial risks, the Group Risk Summary includes a view of aggregated risk exposures, to the extent metrics are broadly comparable. The Group Risk Summary is distributed internally to the BoD, the GEB and senior members of Risk Control and GIA. In parallel, respective senior management continues to be informed about the two parent banks' risks in more detail via the UBS AG Risk Report (formerly the Group Risk Report), the Credit Suisse AG Financial Risk Report and the Credit Suisse AG Non-Financial Risk Report.

Monthly divisional risk reports are supplemented with daily or weekly reports, at various levels of granularity, covering market and credit risks for the business divisions to enable risk officers and senior management to monitor and control the Group's risk profile.

Our internal risk reporting covers financial and non-financial risks and is supported by risk data and measurement systems that are also used for external disclosure and regulatory reporting. Dedicated units within Risk Control assume responsibility for measurement, analysis and reporting of risk and for overseeing the quality and integrity of risk-related data. Our risk data and measurement systems are subject to periodic review by GIA, following a risk-based audit approach.

Model risk management

Introduction

We rely on models to inform risk management and control decisions, to measure risks or exposures, value instruments or positions, conduct stress testing, assess adequacy of capital, and manage clients' assets and our own assets. Models may also be used to measure and monitor compliance with rules and regulations, for surveillance activities, or to meet financial or regulatory reporting requirements.

Model risk is defined as the risk of adverse consequences (e.g., financial losses or reputational damage) resulting from incorrect or misused models.

Model governance framework

Our model governance framework establishes requirements for identifying, measuring, monitoring, reporting, controlling and mitigating model risk. All the models that we use are subject to governance and controls throughout their life cycles, with rigor, depth and frequency determined by the model's materiality and complexity. This is designed to ensure that risks arising from model use are identified, understood, managed, monitored, controlled and reported on both a model-specific and an aggregated level. Before they can be granted approval for use, all our models are independently validated.

Once validated and approved for use, a model is subject to ongoing model monitoring and regular model confirmation, ensuring that the model is only used if it continues to be found fit for purpose. All models are subject to periodic model re-validation.

Our model risk governance framework follows our overarching risk governance framework, with the three lines of defense (LoD) assigned as follows.

- First LoD: individuals responsible for development, maintenance and appropriate use of the models, within business units and Group functions.
- Second LoD: individuals responsible for independent review of and effective challenge to the models, the Model Risk Management & Control function headed by the Chief Model Risk Officer.
- Third LoD: Group Internal Audit.

An important difference as compared with how LoD are usually defined in financial and non-financial risk is that some models are owned by traditionally second LoD functions, such as Risk Control, Finance or Compliance.

Model risk appetite framework and statement

The model risk appetite framework sets out the model risk appetite statement, defines the relevant metrics and lays out how appropriate adherence is assessed.

Model oversight

Model oversight committees and forums ensure that model risk is overseen at different levels of the organization, appropriate model risk management and control actions are taken and, where necessary, escalated to the next level.

The Group Model Governance Committee is our most senior oversight and escalation body for all models in scope of our model governance framework. It is co-chaired by the Group CRO and the Group CFO and is responsible for: (i) reviewing and approving changes to the framework; (ii) approving the model risk appetite statement; (iii) overseeing adherence to the UBS model risk governance framework; and (iv) monitoring model risk at a firm-wide level.

Risk measurement

Audited I We apply a variety of methodologies and measurements to quantify the risks of our portfolios and potential risk concentrations. Risks that are not fully reflected within standard measures are subject to additional controls, which may include preapproval of specific transactions and the application of specific restrictions. Models to quantify risk are generally developed by dedicated units within control functions and are subject to independent validation. ▲

- › Refer to “Credit risk,” “Market risk” and “Non-financial risk” in this section for more information about model confirmation procedures

The text below describes the scenario-based stress testing and economic capital measures of UBS AG on a consolidated basis during 2023. As part of the ongoing integration of Credit Suisse, we have made significant progress in the evaluation and alignment of our stress testing and economic capital approaches and results. We will continue to integrate our risk methodologies and measurements as Credit Suisse portfolios migrate to UBS infrastructure.

Stress testing

We perform stress testing to estimate losses that could result from extreme yet plausible macroeconomic and geopolitical stress events to identify, better understand and manage our potential vulnerabilities and risk concentrations. Stress testing has a key role in our limits framework at the firm-wide, business division, legal entity and portfolio levels. Stress test results are regularly reported to the BoD and the GEB. As described in “Risk appetite framework,” stress testing, along with economic capital measures, has a central role in our risk appetite and business planning processes.

Our stress testing framework has three pillars: (i) combined stress tests; (ii) an extensive set of portfolio- and risk-type-specific stress tests; and (iii) reverse stress testing.

The combined stress testing (CST) framework is scenario-based and aims to quantify overall firm-wide losses that could result from various potential global systemic events. The framework captures all material risks, as covered in “Risk categories.” Scenarios are forward-looking and encompass macroeconomic and geopolitical stress events calibrated to different levels of severity. We implement each scenario through the expected evolution of market indicators and economic variables under that scenario and then estimate the overall loss and capital implications were the scenario to occur. Following the existing UBS AG scenario governance, at least once a year, the Risk Committee approves the most relevant scenario, known as the binding scenario, for use as the main scenario for regular CST reporting and for monitoring risk exposure against our minimum capital, earnings and leverage ratio objectives in our risk appetite framework.

We provide detailed stress loss analyses to the Swiss Financial Market Supervisory Authority (FINMA) and regulators of our legal entities in accordance with their requirements.

Our Enterprise-wide Stress Forum (the ESF) aims to ensure the consistency and adequacy of the assumptions and scenarios used for firm-wide stress measures. As part of its responsibilities, the ESF, with input from the Think Tank, a panel of senior representatives from the business divisions, Risk Control and Economic Research, seeks to ensure that the set of stress scenarios adequately reflects current and potential developments in the macroeconomic and geopolitical environment, current and planned business activities, and actual or potential risk concentrations and vulnerabilities in our portfolios.

Each scenario captures a wide range of macroeconomic variables, including GDP, equity prices, interest rates, foreign exchange rates, commodity prices, property prices and unemployment. We use assumed changes in these macroeconomic and market variables in each scenario to stress the key risk drivers of our portfolios. We also capture the business risk resulting from lower fee, interest and trading income net of lower expenses. These effects are measured for all businesses and material risk types to calculate the aggregate estimated effect of the scenario on profit or loss, other comprehensive income, risk-weighted assets, the leverage ratio denominator and, ultimately, capital and leverage ratios. The assumed changes in macroeconomic variables are updated periodically to account for changes in the current and possible future market environment.

In 2023, the binding scenario for CST was the internal stagflationary geopolitical crisis scenario. This scenario assumes that a geopolitical event leads to economic regionalization and fears of prolonged stagflation. Central banks signal a firm commitment to price stability and continue to tighten monetary policy, triggering a broad rise in interest rates and impacting economic activity and asset values.

As part of the CST framework, we routinely monitored three additional stress scenarios throughout 2023:

- The *global crisis* scenario assumes a fall in global trade, which particularly hits China and leads to a hard landing. Combined with political, solvency and liquidity concerns, this results in a sharp sell-off of emerging markets sovereign debt and some emerging markets default. The macroeconomic and market impacts amplify concerns about peripheral European sovereign debt, causing Greece and Cyprus to default.
- The *global depression* scenario explores a global risk-off market with a combination of political, solvency and liquidity concerns around emerging markets sovereign debt, causing several large emerging markets to default. Several European economies also default, and some leave the Eurozone. A negative feedback loop between collapsing demand, declining asset values and commodity prices, and disruption in the banking system leads to a deep and prolonged recession across the globe.
- The *US monetary crisis* scenario explores a loss of confidence in the US, which leads to a sell-off of US dollar-denominated assets, sparking an abrupt and substantial depreciation of the US dollar. The US economy is hit hard, financial markets enter a period of high volatility and other industrialized countries replicate the cyclical pattern of the US. Regional inflation trends diverge as the US experiences significant inflationary pressures while other developed markets experience deflation.

Portfolio-specific stress tests are measures tailored to the risks of specific portfolios. Our portfolio stress loss measures are derived from data on past events, but also include forward-looking elements (e.g., we derive the expected market movements in our liquidity-adjusted stress metric using a combination of historical market behavior, based on an analysis of historical events, and forward-looking analysis, including consideration of defined scenarios that have never occurred). Results of portfolio-specific stress tests may be subject to limits to explicitly control risk-taking or may be monitored without limits to identify vulnerabilities.

Reverse stress testing starts from a defined stress outcome (e.g., a specified loss amount, reputational damage, a liquidity shortfall or a breach of minimum capital ratios) and works backward to identify macroeconomic scenarios and / or idiosyncratic events that could result in such an outcome. As such, reverse stress testing is intended to complement scenario-based stress tests by assuming “what if” outcomes that could extend beyond the range normally considered, and thereby potentially challenge assumptions regarding severity and plausibility.

We also routinely analyze the effect of increases or decreases in interest rates and changes in the structure of yield curves.

Within Group Treasury, we also perform stress testing to determine the optimal asset and liability structure, enabling us to maintain an appropriately balanced liquidity and funding position under various scenarios. These scenarios differ from those outlined above, because they focus on specific situations that could generate liquidity and funding stress, as opposed to the scenarios used in the CST framework, which focus on the effect on profit or loss and capital.

- › Refer to “Credit risk” and “Market risk” in this section for more information about stress loss measures
- › Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about stress testing
- › Refer to “Note 20 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information about scenarios used for expected credit loss measurement

Economic capital measures

We complement the scenario-based CST measures with economic capital stress measures to calculate and aggregate risks using statistical techniques to derive stress events at chosen confidence levels.

This framework is used to derive a loss distribution, considering effects on both income and expenses, based on the simulation of historically observed financial and economic risk factors in combination with the firm's actual earnings and relevant risk exposures. From that, we determine earnings-at-risk (EaR), measuring the potential shortfall in earnings (i.e., the deviation from forecast earnings) at a 95% confidence level and evaluated over a one-year horizon. EaR is used for the assessment of the earnings objectives in our risk appetite framework.

We extend the EaR measure, incorporating the effects of gains and losses recognized through other comprehensive income, to derive a distribution of potential effects of stress events on common equity tier 1 capital. From this distribution, we derive our capital-at-risk (CaR) buffer measure at a 95% confidence level to assess our capital and leverage ratio risk appetite objectives, and derive our CaR solvency measure at a 99.9% confidence level to assess our solvency risk appetite objective.

We use the CaR solvency measure as a basis for deriving the contributions of the business divisions to risk-based capital (RBC). RBC measures the potential capital impairment from an extreme stress event at a 99.9% confidence level.

Portfolio and position limits

UBS maintains a comprehensive set of risk limits across its major risk portfolios. These portfolio limits are set based on our risk appetite and periodically reviewed and adjusted as part of the business planning process.

Firm-wide stress and statistical metrics are complemented by more granular portfolio and position limits, triggers and targets. Combining these measures provides a comprehensive framework for control of the key risks of our business divisions, as well as significant legal entities.

UBS AG and Credit Suisse AG apply limits to a variety of exposures at the portfolio level, using statistical and stress-based measures, such as value-at-risk, liquidity-adjusted stress, loan underwriting limits, economic value sensitivity and portfolio default simulations for loan books. These are complemented with a set of controls for net interest income sensitivity, mark-to-market losses on available-for-sale portfolios, and the effect of foreign exchange movements on capital and capital ratios.

Portfolio measures are supplemented with counterparty- and position-level controls. Risk measures for position controls are based on market risk sensitivities and counterparty-level credit risk exposures. Market risk sensitivities include sensitivities to changes in general market risk factors (e.g., equity indices, foreign exchange rates and interest rates) and sensitivities to issuer-specific factors (e.g., changes in an issuer's credit spread or default risk). We monitor numerous market and treasury risk controls on a daily basis. Counterparty measures capture the current and potential future exposure to an individual counterparty, considering collateral and legally enforceable netting agreements.

Since the legal close of the acquisition of the Credit Suisse Group in June 2023, UBS has implemented a set of combined portfolio limits applied to UBS Group AG to oversee the aggregate risk profile, while UBS AG and Credit Suisse AG continue to operate under their existing risk management and limit frameworks until the merger of the two entities in the second quarter of 2024. This initial set of combined limits was further reviewed and extended to cover additional main risk portfolios of the Group in January 2024.

- › Refer to **"Credit risk"** in this section for more information about counterparty limits
- › Refer to **"Risk appetite framework"** in this section for more information about the risk appetite framework

Risk concentrations

Audited | Risk concentrations may exist where one or several positions within or across different risk categories could result in significant losses relative to UBS's financial strength. Identifying such risk concentrations and assessing their potential impact is a critical component of our risk management and control process.

For financial risks, we consider a number of elements, such as shared characteristics of positions, the size of the portfolio and the sensitivity of positions to changes in the underlying risk factors. Also important in our assessment is the liquidity of the markets where the positions are traded, as well as the availability and effectiveness of hedges or other potential risk-mitigating factors. This includes an assessment of, for example, the provider of the hedge and market liquidity where the hedge might be traded. Particular attention is given to identification of wrong-way risk and risk on risk. Wrong-way risk is defined as a positive correlation between the size of the exposure and the likelihood of a loss. Risk on risk is when a position and its risk mitigation can be impacted by the same event.

For non-financial risks, risk concentrations may result from, for example, a single operational risk issue that is large on its own (i.e., it has the potential to produce a single high-impact loss or a number of losses that together are high impact) or related risk issues that may link together to create a high impact.

Risk concentrations are subject to increased oversight by Group Risk Control and Group Compliance, Regulatory & Governance, and assessed to determine whether they should be reduced or mitigated, depending on the available means to do so. It is possible that material losses could occur on financial or non-financial risks, particularly if the correlations that emerge in a stressed environment differ markedly from those envisaged by risk models. ▲

- › Refer to **"Credit risk"** and **"Market risk"** in this section for more information about the composition of our portfolios
- › Refer to the **"Risk factors"** section of this report for more information

Credit risk

Audited | Main sources of credit risk

- Global Wealth Management credit risk arises from collateralized lending, primarily against securities, private equity and hedge fund interest, investors' uncalled capital commitments, residential and commercial real estate, and other real assets such as ships and aircraft, as well as from derivatives trading. In addition, risk also arises from its corporate lending and other unsecured lending.
- A substantial portion of lending exposure arises from Personal & Corporate Banking, which offers mortgage loans, secured mainly by owner-occupied properties and income-producing real estate, as well as corporate loans, and therefore depends on the performance of the Swiss economy and real estate market.
- The Investment Bank's credit exposure arises mainly from lending, derivatives trading and securities financing. Derivatives trading and securities financing are mainly investment grade. Loan underwriting activity can be lower rated and gives rise to temporary concentrated exposure.
- Credit risk within Non-core and Legacy relates to large, less-liquid structured financing transactions, including some with residential and commercial real estate collateral, a material corporate loan portfolio and a counterparty credit trading portfolio with lending against securities collateral and derivatives. ▲

Credit loss expense / release

Total net credit loss expenses were USD 1,037m in 2023, reflecting net credit loss expenses of USD 593m related to stage 1 and 2 positions and net credit loss expenses of USD 445m related to credit-impaired (stage 3 and purchased credit-impaired) positions. Expected credit loss (ECL) expenses of USD 593m for the performing loans were predominantly attributable to the initial recognition of expected credit loss allowances and provisions after the date of the acquisition of the Credit Suisse Group. Credit-impaired net expenses amounted to USD 445m, of which USD 325m was within the Credit Suisse portfolio and USD 120m was within the UBS portfolio. As per IFRS 9, no ECL allowances and provisions had to be recognized at the acquisition date for credit-impaired exposures, after the fair valuation as per the purchase price allocation.

- › Refer to "Note 1 Summary of material accounting policies," "Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 20 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about IFRS 9 and expected credit losses

Credit loss expense / (release)

| USD m | Performing positions | | Credit-impaired positions | | Total |
|------------------------------------|----------------------|-------------|---------------------------|--|--------------|
| | Stages 1 and 2 | Stage 3 | Purchased | | |
| For the year ended 31.12.23 | | | | | |
| Global Wealth Management | 108 | 27 | 13 | | 147 |
| Personal & Corporate Banking | 290 | 183 | 27 | | 501 |
| Asset Management | 1 | (1) | 0 | | 0 |
| Investment Bank | 110 | 78 | 2 | | 190 |
| Non-core and Legacy | 78 | 91 | 25 | | 193 |
| Group Items ¹ | 5 | 0 | 0 | | 6 |
| Total | 593 | 378 | 67 | | 1,037 |
| For the year ended 31.12.22 | | | | | |
| Global Wealth Management | (5) | 5 | | | 0 |
| Personal & Corporate Banking | 27 | 12 | | | 39 |
| Asset Management | 0 | 0 | | | 0 |
| Investment Bank | 6 | (18) | | | (12) |
| Non-core and Legacy | 0 | 2 | | | 2 |
| Group Items ¹ | 1 | 0 | | | 1 |
| Total | 29 | 0 | | | 29 |
| For the year ended 31.12.21 | | | | | |
| Global Wealth Management | (28) | (1) | | | (29) |
| Personal & Corporate Banking | (62) | (24) | | | (86) |
| Asset Management | 0 | 1 | | | 1 |
| Investment Bank | (34) | 0 | | | (34) |
| Non-core and Legacy | 0 | 0 | | | 0 |
| Group Items ¹ | 0 | 0 | | | 0 |
| Total | (123) | (25) | | | (148) |

¹ Starting with the third quarter of 2023, Non-core and Legacy became a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been restated to reflect these changes.

Audited | **Overview of measurement, monitoring and management techniques**

- Credit risk from transactions with individual counterparties is based on our estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD). Limits are established for individual counterparties and groups of related counterparties covering banking and traded products, and for settlement amounts. Risk authorities are approved by the Board of Directors and are delegated to the Group CEO, the Group Chief Risk Officer (the CRO) and divisional CROs, based on risk exposure amounts, internal credit rating and potential for losses.
- Limits apply not only to the current outstanding amount but also to contingent commitments and the potential future exposure of traded products.
- The Investment Bank monitoring, measurement and limit framework distinguishes between exposures intended to be held to maturity (take-and-hold exposures) and those intended for distribution or risk transfer (temporary exposures).
- We use models to derive portfolio credit risk measures of expected loss, statistical loss and stress loss at Group-wide and business division levels, and to establish portfolio limits.
- Credit risk concentrations can arise if clients are engaged in similar activities, located in the same geographical region or have comparable economic characteristics, e.g., if their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. To avoid credit risk concentrations, we establish limits / operational controls that constrain risk concentrations at portfolio, sub-portfolio or counterparty levels for sector exposure, country risk and specific product exposures. ▲

Credit risk profile of the Group

The exposures detailed in this section are based on management's view of credit risk, which differs in certain respects from the ECL measurement requirements of IFRS Accounting Standards.

Internally, we put credit risk exposures into two broad categories: banking products and traded products. Banking products include drawn loans, guarantees and loan commitments, amounts due from banks, balances at central banks, and other financial assets at amortized cost. Traded products include over-the-counter (OTC) derivatives, exchange-traded derivatives (ETDs) and securities financing transactions (SFTs), consisting of securities borrowing and lending, and repurchase and reverse repurchase agreements.

Banking and traded products exposure in our business divisions and Group Items

31.12.23

| USD m | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy | Group Items | Total |
|---|--------------------------------|------------------------------------|---------------------|--------------------|------------------------|----------------|-----------|
| Banking products^{1,2} | | | | | | | |
| Gross exposure | 409,711 | 481,821 | 1,700 | 96,878 | 50,223 | 138,884 | 1,179,217 |
| of which: loans and advances to customers (on-balance sheet) | 279,360 | 336,916 | 13 | 16,993 | 8,106 | 155 | 641,542 |
| of which: guarantees and loan commitments (off-balance sheet) | 21,344 | 58,618 | 59 | 36,094 | 3,149 | 18,569 | 137,834 |
| Traded products^{2,3,4} | | | | | | | |
| Gross exposure | 11,812 | 4,748 | 0 | | 47,630 | | 64,191 |
| of which: over-the-counter derivatives | 8,397 | 4,116 | 0 | | 12,400 | | 24,913 |
| of which: securities financing transactions | 371 | 19 | 0 | | 23,044 | | 23,434 |
| of which: exchange-traded derivatives | 3,045 | 613 | 0 | | 12,186 | | 15,844 |
| Other credit lines, gross⁵ | 70,130 | 88,279 | 0 | 4,714 | 5 | 127 | 163,256 |
| Total credit-impaired exposure, gross ¹ | 1,681 | 3,045 | 0 | 469 | 1,169 | 2 | 6,367 |
| of which: stage 3 | 1,012 | 2,640 | 0 | 408 | 290 | 2 | 4,352 |
| of which: PCI | 668 | 405 | 0 | 61 | 879 | 0 | 2,014 |
| Total allowances and provisions for expected credit losses | 390 | 1,234 | 1 | 358 | 271 | 8 | 2,261 |
| of which: stage 1 | 166 | 372 | 1 | 133 | 20 | 7 | 700 |
| of which: stage 2 | 66 | 255 | 0 | 78 | 16 | 0 | 416 |
| of which: stage 3 | 98 | 590 | 0 | 146 | 158 | 0 | 993 |
| of which: PCI | 59 | 16 | 0 | 1 | 77 | 0 | 153 |

31.12.22

| USD m | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy | Group Items | Total |
|---|--------------------------------|------------------------------------|---------------------|--------------------|------------------------|----------------|---------|
| Banking products^{1,2} | | | | | | | |
| Gross exposure | 334,621 | 236,508 | 1,454 | 76,585 | 804 | 37,182 | 687,152 |
| of which: loans and advances to customers (on-balance sheet) | 219,385 | 154,643 | (1) | 12,754 | 10 | 1,212 | 388,003 |
| of which: guarantees and loan commitments (off-balance sheet) | 13,147 | 28,610 | 0 | 12,920 | 3 | 7,483 | 62,163 |
| Traded products^{2,3} | | | | | | | |
| Gross exposure | 8,328 | 320 | 0 | | 34,370 | | 43,018 |
| of which: over-the-counter derivatives | 6,416 | 304 | 0 | | 11,218 | | 17,938 |
| of which: securities financing transactions | 0 | 0 | 0 | | 17,055 | | 17,055 |
| of which: exchange-traded derivatives | 1,912 | 15 | 0 | | 6,097 | | 8,024 |
| Other credit lines, gross⁵ | 12,084 | 23,092 | 0 | 6,105 | 0 | 109 | 41,390 |
| Total credit-impaired exposure, gross ¹ | 757 | 1,380 | 0 | 312 | 6 | 0 | 2,455 |
| of which: stage 3 | 757 | 1,380 | 0 | 312 | 6 | 0 | 2,455 |
| of which: PCI | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total allowances and provisions for expected credit losses | 215 | 701 | 0 | 168 | 3 | 4 | 1,091 |
| of which: stage 1 | 68 | 138 | 0 | 49 | 0 | 4 | 259 |
| of which: stage 2 | 57 | 156 | 0 | 54 | 0 | 0 | 267 |
| of which: stage 3 | 90 | 406 | 0 | 64 | 3 | 0 | 564 |
| of which: PCI | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

1 IFRS 9 gross exposure for banking products includes the following financial assets in scope of expected credit loss measurement: balances at central banks, amounts due from banks, loans and advances to customers, other financial assets at amortized cost, guarantees and irrevocable loan commitments. 2 Internal management view of credit risk, which differs in certain respects from IFRS Accounting Standards. 3 As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank, Non-core and Legacy, and Group Items is provided. 4 Credit Suisse traded products are presented before reflection of the impact of the purchase price allocation performed under IFRS 3, Business Combinations, following the acquisition of the Credit Suisse Group by UBS. The acquisition date adjustment is less than USD 1bn and, if applied, would lead to a reduction in our reported traded products exposure. 5 Unconditionally revocable committed credit lines.

Banking products

- › Refer to “Note 1 Summary of material accounting policies” in the “Consolidated financial statements” section of this report for more information about our accounting policy for allowances and provisions for ECL
- › Refer to “Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement” and “Note 20 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information about ECL measurement requirements under IFRS Accounting Standards
- › Refer to “Note 14 Other assets” in the “Consolidated financial statements” section of this report for more details

Global Wealth Management

Gross banking products exposure within Global Wealth Management increased by USD 75bn to USD 410bn in 2023 due to the acquisition of the Credit Suisse Group.

Our Global Wealth Management loan portfolio is mainly secured by securities (Lombard loans) and by residential real estate. Most of our USD 182bn of Lombard loans, including traded products collateralized by securities, were of high quality, with 93% rated as investment grade based on our internal ratings. Moreover, Lombard loans are typically uncommitted, short-term in nature and can be canceled immediately if the collateral quality deteriorates and margin calls are not met. Lending values in the Lombard book are derived by applying discounts to the pledged collateral's market value in line with a possible adverse change in market value over a given close-out period and confidence level. Less-liquid or more volatile collateral will typically have larger haircuts. In 2023, the Lombard book, including traded products, increased by approximately 19% due to the acquisition of the Credit Suisse Group, with no material losses recorded.

The mortgage book (residential and commercial real estate) increased by approximately 31% due to the acquisition of the Credit Suisse Group, mainly driven by higher volumes of mortgage loans within the Swiss residential and commercial real estate portfolios.

Other financing represents approximately 12% of the total banking products exposures and is consolidated in a corporate and other portfolio that more than doubled in 2023, mainly due to the acquisition of the Credit Suisse Group. Through this acquisition, Other financing now includes ship, yacht and export financing totaling USD 10bn, as well as an expanded corporate lending portfolio of USD 5bn.

› Refer to "Lending secured by real estate" and "Lombard lending" in this section for further information about these types of lending

Collateralization of Loans and advances to customers¹

| USD m, except where indicated | Global Wealth Management | | Personal & Corporate Banking | |
|---|--------------------------|----------------|------------------------------|----------------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Secured by collateral | 271,890 | 216,993 | 295,954 | 138,851 |
| Residential real estate | 80,051 | 62,200 | 235,878 | 110,500 |
| Commercial / industrial real estate | 8,370 | 4,955 | 45,050 | 19,795 |
| Cash | 36,163 | 30,514 | 3,919 | 3,036 |
| Equity and debt instruments | 120,672 | 107,253 | 5,072 | 2,228 |
| Other collateral ² | 26,634 | 12,071 | 6,034 | 3,293 |
| Subject to guarantees | 2,180 | 144 | 6,999 | 2,758 |
| Uncollateralized and not subject to guarantees | 5,290 | 2,247 | 33,963 | 13,034 |
| Total loans and advances to customers, gross | 279,360 | 219,385 | 336,916 | 154,643 |
| Allowances | (184) | (138) | (984) | (559) |
| Total loans and advances to customers, net of allowances | 279,176 | 219,247 | 335,932 | 154,084 |
| Collateralized loans and advances to customers in % of total loans and advances to customers, gross (%) | 97.3 | 98.9 | 87.8 | 89.8 |

¹ Collateral arrangements generally incorporate a range of collateral, including cash, securities, real estate and other collateral. For the purpose of this disclosure, UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. In the case of loan facilities with funded and unfunded elements, the collateral is first allocated to the funded element. Credit Suisse applies a risk-based approach that generally prioritizes real estate collateral and prioritizes other collateral according to its liquidity profile. In the case of loan facilities with funded and unfunded elements, the collateral is proportionately allocated.

² Includes but is not limited to life insurance contracts, rights in respect of subscription or capital commitments from fund partners, inventory, gold and other commodities.

Personal & Corporate Banking

Gross banking products exposure within Personal & Corporate Banking increased by USD 245bn to USD 482bn in 2023 due to the acquisition of the Credit Suisse Group. As illustrated in the "Personal & Corporate Banking: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets" table below, the majority was classified as investment grade and a significant portion of the exposure is categorized in the lowest LGD bucket, i.e., 0–25%.

As of 31 December 2023, 88% of loans and advances to customers were secured by collateral, mainly residential and commercial property. Of the total unsecured amount, 81% related to cash-flow-based lending to corporate counterparties and 3% related to lending to public authorities.

Our Swiss corporate banking products take-and-hold portfolio exposure was USD 93bn (CHF 78bn) and increased by USD 57bn compared with 2022 due to the acquisition of the Credit Suisse Group. The portfolio consists of loans, guarantees and loan commitments to multi-national and domestic counterparties. The small and medium-sized entity (SME) portfolio, in particular, is well diversified across industries. However, such companies are reliant on the domestic economy and the economies to which they export, in particular the EU and the US.

Our commodity trade finance portfolio focuses on energy and base-metal trading companies, where the related commodity price risk is hedged to a large extent by the commodity trader. The majority of limits in this business are uncommitted, transactional and short-term in nature. Our portfolio size was USD 11bn (CHF 9bn) as of 31 December 2023, compared with USD 7bn (CHF 7bn) in 2022, due to the acquisition of the Credit Suisse Group. A considerable part of the exposure correlates with commodity prices.

› Refer to "Credit risk models" in this section for more information about loss given default, rating grades and rating agency mappings

Swiss mortgage loan portfolio

Our Swiss mortgage loan portfolio secured by residential and commercial real estate in Switzerland continues to be our largest loan portfolio. These mortgage loans (including loans on self-used commercial real estate), totaling USD 352bn (CHF 297bn), mainly originate from Personal & Corporate Banking, but also from Global Wealth Management Region Switzerland.

As illustrated in the “Swiss mortgages: distribution of exposure across exposure segments and loan-to-value (LTV) buckets” table below, USD 262bn (CHF 220bn) of these mortgage loans related to residential properties that the borrower was either occupying or renting out, with full recourse to the borrower. USD 70bn (CHF 59bn) related to income-producing real estate. Of the aggregate amount of Swiss residential mortgages, 99.9% would continue to be covered by the real estate collateral even if the value assigned to that collateral were to decrease 20%, and more than 99% would remain covered by the real estate collateral even if the value assigned to that collateral were to decrease 30%.

Personal & Corporate Banking: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets¹

USD m, except where indicated

| Internal UBS rating ² | 31.12.23 | | | | | | 31.12.22 | |
|--|----------------|----------------|----------------|---------------|---------------|--------------------------|----------------|--------------------------|
| | Exposure | LGD buckets | | | | Weighted average LGD (%) | Exposure | Weighted average LGD (%) |
| Investment grade | 293,090 | 0–25% | 26–50% | 51–75% | 76–100% | 25 | 123,358 | 28 |
| Sub-investment grade | 109,084 | 37,295 | 43,077 | 18,859 | 9,853 | 38 | 62,219 | 35 |
| of which: 6–9 | 93,684 | 34,424 | 39,199 | 16,275 | 3,786 | 34 | 56,774 | 35 |
| of which: 10–13 | 15,400 | 2,871 | 3,878 | 2,584 | 6,067 | 61 | 5,445 | 36 |
| Defaulted / Credit-impaired | 3,419 | 268 | 2,015 | 1,020 | 116 | 45 | 1,380 | 42 |
| Banking products exposure¹ | 405,592 | 222,273 | 128,412 | 39,462 | 15,446 | 29 | 186,957 | 30 |

¹ Excluding balances at central banks and Group Treasury reallocations and for Credit Suisse including only loans and advances to customers and guarantees and loan commitments presented before reflection of the impact of the purchase price allocation adjustments. ² The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the “Internal UBS rating scale and mapping of external ratings” table in this section.

Personal & Corporate Banking: loans uncollateralized and not subject to guarantees, by industry sector

| | 31.12.23 | | 31.12.22 | |
|-------------------------|---------------|--------------|---------------|--------------|
| | USD m | % | USD m | % |
| Construction | 452 | 1.3 | 172 | 1.3 |
| Financial institutions | 10,294 | 30.3 | 3,878 | 29.8 |
| Hotels and restaurants | 247 | 0.7 | 135 | 1.0 |
| Manufacturing | 5,092 | 15.0 | 1,715 | 13.2 |
| Private households | 5,429 | 16.0 | 1,473 | 11.3 |
| Public authorities | 861 | 2.5 | 416 | 3.2 |
| Real estate and rentals | 1,643 | 4.8 | 547 | 4.2 |
| Retail and wholesale | 4,555 | 13.4 | 2,230 | 17.1 |
| Services | 4,606 | 13.6 | 2,242 | 17.2 |
| Other | 784 | 2.3 | 226 | 1.7 |
| Exposure, gross | 33,963 | 100.0 | 13,034 | 100.0 |

Swiss mortgages: distribution of exposure across exposure segments and loan-to-value (LTV) buckets¹

USD bn, except where indicated

| Exposure segment | | 31.12.23 | | | | | | | 31.12.22 ² | |
|---|---------------------|-------------|--------|--------|--------|--------|---------|-------|-----------------------|-------|
| | | LTV buckets | | | | | | | Total | Total |
| Residential mortgages | Exposure | ≤30% | 31–50% | 51–60% | 61–70% | 71–80% | 81–100% | >100% | 261.6 | 144.0 |
| | as a % of row total | 61 | 27 | 7 | 3 | 1 | 0 | 0 | 100 | 100 |
| Income-producing real estate | Exposure | 46.0 | 18.1 | 4.0 | 1.5 | 0.2 | 0.0 | 0.1 | 70.0 | 21.9 |
| | as a % of row total | 66 | 26 | 6 | 2 | 0 | 0 | 0 | 100 | 100 |
| Corporates | Exposure | 13.4 | 4.2 | 0.9 | 0.5 | 0.3 | 0.2 | 0.2 | 19.8 | 10.6 |
| | as a % of row total | 68 | 21 | 5 | 2 | 1 | 1 | 1 | 100 | 100 |
| Other segments | Exposure | 0.8 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 1.0 |
| | as a % of row total | 67 | 23 | 6 | 2 | 1 | 1 | 0 | 100 | 100 |
| Mortgage-covered exposure | Exposure | 220.4 | 93.4 | 24.5 | 10.7 | 2.5 | 0.4 | 0.5 | 352.3 | 177.5 |
| | as a % of total | 63 | 27 | 7 | 3 | 1 | 0 | 0 | 100 | 100 |
| Mortgage-covered exposure 31.12.22 ² | Exposure | 113.2 | 46.7 | 11.4 | 4.7 | 1.2 | 0.3 | 0.1 | 177.5 | |
| | as a % of total | 64 | 26 | 6 | 3 | 1 | 0 | 0 | 100 | |

¹ The amount of each mortgage loan is allocated across the LTV buckets to indicate the portion at risk at the various value levels shown; for example, a loan of 75 with an LTV ratio of 75% (i.e., a collateral value of 100) would result in allocations of 30 in the less-than-or-equal-to-30% LTV bucket, 20 in the 31–50% bucket, 10 in the 51–60% bucket, 10 in the 61–70% bucket and 5 in the 71–80% bucket. ² Comparative period has been restated to reflect a change in the measure used to disclose Swiss mortgages exposures.

Investment Bank

The Investment Bank's lending activities are largely associated with corporate and non-bank financial institutions. The business is broadly diversified across industry sectors but concentrated in North America.

Gross banking products exposure increased by USD 20bn to USD 97bn in 2023 due to the acquisition of the Credit Suisse Group. As illustrated in the "Investment Bank: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets" table below, banking products exposure is approximately equally split between investment grade and sub-investment grade and the vast majority had an estimated LGD below 50%.

In the Investment Bank, mandated temporary loan underwriting exposure as of the end of 2023 was USD 2.1bn, compared with USD 2.6bn at the end of the prior year. USD 50m of commitments had not yet been distributed as originally planned as of 31 December 2023. Loan underwriting exposures are classified as held for trading, with fair values reflecting market conditions at the end of 2023.

› Refer to "Credit risk models" in this section for more information about LGD, rating grades and rating agency mappings

Investment Bank: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets¹

| USD m, except where indicated | 31.12.23 | | | | | Weighted average LGD (%) | 31.12.22 | |
|--|---------------|---------------|---------------|--------------|--------------|--------------------------|---------------|--------------------------|
| | Exposure | LGD buckets | | | | | Exposure | Weighted average LGD (%) |
| Internal UBS rating ² | | | | | | | | |
| Investment grade | 28,309 | 5,570 | 16,658 | 2,849 | 3,232 | 40 | 15,878 | 37 |
| Sub-investment grade | 33,530 | 8,534 | 16,853 | 6,219 | 1,924 | 30 | 15,522 | 23 |
| of which: 6–9 | 18,956 | 4,664 | 7,815 | 6,019 | 458 | 22 | 9,174 | 17 |
| of which: 10–13 | 14,574 | 3,870 | 9,038 | 200 | 1,466 | 40 | 6,348 | 32 |
| Defaulted / Credit-impaired | 462 | 332 | 112 | 14 | 4 | 27 | 312 | 21 |
| Banking products exposure¹ | 62,301 | 14,436 | 33,623 | 9,083 | 5,160 | 34 | 31,712 | 30 |

¹ Excluding balances at central banks and Group Treasury reallocations and for Credit Suisse including only loans and advances to customers and guarantees and loan commitments presented before reflection of the impact of the purchase price allocation adjustments. ² The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

Investment Bank: banking products exposure, by geographical region¹

| | 31.12.23 | | 31.12.22 | |
|-----------------------------|---------------|--------------|---------------|--------------|
| | USD m | % | USD m | % |
| Asia Pacific | 5,405 | 8.7 | 4,766 | 15.0 |
| Latin America | 791 | 1.3 | 1,209 | 3.8 |
| Middle East and Africa | 413 | 0.7 | 183 | 0.6 |
| North America | 40,542 | 65.1 | 15,409 | 48.6 |
| Switzerland | 168 | 0.3 | 461 | 1.5 |
| Rest of Europe | 14,983 | 24.0 | 9,684 | 30.5 |
| Exposure¹ | 62,301 | 100.0 | 31,712 | 100.0 |

¹ Excluding balances at central banks and Group Treasury reallocations and for Credit Suisse including only loans and advances to customers and guarantees and loan commitments presented before reflection of the impact of the purchase price allocation adjustments.

Investment Bank: banking products exposure, by industry sector¹

| | 31.12.23 | | 31.12.22 | |
|---|---------------|--------------|---------------|--------------|
| | USD m | % | USD m | % |
| Banks | 5,281 | 8.5 | 4,409 | 13.9 |
| Chemicals | 1,752 | 2.8 | 583 | 1.8 |
| Electricity, gas, water supply | 843 | 1.4 | 363 | 1.1 |
| Financial institutions, excluding banks | 17,543 | 28.2 | 14,587 | 46.0 |
| Manufacturing | 8,220 | 13.2 | 1,361 | 4.3 |
| Mining | 1,548 | 2.5 | 878 | 2.8 |
| Public authorities | 1,356 | 2.2 | 259 | 0.8 |
| Real estate and construction | 2,491 | 4.0 | 1,685 | 5.3 |
| Retail and wholesale | 5,667 | 9.1 | 1,654 | 5.2 |
| Technology and communications | 8,234 | 13.2 | 2,324 | 7.3 |
| Transport and storage | 1,160 | 1.9 | 499 | 1.6 |
| Other | 8,206 | 13.2 | 3,110 | 9.8 |
| Exposure¹ | 62,301 | 100.0 | 31,712 | 100.0 |

¹ Excluding balances at central banks and Group Treasury reallocations and for Credit Suisse including only loans and advances to customers and guarantees and loan commitments presented before reflection of the impact of the purchase price allocation adjustments.

Non-core and Legacy

Gross banking products exposure in Non-core and Legacy increased by USD 49bn to USD 50bn in 2023, mainly due to the acquisition of the Credit Suisse Group. This included positions and businesses not aligned with the Group's strategy and policies.

In Non-core and Legacy, mandated temporary loan underwriting exposure as of the end of 2023 was USD 1.0bn. These commitments had not yet been distributed as originally planned as of 31 December 2023. Loan underwriting exposures are classified as held for trading, with fair values reflecting market conditions at the end of 2023.

- › Refer to **"Balance sheet assets"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information
- › Refer to **"Our businesses"** in the **"Our strategy, business model and environment"** section of this report for more information
- › Refer to **"Non-core and Legacy"** in the **"Financial and operating performance"** section of this report for more information

Group Items

Gross banking products exposure within Group Items, which arises primarily in connection with treasury activities, increased by USD 102bn to USD 139bn in 2023, primarily due to the acquisition of the Credit Suisse Group and an increase for UBS AG from Group Treasury reflecting higher levels of high-quality liquid assets held, funding provided to Credit Suisse and an increase in sponsored repo clearing.

- › Refer to **"Balance sheet assets"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information
- › Refer to the **"Group Items"** section of this report for more information

Traded products

Audited I Counterparty credit risk (CCR) arising from traded products, which include OTC derivatives, ETD exposures and SFTs, originating in the Investment Bank, Non-core and Legacy, and Group Treasury, is generally managed on a close-out basis. This takes into account possible effects of market movements on the exposure and any associated collateral over the time it would take to close out our positions. Limits are applied to the potential future exposure per counterparty, with the size of the limit dependent on the counterparty's creditworthiness (as determined by Risk Control). Limit frameworks are also used to control overall exposure to specific sectors. Such portfolio limits are monitored and reported to senior management.

Trading in OTC derivatives is conducted through central counterparties where practicable. Where central counterparties are not used, we have clearly defined policies and processes for trading on a bilateral basis. Trading is typically conducted under bilateral International Swaps and Derivatives Association or similar master netting agreements, which generally allow for close-out and netting of transactions in case of default, subject to applicable law. For certain counterparties, initial margin is taken to cover some or all of the calculated close-out exposure. This is in addition to the variation margin taken to settle changes in market value of transactions. For most major market participant counterparties, we use two-way collateral agreements under which either party can be required to provide collateral in the form of cash or marketable securities when the exposure exceeds specified levels. Non-cash collateral typically consists of well-rated government debt or other collateral acceptable to Risk Control and permitted by applicable regulations. Regulations on margining uncleared OTC derivatives have generally expanded the scope of bilateral derivatives activity subject to initial margining and increased the amounts of initial margin received from, and posted to, certain bilateral trading counterparties, resulting in lower close-out risk over time. ▲

In the tables below, OTC derivatives exposures are generally presented as net positive replacement values after the application of legally enforceable netting agreements and the deduction of cash and marketable securities held as collateral. SFT exposures are reported taking into account collateral received, and ETD exposures take into account collateral margin calls.

- › Refer to **"Note 11 Derivative instruments"** in the **"Consolidated financial statements"** section of this report for more information about OTC derivatives settled through central counterparties
- › Refer to **"Note 22 Offsetting financial assets and financial liabilities"** in the **"Consolidated financial statements"** section of this report for more information about the effect of netting and collateral arrangements on derivative exposures

Investment Bank, Non-core and Legacy, and Group Treasury: traded products exposure

| USD m | OTC derivatives | | SFTs | ETDs | Total | Total |
|---|-----------------|---------------|---------------|---------------|-------|---------------|
| | 31.12.23 | | | | | 31.12.22 |
| Total exposure, before deduction of credit valuation adjustments and hedges | 12,400 | 23,044 | 12,186 | 47,630 | | 34,370 |
| Less: credit valuation adjustments and allowances ¹ | (24) | (1) | 0 | (24) | | (35) |
| Less: credit protection bought (credit default swaps, notional) | (327) | 0 | 0 | (327) | | (109) |
| Net exposure after credit valuation adjustments, allowances and hedges | 12,049 | 23,044 | 12,186 | 47,279 | | 34,226 |

¹ Credit valuation adjustments and allowances are deducted only for UBS Group excluding Credit Suisse

Investment Bank, Non-core and Legacy, and Group Treasury: distribution of net OTC derivatives and SFT exposure across internal UBS ratings and loss given default (LGD) buckets

| USD m, except where indicated | 31.12.23 | | | | | Weighted average LGD (%) | 31.12.22 | |
|--|---------------|-------------|---------------|--------------|--------------|--------------------------|---------------|--------------------------|
| | Exposure | LGD buckets | | | | | Exposure | Weighted average LGD (%) |
| 0–25% | | 26–50% | 51–75% | 76–100% | | | | |
| Internal UBS rating ¹ | | | | | | | | |
| Net OTC derivatives exposure | | | | | | | | |
| Investment grade | 10,709 | 179 | 8,080 | 1,251 | 1,199 | 48 | 10,757 | 48 |
| Sub-investment grade | 1,341 | 57 | 504 | 330 | 451 | 65 | 318 | 72 |
| of which: 6–9 | 1,081 | 39 | 372 | 221 | 449 | 69 | 285 | 76 |
| of which: 10–12 | 37 | 16 | 17 | 3 | 1 | 33 | 28 | 41 |
| of which: 13 and defaulted | 223 | 3 | 115 | 106 | 0 | 50 | 5 | 23 |
| Total net OTC derivatives exposure, after credit valuation adjustments and hedges | 12,049 | 235 | 8,584 | 1,580 | 1,650 | 50 | 11,075 | 49 |
| Net SFT exposure | | | | | | | | |
| Investment grade | 22,807 | 200 | 19,317 | 2,700 | 591 | 44 | 16,682 | 40 |
| Sub-investment grade | 238 | 0 | 51 | 96 | 91 | 71 | 373 | 71 |
| Total net SFT exposure | 23,044 | 200 | 19,367 | 2,795 | 681 | 45 | 17,055 | 41 |

¹ The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

Investment Bank, Non-core and Legacy, and Group Treasury: net OTC derivatives and SFT exposure, by geographical region

| | Net OTC derivatives exposure | | | | Net SFT exposure | | | |
|------------------------|------------------------------|--------------|---------------|--------------|------------------|--------------|---------------|--------------|
| | 31.12.23 | | 31.12.22 | | 31.12.23 | | 31.12.22 | |
| | USD m | % | USD m | % | USD m | % | USD m | % |
| Asia Pacific | 1,638 | 13.6 | 1,249 | 11.3 | 2,840 | 12.3 | 4,906 | 28.8 |
| Latin America | 349 | 2.9 | 117 | 1.1 | 67 | 0.3 | 34 | 0.2 |
| Middle East and Africa | 236 | 2.0 | 615 | 5.6 | 437 | 1.9 | 483 | 2.8 |
| North America | 4,555 | 37.8 | 2,200 | 19.9 | 3,243 | 14.1 | 3,177 | 18.6 |
| Switzerland | 1,029 | 8.5 | 1,055 | 9.5 | 3,939 | 17.1 | 466 | 2.7 |
| Rest of Europe | 4,243 | 35.2 | 5,839 | 52.7 | 12,517 | 54.3 | 7,988 | 46.8 |
| Exposure | 12,049 | 100.0 | 11,075 | 100.0 | 23,044 | 100.0 | 17,055 | 100.0 |

Investment Bank, Non-core and Legacy, and Group Treasury: net OTC derivatives and SFT exposure, by industry sector

| | Net OTC derivatives exposure | | | | Net SFT exposure | | | |
|---|------------------------------|--------------|---------------|--------------|------------------|--------------|---------------|--------------|
| | 31.12.23 | | 31.12.22 | | 31.12.23 | | 31.12.22 | |
| | USD m | % | USD m | % | USD m | % | USD m | % |
| Banks | 1,829 | 15.2 | 1,288 | 11.6 | 3,008 | 13.1 | 869 | 5.1 |
| Chemicals | 19 | 0.2 | 71 | 0.6 | 0 | 0.0 | 0 | 0.0 |
| Electricity, gas, water supply | 116 | 1.0 | 118 | 1.1 | 0 | 0.0 | 0 | 0.0 |
| Financial institutions, excluding banks | 8,577 | 71.2 | 8,614 | 77.8 | 16,143 | 70.1 | 14,865 | 87.2 |
| Manufacturing | 51 | 0.4 | 97 | 0.9 | 0 | 0.0 | 0 | 0.0 |
| Mining | 17 | 0.1 | 20 | 0.2 | 0 | 0.0 | 0 | 0.0 |
| Public authorities | 993 | 8.2 | 655 | 5.9 | 3,890 | 16.9 | 1,320 | 7.7 |
| Retail and wholesale | 20 | 0.2 | 29 | 0.3 | 0 | 0.0 | 0 | 0.0 |
| Transport, storage and communication | 174 | 1.4 | 115 | 1.0 | 3 | 0.0 | 0 | 0.0 |
| Other | 255 | 2.1 | 69 | 0.6 | 0 | 0.0 | 0 | 0.0 |
| Exposure | 12,049 | 100.0 | 11,075 | 100.0 | 23,044 | 100.0 | 17,055 | 100.0 |

Credit risk mitigation

Audited I We actively manage credit risk in our portfolios by taking collateral against exposures and by utilizing credit hedging. ▲

Lending secured by real estate

Audited I We use a scoring model as part of a standardized front-to-back process for credit decisions on originating or modifying Swiss mortgage loans. The model's two key factors are the LTV ratio and an affordability calculation. ▲

The calculation of affordability takes into account interest payments, minimum amortization requirements and potential property maintenance costs in relation to gross income or rental income for rental properties. The imputed interest rate is set at 5% per annum, independently of the current interest rate environment.

For residential properties occupied by the borrower, the maximum LTV for the standard approval process is 80%. For income-producing real estate (IPRE), the maximum LTV allowed within the standard approval process ranges from 30–75%, depending on the type and age of the property, and the amount of renovation work needed.

Audited I The value we assign to each property is based on the lowest value determined from model-derived valuations, the purchase price, an asset value for IPRE, and, in some cases, an additional external valuation. ▲

Separate models provided by a market-leading external vendor are used to derive property valuations for owner-occupied residential properties (ORPs) and IPRE. We estimate the current value of an ORP using regression models (hedonic models) based on statistical comparison against current transaction data. We derive the value of a property from the characteristics of the real estate itself, as well as those of its location. In addition to the initial valuation, values for ORPs are updated regularly over the lifetime of the loan using region-specific real estate price indices or hedonic valuation. The price indices are sourced from external vendors and subject to internal benchmarking. We use these valuations regularly to compute indexed LTV for all ORPs. Portfolio-specific monitoring systems consider these along with other risk measures (e.g., rating and behavioral information) to identify higher-risk loans.

For IPRE, the capitalization rate model is used to determine the property valuation by discounting estimated sustainable future income using a capitalization rate based on various attributes. These attributes consider regional and specific property characteristics, such as market and location data (e.g., vacancy rates), benchmarks (e.g., for running costs), and certain other standardized input parameters (e.g., property condition). Updated information regarding rental income from IPRE is requested from the client at least once every three years. Our portfolio-specific monitoring system alerts us to changes in rental income and other risk measures (e.g., LTV, rating, behavioral information).

To take market developments into account for these models, the external vendor regularly updates the parameters and / or refines the architecture for each model. Model changes and parameter updates are subject to the same validation procedures as our internally developed models.

Audited I We similarly apply underwriting guidelines for our Global Wealth Management Region Americas mortgage loan portfolio, taking into account loan affordability and collateral sufficiency. LTV standards are defined for the various mortgage types, such as residential mortgages or investment properties, based on associated risk factors, such as property type, loan size, and purpose. The maximum LTV allowed within the standard approval process ranges from 45–80%. In addition to LTV, other credit risk metrics, such as debt-to-income ratios, credit scores and required client reserves, are also part of our underwriting guidelines.

A risk limit framework is applied to the Global Wealth Management Region Americas mortgage loan portfolio. Limits are set to govern exposures within LTV categories, geographic concentrations, portfolio growth and high-risk mortgage segments, such as interest-only loans. These limits are monitored by a specialized credit risk monitoring team and reported to senior management. Supplementing this limit framework is a real estate lending policy and procedures framework, set up to govern real estate lending activities. Quality assurance and quality control programs monitor compliance with mortgage underwriting and documentation requirements.

For our mortgage loan portfolio in the Global Wealth Management regions of EMEA and Asia Pacific, we apply global underwriting guidelines with regional variations to allow for regulatory and market differentials. As in other regions, the underwriting guidelines take into account affordability and collateral sufficiency. Affordability is assessed at a stressed interest rate using, for residential real estate, the borrowers' sustainable income and declared liabilities, and for commercial real estate the quality and sustainability of rental income. For interest-only loans, a declared and evidenced repayment strategy must be in place. The applicable LTV for each mortgage is based on the quality and liquidity of the property and assessed against valuations from bank-appointed third-party valuers. Maximum LTV varies from 30% to 70%, depending on the type and location of the property, as well as other factors. Collateral sufficiency is often further supported by personal guarantees from related third parties. The overall portfolio is centrally assessed against a number of stress scenarios to ensure that exposures remain within predefined stress limits. ▲

› Refer to “Swiss mortgage loan portfolio” in this section for more information about LTV in our Swiss mortgage portfolio

Lombard lending

Audited I Lombard loans are secured by pledges of marketable securities, guarantees and other forms of collateral. Eligible financial securities are primarily liquid and actively traded transferable securities (such as bonds and equities), and other transferable securities, such as approved structured products for which regular prices are available and the issuer of the security provides a market. To a lesser degree, less-liquid collateral is also used.

We derive lending values by applying discounts (haircuts) to the pledged collateral's market value. Haircuts for marketable securities are calculated to cover a possible adverse change in market value over a given close-out period and confidence level. Less-liquid or more volatile collateral will typically have larger haircuts.

We assess concentration and correlation risks across collateral posted at a counterparty level, and at a divisional level across counterparties. We also perform targeted Group-wide reviews of concentration. Concentration of collateral in single securities, issuers or issuer groups, industry sectors, countries, regions or currencies may result in higher risk and reduced liquidity. In such cases, the lending value of the collateral, margin call and close-out levels are adjusted accordingly. ▲

Exposures and collateral market values are monitored daily, with the aim of ensuring that the credit exposure is always within the established risk tolerance. A shortfall occurs when the lending value drops below the exposure; if it exceeds a defined trigger level, a margin call is initiated, requiring the client to provide additional collateral, reduce the exposure or take other action to bring exposure in line with the agreed lending value of the collateral. If a shortfall is not corrected within the required period, a close-out is initiated, through which collateral is liquidated, open derivative positions are closed and guarantees are called.

We conduct stress testing of collateralized exposures to simulate market events that reduce collateral market value, increase exposure of traded products, or do both. For certain classes of counterparties, limits on such calculated stress exposures are applied and controlled at a counterparty level. Also, portfolio limits are applied across certain businesses or collateral types.

› Refer to "Stress loss" in this section for more information about our stress testing

Credit hedging

Audited I We use single-name credit default swaps (CDSs), credit-index CDSs, structured hedging, bespoke protection and other instruments to actively manage credit risk. The aim is to reduce concentrations of risk from specific counterparties, sectors or portfolios and, for CCR, the profit or loss effect arising from changes in credit valuation adjustments.

We have strict guidelines with regard to taking credit hedges into account for credit risk mitigation purposes. For example, when monitoring exposures against counterparty limits, we do not usually apply certain credit risk mitigants, such as proxy hedges (credit protection on a correlated but different name) or credit-index CDSs, to reduce counterparty exposures. Buying credit protection also creates credit exposure with regard to the protection provider. We monitor and limit exposures to credit protection providers, and also monitor the effectiveness of credit hedges as part of our overall credit exposures to the relevant counterparties, which are typically collateralized. For credit protection purchased to hedge the lending portfolio, this includes monitoring mismatches between the maturity of credit protection purchased and the maturity of the associated loan. Such mismatches result in basis risk and may reduce the effectiveness of the credit protection. Mismatches are routinely reported to credit officers and mitigating actions are taken when necessary. ▲

› Refer to "Note 11 Derivative instruments" in the "Consolidated financial statements" section of this report for more information

Mitigation of settlement risk

To mitigate settlement risk, we reduce actual settlement volumes by using multi-lateral and bi-lateral agreements with counterparties, including payment netting. In relation to the exchange of cash or securities, transactions can be settled on a delivery-versus-payment basis.

Foreign exchange transactions are our most significant source of settlement risk. We are a member of Continuous Linked Settlement (CLS), an industry utility that provides a multi-lateral framework to settle transactions on a payment-versus-payment basis, thus reducing foreign-exchange-related settlement risk relative to the volume of business. However, mitigation of settlement risk through CLS and other means does not fully eliminate credit risk in foreign exchange transactions resulting from changes in exchange rates prior to settlement, which is managed as part of our overall credit risk management of OTC derivatives.

Credit risk models

Basel III – A-IRB credit risk models

Audited I We have developed tools and models to estimate future credit losses that may be implicit in our current portfolio.

Exposures to individual counterparties are measured using three generally accepted parameters: PD, EAD and LGD. For a given credit facility, the product of these three parameters results in the expected loss (the EL). These parameters are the basis for the majority of our internal measures of credit risk, and key inputs for regulatory capital calculation under the advanced internal ratings-based (A-IRB) approach of the Basel III framework. We also use models to derive the portfolio credit risk measures of EL, statistical loss and stress loss. ▲

› Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about the regulatory capital calculation under the advanced internal ratings-based approach

Key features of our main credit risk models¹

| | Portfolio in scope | Major asset classes | Model approach | Number of main models | Main drivers | Number of years of loss data |
|---|--|--|--|-----------------------|--|--|
| Probability of default | Sovereigns and central banks | Central governments and central banks, Corporates: other lending | Scorecard | 2 | Political, institutional and economic indicators including qualitative factors | >15 |
| | Banks and other financial institutions | Banks & Securities dealer, Corporates: other lending | Scorecard | 8 | Financial data including balance sheet ratios, profit and loss data and qualitative factors | >15 |
| | Funds | Corporates: other lending | Scorecard | 7 | Financial data and ratios constructed from it (such as net asset value, volatility of returns), qualitative factors | >15 |
| | Large corporates and internationals | Corporates: other lending | Scorecard, market data | 3 | Financial data including balance sheet ratios and profit and loss, market data and qualitative factors | >15 |
| | Enterprises in Switzerland | Corporates: other lending, Retail: other retail | Scorecard | 2 | Financial data including balance sheet ratios and profit and loss, behavioral data and qualitative factors | >20 |
| | Commodity traders | Corporates: specialized lending | Scorecard | 2 | Financial data including balance sheet ratios and profit and loss, as well as non-financial criteria. Volume, liquidity and duration of financed commodity transactions | >20 |
| | Ship finance | Corporates: specialized lending | Scorecard | 1 | Freight rates, ship market values, operational expenses and group information | >20 |
| | Owner-occupied mortgages & other wealth-management financing | Retail: residential mortgages, Corporates: other lending | Scorecard | 5 | Behavioral data, affordability relative to income, property type, loan-to-value, assets and qualitative factors | >10 |
| | Income producing real estate mortgages | Retail: residential mortgages, Corporates: specialized lending | Scorecard | 3 | Loan-to-value, debt-service-coverage, financial data (for large corporates only), behavioral data and qualitative factors | >20 |
| | Lombard lending and concentrated equity based lending (CEL) | Retail: other retail, Corporates: other lending (CEL) | Simulation approach based on historical returns | 3 | Lending value ratio, collateral asset class, historical asset returns, counterparty factors | >10 |
| | Credit cards, consumer loans and leases in Switzerland | Retail: qualifying revolving retail and other retail, Corporates: other lending | Scorecard | 3 | Client type and characteristics and behavioral data | >8 |
| | Other portfolios | Corporates: other lending, Public sector entities and Multilateral development banks, Corporate: specialized lending | Scorecard, pooled rating approach, rating template | 6 | Financial data including balance sheet ratios and profit and loss, market data and qualitative factors. Separate models for Commercial Real Estate loans, Debt REITs, Mortgage originators, Public sector entities and Multilateral development banks/Supranationals | >15 |
| | Loss given default | Investment Bank – all counterparties | Across the asset classes | Statistical model | 4 | Counterparty and facility specific, including industry segment, region, collateral, seniority, legal environment, bankruptcy procedures and macro-economic factors |
| Swiss corporate and mortgage lending portfolios | | Corporates: other lending, Corporates: specialized lending, Retail: residential mortgages | Statistical model | 4 | Collateral type and client segment, Loan-to-value, time since last valuation, location indicator | >10 |
| Ship finance | | Corporates: specialized lending | Statistical model | 1 | Loan-to-value of ship and financial collaterals | >20 |
| International residential mortgages & other wealth-management financing | | Retail: residential mortgages, Retail: other retail, Corporates: other lending | Statistical model | 3 | Loan-to-value, market value shock | >10 |
| Lombard lending and concentrated equity based lending (CEL) | | Retail: other retail, Corporates: other lending (CEL) | Simulation approach based on historical returns | 3 | Loan-to-value, collateral asset class and liquidity, historical asset returns, counterparty factors | >10 |
| Credit cards, consumer loans and leases in Switzerland | | Retail: qualifying revolving retail and other retail, Corporates: other lending | Statistical model | 3 | Collateral, accrued interests, client & product characteristics, changes in original payment plan | >8 |
| Exposure at default | Banking products | Across the asset classes | Statistical model | 11 | Facility type and product type, commitment type, headroom, and client characteristics | >8 |
| | Traded products | Across the asset classes | Statistical model | 4 | Product specific market drivers, e.g. interest rates. Separate models for OTC/ETD and SFT that generate the simulation of risk factors used for the credit exposure measure | n/a |

¹ Table captures the model landscape of UBS Group AG, which also includes the models that are only applied to Credit Suisse.

Internal UBS rating scale and mapping of external ratings

| Internal UBS rating | 1-year PD range in % | Description | Moody's Investors Service mapping | S&P mapping | Fitch mapping |
|----------------------------|----------------------|----------------------|--------------------------------------|-------------|---------------|
| 0 and 1 | 0.00–0.02 | Investment grade | Aaa | AAA | AAA |
| 2 | 0.02–0.05 | | Aa1 to Aa3 | AA+ to AA– | AA+ to AA– |
| 3 | 0.05–0.12 | | A1 to A3 | A+ to A– | A+ to A– |
| 4 | 0.12–0.25 | | Baa1 to Baa2 | BBB+ to BBB | BBB+ to BBB |
| 5 | 0.25–0.50 | | Baa3 | BBB– | BBB– |
| 6 | 0.50–0.80 | Sub-investment grade | Ba1 | BB+ | BB+ |
| 7 | 0.80–1.30 | | Ba2 | BB | BB |
| 8 | 1.30–2.10 | | Ba3 | BB– | BB– |
| 9 | 2.10–3.50 | | B1 | B+ | B+ |
| 10 | 3.50–6.00 | | B2 | B | B |
| 11 | 6.00–10.00 | | B3 | B– | B– |
| 12 | 10.00–17.00 | | Caa1 to Caa2 | CCC+ to CCC | CCC+ to CCC |
| 13 | >17 | | Caa3 to C | CCC– to C | CCC– to C |
| Counterparty is in default | Default | Defaulted | | D | D |

Probability of default

Probability of default (PD) estimates the likelihood of a counterparty defaulting on its contractual obligations over the next 12 months and is assessed using rating tools tailored to the various categories of counterparties. The “Key features of our main credit risk models” table above gives an overview of the approaches used for our main asset classes and presents the main drivers of the PD.

The ratings of major credit rating agencies, and their mapping to the UBS masterscale and internal PD bands, are shown in the “Internal UBS rating scale and mapping of external ratings” table above. For Moody’s and S&P, the mapping is based on the long-term average of one-year default rates available from these rating agencies, with Fitch ratings being mapped to the equivalent S&P ratings. For each external rating category, the average default rate is compared with our internal PD bands to derive a periodically reviewed mapping to our internal rating scale.

Exposure at default

Exposure at default (EAD) is the amount we expect to be owed by a counterparty at the time of possible default. We derive EAD from current exposure to the counterparty and possible future exposure development.

The EAD of an on-balance sheet loan is its notional amount, while for off-balance sheet commitments that are not drawn, credit conversion factors (CCFs) are used in order to obtain an expected on-balance sheet amount.

For traded products, we derive EAD by modeling the range of possible exposure outcomes at various points in time using a simulation based on a scenario-consistent technique. We assess the net amount that may be owed to us or that we may owe to others, taking into account the effect of market movements over the potential time it would take to close out positions.

We assess exposures where there is a material correlation between the factors driving the credit quality of the counterparty and those driving the potential future value of our traded products exposure (wrong-way risk), and we have established specific controls to mitigate such risks.

Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. Our LGD estimates, which consider downturn conditions, include loss of principal, interest and other amounts less recovered amounts. We determine LGD based on the likely recovery rate of claims against defaulted counterparties, which depends on the type of counterparty and any credit mitigation due to collateral or guarantees. Our estimates are supported by internal loss data and external information, where available. If we hold collateral, such as marketable securities or a mortgage on a property, LTV ratios are typically a key parameter in determining LGD. For risk-weighted asset (RWA) calculation, floors are applied to LGD in line with regulation.

Expected loss

We use the concept of expected loss to quantify future credit losses that may be implicit in our current portfolio. The expected loss for a given credit facility is a product of the three components described above, i.e., PD, EAD and LGD. We aggregate the expected loss for individual counterparties to derive expected portfolio credit losses.

IFRS 9 – ECL credit risk models

Expected credit loss

Expected credit loss (ECL) is defined as the difference between contractual cash flows and those UBS expects to receive, discounted at the effective interest rate (EIR) or contractual interest rate. For loan commitments and other credit facilities in scope of ECL requirements, expected cash shortfalls are determined by considering expected future drawdowns. Rather than focusing on an average through-the-cycle (TTC) expected annual loss, the purpose of ECL is to estimate the amount of losses inherent in a portfolio based on current conditions and future outlook (a point-in-time (PIT) measure), whereby such a forecast has to include all information available without undue cost and effort, and address multiple scenarios where there is perceived non-linearity between changes in economic conditions and their effect on credit losses. From a credit risk modeling perspective, ECL parameters are generally derivations of the factors assessed for regulatory Basel III EL.

Comparison of Basel III EL and IFRS 9 ECL credit risk models

The IFRS 9 ECL concept has a number of key differences from our Basel III credit risk models, both in the loss estimation process and the result thereof. Most notably, regulatory Basel III EL parameters are TTC / downturn estimates, which might include a margin of conservatism, while IFRS 9 ECL parameters are typically PIT, reflecting current economic conditions and future outlook. The table below summarizes the main differences. Stage 1 and 2 ECL expenses in 2023 were USD 593m and respective allowances and provisions as of 31 December 2023 were USD 1,115m. This included ECL allowances and provisions of USD 923m related to positions under the Basel III advanced internal ratings-based (A-IRB) approach. Basel III EL for non-defaulted positions was USD 1,620m.

- › Refer to “Note 1 Summary of material accounting policies” in the “Consolidated financial statements” section of this report for more information about our accounting policy for allowances and provisions for ECL including key definitions relevant for the ECL calculation under IFRS 9

The table below shows the main differences between the two expected loss measures.

| | Basel III EL (advanced internal ratings-based approach) | IFRS 9 ECL |
|---|---|---|
| Scope | The Basel III A-IRB approach applies to most credit risk exposures. It includes transactions measured at amortized cost, at fair value through profit or loss and at fair value through OCI, including loan commitments and financial guarantees. | The IFRS 9 ECL calculation mainly applies to financial assets measured at amortized cost and debt instruments measured at fair value through OCI, as well as loan commitments and financial guarantees not at fair value through profit or loss. |
| 12-month versus lifetime expected loss | The Basel III A-IRB approach takes into account expected losses resulting from expected default events occurring within the next 12 months. | In the absence of a significant increase in credit risk (an SICR), a maximum 12-month ECL is recognized to reflect lifetime cash shortfalls that will result if a default event occurs in the 12 months after the reporting date (or a shorter period if the expected lifetime is less). Once an SICR event has occurred, a lifetime ECL is recognized considering expected default events over the life of the transaction. |
| Exposure at default (EAD) | EAD is the amount we expect a counterparty to owe us at the time of a possible default. For banking products, EAD equals the book value as of the reporting date; for traded products, the vast majority of EAD is modeled. For lending, EAD is expected to remain constant over a 12-month period. For loan commitments, a credit conversion factor is applied to model expected future drawdowns over the 12-month period, irrespective of the actual maturity of a particular transaction. The credit conversion factor includes downturn adjustments. | EAD is generally calculated on the basis of the cash flows that are expected to be outstanding at the individual points in time during the life of the transaction. For loan commitments, a credit conversion factor is applied to model expected future drawdowns over the life of the transaction without including downturn assumptions and the prepayment factor. In both cases, the time period is capped at 12 months, unless an SICR has occurred. |
| Probability of default (PD) | PD estimates are determined on a through-the-cycle (TTC) basis. They represent historical average PDs, taking into account observed losses over a prolonged historical period, and therefore are less sensitive to movements in the underlying economy. | PD estimates will be determined on a point-in-time (PIT) basis, based on current conditions and incorporating forecasts for future economic conditions at the reporting date. |
| Loss given default (LGD) | LGD includes prudential adjustments, such as downturn LGD assumptions and floors. Similar to PD, LGD is determined on a TTC basis. | LGD should reflect the losses that are reasonably expected and prudential adjustments should therefore not be applied. Similar to PD, LGD is determined on the basis of a PIT approach. |
| Use of scenarios | n / a | Multiple forward-looking scenarios have to be taken into account to determine a probability-weighted ECL. |

Further key aspects of credit risk models

Stress loss

We complement our statistical modeling approach with scenario-based stress loss measures. Stress tests are run regularly to monitor potential effects of extreme, but nevertheless plausible, events on our portfolios, under which key credit risk parameters are assumed to deteriorate substantially. Where we consider it appropriate, we apply limits on this basis.

Stress scenarios and methodologies are tailored to portfolios’ natures, ranging from regionally focused to global systemic events, and varying in time horizon.

- › Refer to “Stress testing” in this section for more information about our stress testing framework

Credit risk model confirmation

Our approach to model confirmation involves both quantitative methods, such as monitoring compositional changes in portfolios and results of backtesting, and qualitative assessments, such as feedback from users on model output as a practical indicator of a model's performance and reliability. In addition, changes in market, regulatory and business practices are assessed.

Material changes in portfolio composition may invalidate the conceptual soundness of a model. We therefore perform regular analyses of the evolution of portfolios to identify such changes in the structure and credit quality of portfolios.

› Refer to **"Model risk management"** in this section for more information

Backtesting

We monitor the performance of models by backtesting and benchmarking them, with model outcomes compared with actual results, based on our internal experience and externally observed results. To assess the predictive power of credit exposure models for traded products, such as OTC derivatives and ETD products, we statistically compare predicted future exposure distributions at different forecast horizons with realized values.

For PD, we derive a predicted distribution of the number of defaults. The observed number of defaults is compared with the upper tail of the predicted distribution. If the observed number of defaults is higher than a given upper tail quantile, we conclude there is evidence that the model may underpredict the number of defaults. Based on historical long-run average default rates and, if required, additional margin of conservatism, we also derive PD calibration targets and a lower boundary. As a general rule, follow-up actions, such as a recalibration of the rating tool, are defined if the portfolio average PD lies below the derived lower boundary.

For LGD, backtesting statistically tests whether the mean difference between the observed and predicted LGD is zero. If the test fails, there is evidence that our predicted LGD is too low. In such cases, and where these differences are outside expectations, follow-up actions, such as a recalibration of the models, are taken.

CCFs, used for the calculation of EAD for undrawn facilities, are dependent on several credit facility contractual dimensions. We compare the predicted amount drawn with observed historical use of such facilities by defaulted counterparties. If any statistically significant deviation is observed, follow-up actions, such as an update of the relevant CCFs, are performed.

Changes to models and model parameters during the period

As part of our continuous efforts to enhance models to reflect market developments and newly available data, we updated several models in 2023.

In Personal & Corporate Banking and Global Wealth Management for UBS AG's models, we recalibrated the risk parameters for the income-producing real estate mortgages in Switzerland and implemented a model update for the Swiss corporate PD model. In addition, we recalibrated the PD and LGD models for the commodity trade finance business within Personal & Corporate Banking and updated the LGD model for corporate clients and financial institutions. In Global Wealth Management, we also implemented a model update for the standard Lombard model.

In the Investment Bank, new PD models for UBS AG for banks, corporations, insurance companies and managed funds went live. In addition, certain RWA multipliers were recalibrated as a result of improvements to models.

Within Credit Suisse, updated models for the Swiss income-producing real estate portfolio (IPRE LGD, private client IPRE PD and corporate client IPRE PD) were rolled out. In addition, dedicated A-IRB models were introduced for the Swisscard credit card portfolio, as well as the BANK-now consumer loans and car leasing portfolios, which had previously been treated on a pooled basis.

Where required, changes to models and model parameters were approved by FINMA before being made.

› Refer to **"Risk-weighted assets"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information about the effect of the changes to models and model parameters on credit risk RWA

Future credit risk-related regulatory capital developments

In December 2017, the Basel Committee on Banking Supervision (the BCBS) announced the finalization of the Basel III framework. In November 2023, the Swiss Federal Council published the national implementation of the final Basel III standards, which is expected to enter into force by January 2025. The updated framework makes a number of revisions to the internal ratings-based (IRB) approaches, namely: (i) removing the option of using the A-IRB approach for certain asset classes (including large and medium-sized corporate clients, and banks and other financial institutions); (ii) placing floors on certain model inputs under the IRB approach, e.g., PD and LGD; and (iii) introducing various requirements to reduce RWA variability (e.g., for LGD). In addition, revisions to the credit valuation adjustment (CVA) framework were published in November 2023, including the removal of the advanced CVA approach. UBS has a close dialogue with FINMA to discuss in detail the implementation objectives and prepare for a smooth transition of the capital regime for credit risk.

› Refer to **"Capital management objectives, planning and activities"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information about the development of RWA

› Refer to **"Risk measurement"** in this section for more information about our approach to model confirmation procedures

› Refer to the **"Regulatory and legal developments"** and **"Risk factors"** sections of this report for more information

Credit policies for distressed assets

Non-performing

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

Default and credit-impaired

UBS uses a single definition of default for classifying assets and determining the PD of its obligors for risk modeling purposes. The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted when material payments of interest, principal or fees are overdue for more than 90 days, or more than 180 days for certain exposures in relation to loans to private and commercial clients in Personal & Corporate Banking and to private clients of Global Wealth Management Region Switzerland. UBS does not consider the general 90-day presumption for default recognition appropriate for those portfolios, given the cure rates, which show that strict application of the 90-day criterion would not accurately reflect the inherent credit risk. Counterparties are also classified as defaulted when: bankruptcy, insolvency proceedings or enforced liquidation have commenced; obligations have been restructured on preferential terms (forbearance); or there is other evidence that payment obligations will not be fully met without recourse to collateral. The latter may be the case even if, to date, all contractual payments have been made when due. If one claim against a counterparty is defaulted on, generally all claims against the counterparty are treated as defaulted.

An instrument is classified as credit-impaired if the counterparty is classified as defaulted and / or the instrument is identified as purchased credit-impaired (PCI). An instrument is PCI if it has been purchased at a deep discount to its carrying amount following a risk event of the issuer or originated with a defaulted counterparty. Once a financial asset is classified as defaulted / credit-impaired (except PCI), it is reported as a stage 3 instrument and remains as such unless all past due amounts have been rectified, additional payments have been made on time, the position is not classified as credit-restructured, and there is general evidence of credit recovery. A three-month probation period is applied before a transfer back to stages 1 or 2 can be triggered. However, most instruments remain in stage 3 for a longer period. ▲

Forbearance (credit restructuring)

Audited | If payment default is imminent or default has already occurred, we may grant concessions to borrowers in financial difficulties that we would otherwise not consider in the normal course of business, such as offering preferential interest rates, extending maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc. When a forbearance measure takes place, each case is considered individually and the exposure is generally classified as defaulted. Forbearance classification remains until the loan is repaid or written off, non-preferential conditions are granted that supersede the preferential conditions, or the counterparty has recovered and the preferential conditions no longer exceed our risk tolerance.

Contractual adjustments when there is no evidence of imminent payment default, or where changes to terms and conditions are within our usual risk tolerance, are not considered to be forbore. ▲

Loss history statistics

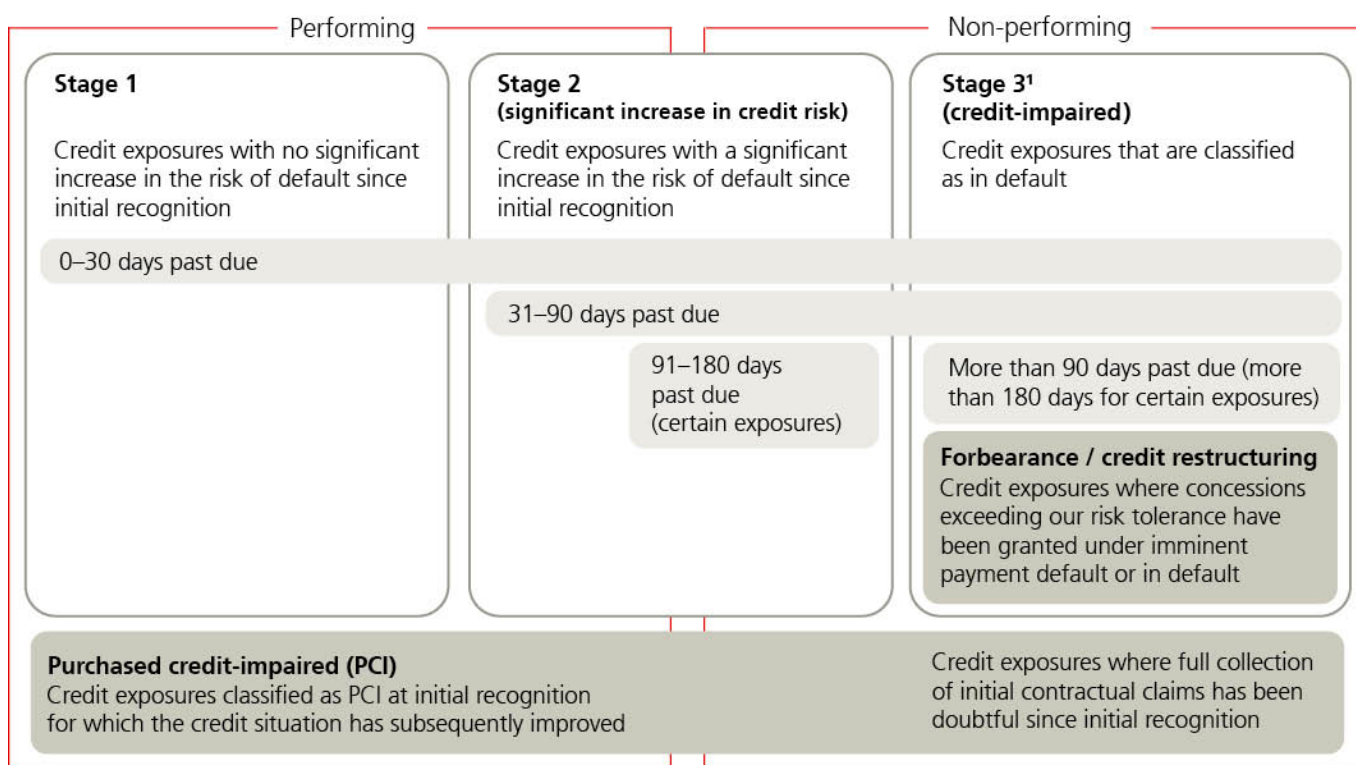
An instrument is classified as credit-impaired if the counterparty has defaulted. This also includes credit-impaired exposures for which no loss has occurred or for which no allowance has been recognized (e.g., we expect to fully recover the exposures via collateral held).

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of Loans and advances to customers and Loans to financial advisors.

The total combined on- and off-balance sheet coverage ratio was at 22 basis points as of 31 December 2023, 1 basis point higher than on 31 December 2022. The combined stage 1 and 2 ratio of 11 basis points was 1 basis point higher than on 31 December 2022; the stage 3 ratio was 21%, 1 percentage point lower than on 31 December 2022 and PCI ratio was 7%.

- › **The majority of the credit-impaired exposure relates to loans and advances in our Swiss domestic business. Refer to “Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement” and “Note 20 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information about ECL measurement and the calculation of the coverage ratio**
- › **Refer to “Note 14 Other assets” in the “Consolidated financial statements” section of this report for more details**

Exposure categorization



¹ Excluding purchased credit-impaired instruments.

Loss history statistics

| USD m, except where indicated | 31.12.23 | 31.12.22 | 31.12.21 | 31.12.20 | 31.12.19 |
|---|----------|----------------------|----------------------|----------------------|----------------------|
| Banking products, core exposure and off-balance sheet, gross ¹ | 966,469 | 509,024 ² | 517,866 ² | 497,313 ² | 423,771 ² |
| of which: amounts due from banks and loans and advances to customer (gross) | 662,715 | 402,801 | 414,099 | 396,049 | 340,003 |
| Credit-impaired exposure, gross (stage 3 & PCI) | 6,367 | 2,455 | 2,610 | 3,778 | 3,113 |
| of which: credit-impaired amounts due from banks and loans and advances to customer (stage 3 & PCI) | 5,445 | 2,012 | 2,150 | 2,945 | 2,309 |
| Non-performing amounts due from banks and loans and advances to customer | 5,806 | 2,333 | 2,387 | 3,176 | 2,466 |
| ECL allowances and provisions for credit losses ³ | 2,261 | 1,091 | 1,165 | 1,468 | 1,029 |
| of which: core loan exposure (all stages) | 2,097 | 1,043 | 1,132 | 1,426 | 987 |
| of which: amounts due from banks and loans and advances to customer (all stages) | 1,710 | 789 | 857 | 1,076 | 770 |
| of which: amounts due from banks and loans and advances to customer (stage 3 & PCI) | 990 | 474 | 572 | 703 | 559 |
| Write-offs (stage 3 & PCI) | 93 | 95 | 137 | 356 | 142 |
| of which: write-offs for amounts due from banks and loans and advances to customer | 78 | 74 | 118 | 348 | 122 |
| Credit loss expense / (release) ⁴ | 1,037 | 29 | (148) | 694 | 78 |
| Ratios | | | | | |
| Credit-impaired amounts due from banks and loans and advances to customer as a percentage of amounts due from banks and loans and advances to customer (gross) | 0.8 | 0.5 | 0.5 | 0.7 | 0.7 |
| Non-performing amounts due from banks and loans and advances to customer as a percentage of amounts due from banks and loans and advances to customer (gross) | 0.9 | 0.6 | 0.6 | 0.8 | 0.7 |
| ECL allowances for amounts due from banks and loans and advances to customer as a percentage of amounts due from banks and loans and advances to customer (gross) | 0.3 | 0.2 | 0.2 | 0.3 | 0.2 |
| Write-offs as a percentage of average amounts due from banks and loans and advances to customer (gross) outstanding during the period | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |

¹ Includes amounts due from banks, core loan exposure (Loans and advances to customers and Loans to financial advisors) and off-balance sheet items defined as guarantees and loan commitments. ² Comparatives have been restated to include amounts due from banks. ³ Includes provisions for ECL of guarantees and loan commitments and allowances for securities financing transactions. ⁴ Includes credit loss expense / (release) for other financial assets at amortized cost, guarantees, loan commitments, and securities financing transactions.

Market risk

Audited | **Main sources of market risk**

Market risks arise from both trading and non-trading business activities.

- Trading market risks are primarily in the Investment Bank, Non-core and Legacy and, to a lesser extent, Global Wealth Management. In the Investment Bank, these risks are mainly connected with primary debt and equity underwriting, as well as securities and derivatives trading for market-making and client facilitation. In Non-core and Legacy market risks are mainly from structured trades, large portfolios of loans and securitized products and both complex and simple credit, interest rate and equity derivative transactions. In Global Wealth Management, they are from our municipal securities trading business.
- Non-trading market risks arise predominantly in the form of interest rate and foreign exchange risks connected with personal banking and lending in our wealth management businesses, the Swiss business of our Personal & Corporate Banking business division, the Investment Bank's lending business, and treasury activities.
- Group Treasury assumes market risks in the process of managing interest rate risk, structural foreign exchange risk and the Group's liquidity and funding profile, including high-quality liquid assets (HQLA).
- Equity and debt investments can also give rise to market risks, as can some aspects of employee benefits, such as defined benefit pension schemes. ▲

Audited | **Overview of measurement, monitoring and management techniques**

- Market risk limits are set for the Group, the business divisions and Group Treasury at granular levels in the various business lines, reflecting the nature and magnitude of the market risks.
- Management value-at-risk (VaR) measures exposures under the market risk framework, including trading market risks and some non-trading market risks. Non-trading market risks not included in VaR are also covered in the risks controlled by Market and Treasury Risk Control functions.
- Our primary portfolio measures of market risk are liquidity-adjusted stress loss and VaR. Both are subject to limits that are approved by the Board of Directors (the BoD). Market risk measurement for Credit Suisse portfolios can differ from UBS Group excluding Credit Suisse, as set out below.
- These measures are complemented by concentration and granular limits for general and specific market risk factors. Our trading businesses are subject to multiple market risk limits, which take into account the extent of market liquidity and volatility, available operational capacity, valuation uncertainty, and, for our single-name exposures, issuer credit quality.
- Trading market risks are managed at portfolio level. As risk factor sensitivities change due to new transactions, transaction expiries or changes in market levels, risk factors are dynamically rehedge to remain within limits. We do not generally seek to distinguish in the trading portfolio between specific positions and associated hedges.
- Issuer risk is controlled by limits applied at the business division level based on jump-to-zero measures, which estimate maximum default exposure (the default event loss assuming zero recovery).
- Non-trading foreign exchange risks are managed under market risk limits, with the exception of Group Treasury management of consolidated capital activity.

Our CRO Treasury function applies a holistic risk framework, setting the appetite for treasury-related risk-taking activities across the Group. Key elements of the framework include an overarching regulatory (interest rate risk in the banking book, IRRBB) delta economic value of equity (EVE) target, set by the BoD. Limits are also set by the BoD to balance the effect of foreign exchange movements on our common equity tier 1 (CET1) capital and CET1 capital ratio. Non-trading interest rate and foreign exchange risks are included in Group-wide statistical and stress-testing metrics, which flow into our risk appetite framework.

Equity and debt investments are subject to a range of risk controls, including preapproval of new investments by business management and Risk Control and regular monitoring and reporting. They are also included in Group-wide statistical and stress-testing metrics. ▲

- › Refer to **“Currency management”** in the **“Capital, liquidity and funding, and balance sheet”** section of this report for more information about Group Treasury's management of foreign exchange risks
- › Refer to the **“Capital, liquidity and funding, and balance sheet”** section of this report for more information about the sensitivity of our CET1 capital and CET1 capital ratio to currency movements

Market risk stress loss

The measurement and management of market risks include an extensive set of stress tests and scenario analyses, continuously evaluated to ensure that losses resulting from an extreme yet plausible event do not exceed our risk appetite.

Liquidity-adjusted stress

Liquidity-adjusted stress is our primary stress loss measure for Group-wide market risk. The framework captures the economic losses that could arise under specified stress scenarios. Shocks are applied to positions based on expected market movements in the liquidity-adjusted holding periods resulting from the specified scenario.

The holding periods used for liquidity-adjusted stress are calibrated to reflect the time needed to reduce or hedge the risk of positions in each major risk factor in a stressed environment. We apply minimum holding periods, regardless of observed liquidity levels, as identification of and reaction to a crisis may not always be immediate.

The expected market movements are derived using historical market behavior (based on analysis of historical events) and forward-looking analysis including consideration of defined scenarios that have not occurred in the past.

Stress-based limits apply at several levels of the organizational hierarchy. Liquidity-adjusted stress is also the core market risk component of our combined stress test framework and therefore integral to our overall risk appetite framework.

- › Refer to **“Risk appetite framework”** in this section for more information
- › Refer to **“Stress testing”** in this section for more information about our stress-testing framework

Value-at-risk

VaR definition

Audited I VaR is a statistical measure of market risk, quantifying the potential market risk losses over a set time horizon (holding period) at an established level of confidence. VaR assumes no change in the Group’s trading positions over the set time horizon.

We calculate VaR daily. The profit or loss distribution from which VaR is estimated is derived from our internally developed VaR model, which simulates returns over the holding period for risk factors our trading positions are sensitive to, and subsequently quantifies the profit / loss effect of these risk factor returns on our trading positions. Systematic commodity, credit, equity, foreign exchange rate and interest rate risk factor returns are based on a pure historical simulation approach. UBS Group excluding Credit Suisse uses an unweighted five-year look-back window, and Credit Suisse uses an exponentially weighted two-year window. Modeling idiosyncratic and specific risks for equity and credit risk factors using historical simulation is challenging, due to the limited availability of continuous good-quality historical data. Wherever possible, Credit Suisse uses historical simulation to model specific risk; however, both UBS Group excluding Credit Suisse and Credit Suisse rely upon factor models to distinguish systematic and idiosyncratic returns. UBS Group excluding Credit Suisse simulates idiosyncratic returns through a Monte Carlo simulation, aggregating the sum of systematic and residual returns in such a way that systematic and residual risk are consistently captured. Credit Suisse uses the available distribution of idiosyncratic returns to determine an extreme scenario for a given risk factor’s specific risk. The resultant Credit Suisse VaR and extreme scenario loss for a given risk factor are aggregated using a zero-correlation assumption. Correlations among risk factors are implicitly captured via historical simulation approaches. When modeling risk factor returns, we consider the stationarity properties of the historical time series of risk factor changes. Depending on the stationarity properties of the risk factors within a given factor class, the factor returns are modeled using absolute returns, proportional or logarithmic returns. Risk factor return distributions are updated fortnightly for UBS Group excluding Credit Suisse and weekly for Credit Suisse.

Risk factor returns are converted into profit or loss values via sensitivities and full revaluation grids sourced from front-office systems, enabling us to capture material non-linear effects. Credit Suisse uses full revaluation models for its financial products that are materially sensitive to the risks of co-factor movements (e.g., basket options). Both UBS Group excluding Credit Suisse and Credit Suisse use VaR models for internal management purposes and for determining market risk risk-weighted assets (RWA), although the two use cases consider different confidence levels and time horizons. For internal management purposes, risk limits are established and exposures measured using VaR at a 95% confidence level for UBS Group excluding Credit Suisse and 98% for Credit Suisse, with a 1-day holding period, aligned to the way we consider the risks associated with our trading activities. The regulatory measure of market risk used to underpin the market risk capital requirements under Basel III involves a measure equivalent to a 99% confidence level using a 10-day holding period. To calculate a 10-day holding period VaR, we use 10-day risk factor returns.

Additionally, the portfolio populations for management and regulatory VaR are slightly different. The one for regulatory VaR meets regulatory requirements for inclusion in regulatory VaR. Management VaR includes a broader range of positions. For example, regulatory VaR excludes credit spread risks from the securitization portfolio, which are treated instead under the securitization approach for regulatory purposes.

We also use stressed VaR (SVaR) for the calculation of market risk RWA. SVaR uses broadly the same methodology as regulatory VaR and is calculated using the same population, holding period (10-day) and confidence level (99%). For SVaR, both UBS Group excluding Credit Suisse and Credit Suisse identify the most significant one-year period of financial stress from a historical dataset covering the period from 1 January 2007 to the present. SVaR is computed at least once a week. ▲

- › Refer to the **31 December 2023 Pillar 3 Report**, available under **“Pillar 3 disclosures”** at ubs.com/investors, for more information about the regulatory capital calculation under the advanced internal ratings-based approach

Management VaR for the period

UBS Group excluding Credit Suisse continued to maintain management VaR at low levels, with average VaR increasing to USD 15m from USD 11m in 2023, mainly driven by the Investment Bank's Global Markets business.

Credit Suisse's average management VaR stood at USD 29m as of the end of 2023, decreasing in the second half of 2023 due to continued strategic migration of positions to UBS and de-risking within Non-core and Legacy.

Audited I

Management value-at-risk (1-day, 95% confidence, 5 years of historical data) of our business divisions and Group Items excluding Credit Suisse components by general market risk type¹

| | | For the year ended 31.12.23 | | | | | | | |
|---------------------------------------|----------|-----------------------------|-----------|-----------|--|----------------|----------------|------------------|-------------|
| USD m | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
| | Min. | | | | 3 | 9 | 3 | 1 | 1 |
| | Max. | | | | 19 | 21 | 19 | 10 | 10 |
| | Average | | | | 9 | 12 | 6 | 2 | 3 |
| | | | | 31.12.23 | 11 | 19 | 7 | 2 | 3 |
| Total management VaR | 7 | 25 | 15 | 19 | <i>Average (per business division and risk type)</i> | | | | |
| Global Wealth Management | 1 | 2 | 1 | 2 | 0 | 1 | 2 | 0 | 0 |
| Personal & Corporate Banking | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment Bank | 5 | 23 | 14 | 18 | 9 | 12 | 5 | 2 | 3 |
| Non-core and Legacy | 1 | 2 | 1 | 1 | 0 | 1 | 1 | 0 | 0 |
| Group Items | 3 | 6 | 4 | 5 | 1 | 4 | 3 | 1 | 0 |
| Diversification effect ^{2,3} | | | (6) | (7) | (1) | (5) | (4) | (1) | 0 |

| | | For the year ended 31.12.22 | | | | | | | |
|---|----------|-----------------------------|-----------|----------|--|----------------|----------------|------------------|-------------|
| USD m | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
| | Min. | | | | 2 | 8 | 4 | 2 | 2 |
| | Max. | | | | 17 | 18 | 9 | 11 | 7 |
| | Average | | | | 6 | 10 | 5 | 3 | 3 |
| | | | | 31.12.22 | 6 | 10 | 4 | 3 | 3 |
| Total management VaR | 6 | 18 | 11 | 9 | <i>Average (per business division and risk type)</i> | | | | |
| Global Wealth Management | 1 | 2 | 1 | 1 | 0 | 1 | 1 | 0 | 0 |
| Personal & Corporate Banking | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment Bank | 6 | 17 | 10 | 8 | 6 | 9 | 5 | 3 | 3 |
| Group Functions (including Non-core and Legacy Portfolio) | 3 | 5 | 4 | 5 | 1 | 4 | 3 | 1 | 0 |
| Diversification effect ^{2,3} | | | (5) | (5) | (1) | (3) | (4) | (1) | 0 |

Management value-at-risk (1-day, 98% confidence, 2 years of historical data) of the Credit Suisse components of our business divisions and Group Items by general market risk type^{1,4}

| | | For the year ended 31.12.23 | | | | | | | |
|---------------------------------------|-----------|-----------------------------|-----------|-----------|--|----------------|----------------|------------------|-------------|
| USD m | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
| | Min. | | | | 9 | 10 | 13 | 0 | 0 |
| | Max. | | | | 17 | 40 | 34 | 5 | 3 |
| | Average | | | | 13 | 17 | 20 | 2 | 1 |
| | | | | 31.12.23 | 13 | 12 | 13 | 1 | 0 |
| Total management VaR | 20 | 46 | 29 | 21 | <i>Average (per business division and risk type)</i> | | | | |
| Global Wealth Management | 2 | 16 | 10 | 2 | 1 | 1 | 10 | 0 | 0 |
| Personal & Corporate Banking | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment Bank | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-core and Legacy ⁵ | 18 | 36 | 23 | 19 | 13 | 13 | 17 | 2 | 1 |
| Group Items | 0 | 3 | 2 | 0 | 0 | 2 | 2 | 0 | 0 |
| Diversification effect ^{2,3} | | | (7) | (1) | (1) | 2 | (9) | 0 | 0 |

1 Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may occur on different days, and, likewise, the value-at-risk (VaR) for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. 2 The difference between the sum of the standalone VaR for the business divisions and Group Items and the total VaR. 3 As the minima and maxima for different business divisions and Group Items occur on different days, it is not meaningful to calculate a portfolio diversification effect. 4 In the second quarter of 2023, Credit Suisse AG consolidated introduced an enhanced approach to measure management VaR for individual risk types. The enhanced approach is applied to each risk type using a collection of risk factors included within the respective risk type only, ignoring the cross-risk effects. This change in the measurement approach for individual risk types particularly affected standalone management VaR for equity risk and foreign exchange risk, with no impact on the total management VaR. 5 Non-core and Legacy management VaR consists of exposures of the previously reported Capital Release Unit (Credit Suisse) and Investment Bank (Credit Suisse).

VaR limitations

Audited | Actual realized market risk losses may differ from those implied by VaR for a variety of reasons.

- VaR is calibrated to a specified level of confidence and may not indicate potential losses beyond this confidence level.
- The 1-day time horizon used for VaR for internal management purposes (10-day for regulatory VaR) may not fully capture market risk of positions that cannot be closed out or hedged within the specified period.
- In some cases, VaR calculations approximate the effect of changes in risk factors on the values of positions and portfolios.
- Effects of extreme market movements are subject to estimation errors, which may result from non-linear risk sensitivities, and the potential for actual volatility and correlation levels to differ from assumptions implicit in VaR calculations.
- The choice of a longer historical window means sudden increases in market volatility will tend not to increase VaR as quickly as the use of shorter historical observation periods, but such increases will affect VaR for a longer period of time. Similarly, after periods of increased volatility, as markets stabilize, VaR predictions will remain more conservative for a period of time influenced by the length of the historical observation period.

SVaR is subject to the limitations noted for VaR above, but the use of one-year datasets avoids the smoothing effect of longer datasets used for VaR. In addition, the ability to select a one-year period outside of recent market history allows for a wider variety of potential loss events. Therefore, although the significant period of stress during the 2007–2009 financial crisis is no longer contained in the look-back window used for management and regulatory VaR, SVaR continues to use that data. This approach aims to reduce the procyclicality of the regulatory capital requirements for market risks.

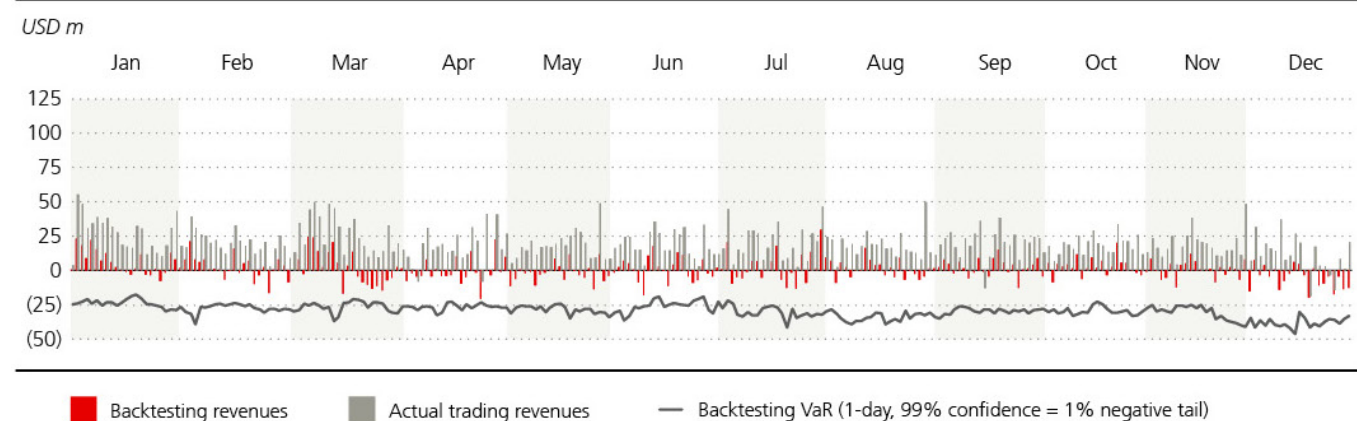
We recognize that no single measure can encompass all risks associated with a position or portfolio. We use a set of metrics with both overlapping and complementary characteristics to create a holistic framework that aims to ensure material completeness of risk identification and measurement. As a statistical aggregate risk measure, VaR supplements our comprehensive stress-testing framework.

We also have a framework to identify and quantify potential risks not fully captured by our VaR model and refer to such risks as risks not in VaR. The framework underpins these potential risks with additional regulatory capital. ▲

Backtesting of VaR

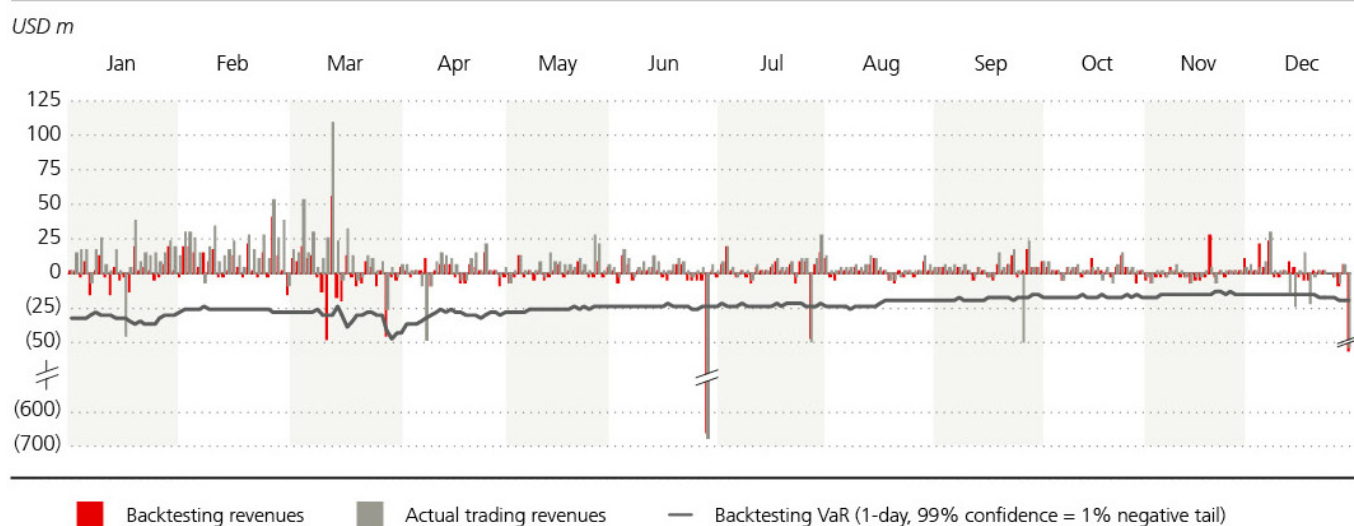
VaR backtesting is a performance measurement process in which a 1-day VaR prediction is compared with the realized 1-day profit or loss (P&L). We compute backtesting VaR using a 99% confidence level and 1-day holding period for the regulatory VaR population. Since 99% VaR at UBS is defined as a risk measure that operates on the lower tail of the P&L distribution, 99% backtesting VaR is a negative number. Backtesting revenues exclude non-trading revenues, such as valuation reserves, fees and commissions, and revenues from intraday trading, so as to provide a like-for-like comparison. A backtesting exception occurs when backtesting revenues are lower than the previous day's backtesting VaR.

UBS Group excluding Credit Suisse: development of regulatory backtesting revenues¹ and actual trading revenues² against backtesting VaR³ (1-day, 99% confidence)



¹ Excludes non-trading revenues, such as valuation reserves, commissions and fees, and revenues from intraday trading. ² Includes backtesting revenues and revenues from intraday trading. ³ Based on Basel III regulatory VaR, excludes CVA positions and their eligible hedges, which are subject to the standalone CVA charge.

Credit Suisse: development of regulatory backtesting revenues¹ and actual trading revenues² against backtesting VaR^{3,4} (1-day, 99% confidence)



¹ Excludes non-trading revenues, such as valuation reserves, commissions and fees, and revenues from intraday trading. ² Includes backtesting revenues and revenues from intraday trading. ³ Based on Basel III regulatory VaR, excludes CVA positions and their eligible hedges, which are subject to the standalone CVA charge. ⁴ Two negative VaR backtesting exceptions were recorded for Credit Suisse AG consolidated in June and July, driven by fair value adjustments to certain positions in the trading inventory as a result of the acquisition of the Credit Suisse Group by UBS, reflecting purchase price allocation, which do not count against the total exceptions relevant for the capital multiplier.

Statistically, given the 99% confidence level, two or three backtesting exceptions a year can be expected. More than four exceptions could indicate that the VaR model is not performing appropriately, as could too few exceptions over a long period. However, as noted for VaR limitations above, a sudden increase (or decrease) in market volatility relative to the volatility observed in the look-back window could lead to a higher (or lower) number of exceptions. Therefore, Group-level backtesting exceptions are investigated, as are exceptional positive backtesting revenues, with the results reported to senior business management and regulators.

For UBS Group excluding Credit Suisse, the number of negative backtesting exceptions within a 250-business-day window decreased to zero at the end of 2023 from one at the end of 2022. For Credit Suisse, the number of negative backtesting exceptions within a 250-business-day window increased to three at the end of 2023 from one at the end of 2022.

The Swiss Financial Market Supervisory Authority (FINMA) VaR multiplier derived from backtesting exceptions for market risk RWA was unchanged compared with 2022, at 3.0, for both UBS Group excluding Credit Suisse and Credit Suisse.

VaR model confirmation

In addition to the for-regulatory-purposes backtesting described above, we conduct extended backtesting for internal model confirmation purposes. This includes observing model performance across the entire P&L distribution (not just the tails) and at multiple levels within the business division hierarchies.

► Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures

VaR model developments in 2023

Audited | In the fourth quarter of 2023, we amended the Credit Suisse credit spread VaR model by significantly enhancing the coverage of single-name-issuer bond and CDS spread curves. Although the model change is considered significant from a risk management perspective, the quantitative impact on risk management VaR was not material. No material changes were made to UBS Group excluding Credit Suisse VaR model in 2023. ▲

Future market risk-related regulatory capital developments

In January 2019, the Basel Committee on Banking Supervision (the BCBS) published the final standards on the minimum capital requirements for market risk (the Fundamental Review of the Trading Book). In December 2022, the Swiss State Secretariat for International Finance changed the expected date on which the final Basel III guidelines are to enter into force, from 1 July 2024 to 1 January 2025. As a result, the Swiss implementation timeline would be aligned to the currently expected implementation timeline in the EU. In November 2023, the Swiss Federal Council adopted amendments to the Capital Adequacy Ordinance (the CAO) for banks to incorporate the final Basel III standards adopted by the BCBS in Swiss law. The Federal Department of Finance (FDF) will inform the Federal Council again about the status of international implementation by the end of July 2024.

Key elements of the revised market risk framework include: (i) changes to the internal model-based approach, including changes to the model approval and performance measurement process; (ii) changes to the standardized approach with the aim of it being a credible fallback method for an internal model-based approach; and (iii) a revised boundary between the trading book and the banking book. UBS maintains a close dialogue with FINMA to discuss the implementation objectives in more detail and to provide a smooth transition of the capital regime for market risk.

In September 2021, FINMA mandated UBS Group excluding Credit Suisse to hold an RWA add-on for the omission of time decay in regulatory VaR and SVaR. The add-on reflects the outcome of discussions with FINMA, which started in late 2019. The integration of time decay into the regulatory VaR model for UBS Group excluding Credit Suisse, which would replace the add-on, went live in January 2024.

- › Refer to “Risk-weighted assets” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the development of RWA including the regulatory add-on
- › Refer to “Risk measurement” in this section for more information about our approach to model confirmation procedures
- › Refer to the “Regulatory and legal developments” and “Risk factors” sections of this report for more information

Interest rate risk in the banking book

Sources of interest rate risk in the banking book

Audited I IRRBB arises from balance sheet positions such as amounts due from banks, Loans and advances to customers, Financial assets at fair value not held for trading, Financial assets measured at amortized cost, Customer deposits, Debt issued measured at amortized cost, and derivatives, including those subject to hedge accounting. Fair value changes to these positions may affect other comprehensive income (OCI) or the income statement, depending on their accounting treatment.

Our largest banking book interest rate exposures arise from customer deposits and lending products in Global Wealth Management and Personal & Corporate Banking, as well as from debt issuance, liquidity buffers and interest rate hedges in Group Treasury. The inherent interest rate risks stemming from Global Wealth Management and Personal & Corporate Banking are generally transferred to Group Treasury, to manage them centrally together with our modeled interest rate duration assigned to equity, goodwill and real estate. This makes the netting of interest rate risks across different sources possible, while leaving the originating businesses with commercial margin and volume management. The residual interest rate risk is mainly hedged with interest rate swaps, to the vast majority of which we apply hedge accounting. Short-term exposures and HQLA classified as Financial assets at fair value not held for trading are hedged with derivatives accounted for on a mark-to-market basis. Long-term fixed-rate debt issued and HQLA hedged with external interest rate swaps are designated in fair value hedge accounting relationships.

Risk management and governance

IRRBB is measured using several metrics, the most relevant of which are the following.

- EVE sensitivity to yield curve moves is calculated as changes in the present value of future cash flows irrespective of accounting treatment. These yield curve moves are also the key risk factors for statistical and stress-based measures, e.g., VaR and stress scenarios, as well as the regulatory interest rate scenarios. These are measured and reported daily. The regulatory IRRBB EVE exposure is the most adverse regulatory interest rate scenario that is netted across currencies. It excludes the sensitivity from additional tier 1 (AT1) capital instruments (as per specific FINMA requirements) and the modeled interest rate duration assigned to equity, goodwill and real estate. UBS also applies granular internal interest rate shock scenarios to its banking book positions to monitor its specific risk profile.
- Net interest income (NII) sensitivities to yield curve moves are calculated as changes of baseline NII over a set time horizon, which we internally compute by assuming interest rates in all currencies develop according to their market-implied forward rates and assuming constant business volumes and product mix and no specific management actions. The sensitivities are measured and reported monthly.

We actively manage IRRBB, with the aim of reducing the volatility of NII subject to limits and triggers for EVE and NII exposure at consolidated and significant legal entity levels.

The Group Asset and Liability Committee (the ALCO) and, where relevant, ALCOs at a legal entity level perform independent oversight over the management of IRRBB, which is also subject to Group Internal Audit and model governance.

- › Refer to “Group Internal Audit” in the “Corporate governance” section of this report and to “Risk measurement” in this section for more information

Key modeling assumptions

The cash flows from customer deposits and lending products used in calculation of EVE sensitivity exclude commercial margins and other spread components, are aggregated by daily time buckets and are discounted using risk-free rates. Our external issuances are discounted using UBS’s senior debt curve, and capital instruments are modeled to the first call date. NII sensitivity, which includes commercial margins, is calculated over a one-year time horizon, assuming constant balance sheet structure and volumes, and considers embedded interest rate options.

The average repricing maturity of non-maturing deposits and loans is determined via target replication portfolios designed to protect product margins. Optimal replicating portfolios are determined at granular currency- and product-specific levels by simulating and applying a real-world market rate model to historically calibrated client rate and volume models.

We use an econometric prepayment model to forecast prepayment rates on US mortgage loans in UBS Bank USA and agency mortgage-backed securities (MBSs) held in various liquidity portfolios of UBS Americas Holding LLC consolidated. These prepayment rates are used to forecast both mortgage loan and MBS balances under various macroeconomic scenarios. The prepayment model is used for a variety of purposes, including risk management and regulatory stress testing. Swiss mortgages and fixed-term deposits generally do not carry similar optionality, due to prepayment and early redemption penalties. ▲

Effect of interest rate changes on shareholders' equity and CET1 capital

The "Accounting and capital effect of changes in interest rates" table below shows the effects on shareholders' equity and CET1 capital of gains and losses from changes in interest rates in the main banking book positions. We use derivatives to hedge interest rate risks in the banking book and these reflect changes in interest rates as an immediate fair value gain or loss, recognized either in the income statement or through OCI. Where hedged items are accrual accounted, we aim to minimize accounting asymmetries by applying hedge accounting to reflect the economic hedge relationship.

In a rising rate scenario, we would have an initial decrease in shareholders' equity as a result of fair value losses on our derivatives recognized in OCI, while we would expect higher NII over time as rates increase. The effect on CET1 capital would be much lower, as gains and losses on interest rate swaps designated as cash flow hedges are not recognized for regulatory capital purposes.

Accounting and capital effect of changes in interest rates¹

| | Timing | Recognition | Shareholders' equity | | CET1 capital | |
|--|-----------|------------------------|----------------------|--------|--------------|--------|
| | | Income statement / OCI | Gains | Losses | Gains | Losses |
| Loans and deposits at amortized cost ^{2,3} | Gradual | Income statement | ● | ● | ● | ● |
| Other financial assets and liabilities measured at amortized cost ² | Gradual | Income statement | ● | ● | ● | ● |
| Debt issued measured at amortized cost ^{2,3} | Gradual | Income statement | ● | ● | ● | ● |
| Receivables and payables from securities financing transactions ² | Gradual | Income statement | ● | ● | ● | ● |
| Financial assets at fair value not held for trading | Immediate | Income statement | ● | ● | ● | ● |
| Financial assets at fair value through other comprehensive income | Immediate | OCI | ● | ● | | ● |
| Derivatives designated as cash flow hedges | Immediate | OCI ⁴ | ● | ● | | |
| Derivatives designated as fair value hedges ⁵ | Immediate | Income statement | ● | ● | ● | ● |
| Derivatives transacted as economic hedges | Immediate | Income statement | ● | ● | ● | ● |

¹ Refer to the "Reconciliation of equity under IFRS Accounting Standards to Swiss SRB common equity tier 1 capital" table in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the differences between shareholders' equity and CET1 capital. ² For fixed-rate financial instruments, changes in interest rates affect the income statement when these instruments roll over and reprice. ³ For hedge-accounted items, a fair value adjustment is applied in line with the treatment of the hedging derivatives. ⁴ Excluding hedge ineffectiveness that is recognized in the income statement in accordance with IFRS Accounting Standards. ⁵ The fair value of the derivatives is offset by the fair value adjustment of the hedged items. Under the fair value hedge program applied to cross-currency swaps and foreign currency debt, the foreign currency basis spread is excluded from the hedge designation and accounted for through OCI, which is included in CET1.

Economic value of equity sensitivity

Audited | The EVE sensitivity in the banking book to a +1-basis-point parallel shift in yield curves was negative USD 30.1m as of 31 December 2023, compared with negative USD 25.0m as of 31 December 2022. This excludes the sensitivity of USD 4.9m from AT1 capital instruments (as per specific FINMA requirements) in contrast to general BCBS guidance. The exposure in the banking book of the UBS Group increased in 2023, due to the acquisition of the Credit Suisse Group and interest rate risk hedges of the recent AT1 capital instrument issuances.

The majority of our interest rate risk in the banking book is a reflection of the net asset duration that we run to offset our modeled sensitivity of net USD 24.3m (31 December 2022: USD 19.6m) assigned to our equity, goodwill and real estate, with the aim of generating a stable NII contribution. Of this, USD 17.6m and USD 5.6m are attributable to the US dollar and the Swiss franc portfolios, respectively (31 December 2022: USD 14.0m and USD 4.8m, respectively).

In addition to the sensitivity mentioned above, we calculate the six interest rate shock scenarios prescribed by FINMA. The "Parallel up" scenario, assuming all positions were fair valued, was the most severe and would have resulted in a change in EVE of negative USD 5.7bn, or 6.1%, of our tier 1 capital (31 December 2022: negative USD 4.6bn, or 7.9%), which is well below the 15% threshold as per the BCBS supervisory outlier test for high levels of interest rate risk in the banking book.

The immediate effect on our tier 1 capital in the "Parallel up" scenario as of 31 December 2023 would have been a decrease of USD 0.9bn, or 0.9% (31 December 2022: USD 0.4bn, or 0.6%), reflecting the fact that the vast majority of our banking book is accrual accounted or subject to hedge accounting. The "Parallel up" scenario would subsequently have a positive effect on NII, assuming a constant balance sheet.

UBS also applies granular internal interest rate shock scenarios to its banking book positions to monitor the banking book's specific risk profile.

Net interest income sensitivity

The main NII sensitivity in the banking book resides in Global Wealth Management and Personal & Corporate Banking. We assign a target duration to our investment of equity portfolio, and Group Treasury actively manages the residual IRRBB. This sensitivity is assessed using a number of scenarios assuming parallel and non-parallel shifts in yield curves, with various degrees of severity, and we have set and monitor thresholds for the NII sensitivity to immediate parallel shocks of –200 and +200 basis points under the assumption of constant balance sheet volume and structure. ▲

► Refer to the “Group performance” section of this report for more information about sensitivity to interest rate movements

Audited I

Interest rate risk – banking book

| 31.12.23 | | | | | | | | |
|------------------------------|------------------------------------|---------|--------|-----------|--------|-----------|---|-----------|
| USD m | Effect on EVE ¹ – FINMA | | | | | | Effect on EVE ¹ – BCBS | |
| | CHF | EUR | GBP | USD | Other | Total | Additional tier 1 (AT1) capital instruments | Total |
| Scenarios | | | | | | | | |
| +1 bp | (3.7) | (0.6) | 0.1 | (26.0) | 0.2 | (30.1) | 4.9 | (25.2) |
| Parallel up ² | (548.9) | (119.3) | 16.2 | (5,027.2) | (0.9) | (5,680.2) | 904.6 | (4,775.5) |
| Parallel down ² | 561.8 | 124.3 | (29.2) | 5,216.0 | 2.8 | 5,875.7 | (1,044.5) | 4,831.3 |
| Steepener ³ | (305.3) | (13.1) | (11.9) | (1,037.0) | (33.8) | (1,401.1) | 93.4 | (1,307.6) |
| Flattener ⁴ | 189.6 | (5.0) | 14.0 | (124.2) | 30.8 | 105.2 | 109.6 | 214.8 |
| Short-term up ⁵ | (27.3) | (39.4) | 19.4 | (2,171.3) | 23.9 | (2,194.7) | 486.3 | (1,708.4) |
| Short-term down ⁶ | 26.5 | 41.8 | (21.8) | 2,312.1 | (26.8) | 2,331.9 | (507.8) | 1,824.1 |

| 31.12.22 | | | | | | | | |
|------------------------------|------------------------------------|---------|--------|-----------|--------|-----------|---|-----------|
| USD m | Effect on EVE ¹ – FINMA | | | | | | Effect on EVE ¹ – BCBS | |
| | CHF | EUR | GBP | USD | Other | Total | Additional tier 1 (AT1) capital instruments | Total |
| Scenarios | | | | | | | | |
| +1 bp | (4.0) | (0.7) | 0.1 | (20.4) | (0.1) | (25.0) | 3.4 | (21.6) |
| Parallel up ² | (574.6) | (117.0) | 33.2 | (3,944.3) | (26.3) | (4,629.1) | 649.7 | (3,979.4) |
| Parallel down ² | 642.3 | 148.1 | (45.4) | 4,074.9 | 21.9 | 4,841.7 | (699.8) | 4,141.9 |
| Steepener ³ | (257.0) | (92.8) | (28.2) | (1,027.4) | (3.3) | (1,408.7) | (46.8) | (1,455.5) |
| Flattener ⁴ | 145.4 | 74.1 | 32.6 | 94.4 | (2.5) | 344.0 | 189.9 | 533.9 |
| Short-term up ⁵ | (83.0) | 34.3 | 42.2 | (1,519.0) | (13.8) | (1,539.2) | 438.6 | (1,100.6) |
| Short-term down ⁶ | 86.9 | (33.1) | (42.5) | 1,658.5 | 13.4 | 1,683.1 | (455.5) | 1,227.6 |

¹ Economic value of equity. ² Rates across all tenors move by ±150 bps for Swiss franc, ±200 bps for euro and US dollar, and ±250 bps for pound sterling. ³ Short-term rates decrease and long-term rates increase. ⁴ Short-term rates increase and long-term rates decrease. ⁵ Short-term rates increase more than long-term rates. ⁶ Short-term rates decrease more than long-term rates. ▲

Other market risk exposures

Own credit

We are exposed to changes in UBS’s own credit reflected in the valuation of financial liabilities designated at fair value when UBS’s own credit risk would be considered by market participants, except for fully collateralized liabilities or other obligations for which it is established market practice to not include an own-credit component.

► Refer to “Note 21 Fair value measurement” in the “Consolidated financial statements” section of this report for more information about own credit

Structural foreign exchange risk

Upon consolidation, assets and liabilities held in foreign operations are translated into US dollars at the closing foreign exchange rate on the balance sheet date. Value changes (in US dollars) of non-US dollar assets or liabilities due to foreign exchange movements are recognized in OCI and therefore affect shareholders’ equity and CET1 capital.

Group Treasury uses strategies to manage this foreign currency exposure, including matched funding of assets and liabilities and net investment hedging.

► Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about our exposure to and management of structural foreign exchange risk

► Refer to “Note 11 Derivative instruments” in the “Consolidated financial statements” section of this report for more information about our hedges of net investments in foreign operations

Equity investments and investment fund units

Audited I We make direct investments in a variety of entities and buy equity holdings in both listed and unlisted companies, with the aim of supporting our business activities and delivering strategic value to UBS. This includes investments in exchange and clearing house memberships, as well as minority investments in early-stage fintechs and technology companies via UBS Next. We may also make investments in funds that we manage in order to fund or seed them at inception or to demonstrate that our interests align with those of investors. We also buy, and are sometimes required by agreement or regulation to buy, securities and units from investment vehicles that we have sold to clients.

The fair value of equity investments tends to be influenced by factors specific to the individual investments. Equity investments are generally intended to be held for the medium or long term and may be subject to lock-up agreements. For these reasons, we generally do not control these exposures by using market risk measures applied to trading activities. However, such equity investments are subject to a different range of controls, including preapproval of new investments by business management and Risk Control, portfolio and concentration limits, and regular monitoring and reporting to senior management. They are also included in our Group-wide statistical and stress-testing metrics, which flow into our risk appetite framework.

As of 31 December 2023, we held equity investments and investment fund units totaling USD 7.2bn, of which USD 4.8bn was classified as Financial assets at fair value not held for trading and USD 2.4bn as Investments in associates. ▲

- › Refer to **"Note 21 Fair value measurement"** and **"Note 29 Interests in subsidiaries and other entities"** in the **"Consolidated financial statements"** section of this report for more information
- › Refer to **"Note 1 Summary of material accounting policies"** in the **"Consolidated financial statements"** section of this report for more information about the classification of financial instruments

Debt investments

Audited I Debt investments classified as Financial assets measured at fair value through other comprehensive income as of 31 December 2023 were measured at fair value with changes in fair value recorded through Equity, and can broadly be categorized as money market instruments and debt securities primarily held for statutory, regulatory or liquidity reasons.

The risk control framework applied to debt instruments classified as Financial assets measured at fair value through other comprehensive income depends on the nature of the instruments and the purpose for which we hold them. Our exposures may be included in market risk limits or be subject to specific monitoring and interest rate sensitivity analysis. They are also included in our Group-wide statistical and stress-testing metrics, which flow into our risk appetite framework.

Debt instruments classified as Financial assets measured at fair value through other comprehensive income had a fair value of USD 2.2bn as of 31 December 2023, compared with USD 2.2bn as of 31 December 2022. ▲

- › Refer to **"Note 21 Fair value measurement"** in the **"Consolidated financial statements"** section of this report for more information
- › Refer to **"Economic value of equity sensitivity"** in this section for more information
- › Refer to **"Note 1 Summary of material accounting policies"** in the **"Consolidated financial statements"** section of this report for more information about the classification of financial instruments

Pension risk

We provide a number of pension plans for past and current employees, some classified as defined benefit pension plans under IFRS Accounting Standards, which can have a material effect on our equity under IFRS Accounting Standards and CET1 capital.

Pension risk is the risk that defined benefit plans' funded status might decrease, negatively affecting our capital. This can result from falls in the value of a plan's assets or in the investment returns, increases in defined benefit obligations, or combinations of the above.

Important risk factors affecting the fair value of pension plans' assets include equity market returns, interest rates, bond yields, and real estate prices. Important risk factors affecting the present value of expected future benefit payments include high-grade bond yields, interest rates, inflation rates, and life expectancy.

Pension risk is included in our Group-wide statistical and stress-testing metrics, which flow into our risk appetite framework. The potential effects are thus captured in the post-stress capital ratio calculations.

- › Refer to **"Note 1 Summary of material accounting policies"** and **"Note 27 Post-employment benefit plans"** in the **"Consolidated financial statements"** section of this report for more information about defined benefit plans

UBS own share exposure

Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards, and also holds shares purchased under the share repurchase program. In addition, the Investment Bank holds a limited number of UBS Group AG shares, primarily in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments.

- › Refer to **"UBS shares"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information

Country risk

Country risk framework

Country risk includes all country-specific events occurring in a sovereign jurisdiction that may lead to impairment of UBS's exposures. It may take the form of: (i) sovereign risk, which is the ability and willingness of a government to honor its financial commitments; (ii) transfer risk, which arises if a counterparty or issuer cannot acquire foreign currencies following a moratorium by a central bank on foreign exchange transfers; or (iii) "other" country risk. "Other" country risk may manifest itself through, on the one hand, increased and multiple counterparty and issuer default risk (systemic risk) and, on the other hand, events that may affect a country's standing, such as adverse shocks affecting political stability or institutional and / or legal frameworks.

We assign a country rating to each country, which reflects our view of its creditworthiness and of the probability of a country risk event occurring. Country ratings are mapped to statistically derived default probabilities, described under "Probability of default" in this section. We use this internal analysis to set the credit ratings of governments and central banks, estimate the probability of a transfer event occurring, and establish rules on how aspects of country risk should be incorporated in counterparty ratings of non-sovereign entities domiciled in the respective country.

Country ratings are also used to define our risk appetite regarding foreign countries. A country risk limit (i.e., maximum aggregate exposure) applies to exposures to counterparties or issuers of securities and financial investments in the given foreign country. We may limit the extension of credit, transactions in traded products or positions in securities based on a country risk ceiling even if our exposure to a counterparty is otherwise acceptable.

Our country risk framework differs across UBS Group, and alignment is part of the ongoing integration of Credit Suisse.

For internal measurement and control of country risk, we also consider the financial effect of market disruptions arising prior to, during and after a country crisis. These may take the form of a severe deterioration in a country's debt, equity or other asset markets, or a sharp depreciation of its currency. We use stress testing to assess potential financial effects of severe country or sovereign crises. This involves the developing of plausible stress scenarios for combined stress testing and the identification of countries that may potentially be subject to a crisis event, determining potential losses and making assumptions about recovery rates depending on the types of credit transactions involved and their economic importance to the affected countries.

Country risk exposure

Country risk exposure measure

The presentation of country risk follows our internal risk view, where the basis for measuring exposures depends on the product category in which we classify the exposures. In addition to the classification of exposures into banking products and traded products, covered in "Credit risk profile of the Group" in this section, for UBS Group excluding Credit Suisse the trading inventory is also shown. Issuer risk on securities such as bonds and equities, as well as risk relating to underlying reference assets for derivative positions, is classified under trading inventory. The trading inventory is managed on a net basis, and the value of long positions is netted against that of short positions with the same underlying issuer. Net exposures are, however, floored at zero per issuer in the figures presented in the following tables. As a result, potentially offsetting benefits of certain hedges and short positions across issuers are not recognized.

We do not recognize any expected recovery values when reporting country exposures as exposure before hedges, except for risk-reducing effects of master netting agreements and collateral held in either cash or portfolios of diversified marketable securities, which we deduct from the potential exposure values. Within banking products and traded products, risk-reducing effects of credit protection are generally taken into account on a notional basis when determining the net of hedge exposures.

Country risk exposure allocation

In general, exposures are shown against the country of domicile of the contractual counterparty or the issuer of the security. For some counterparties whose economic substance in terms of assets or source of revenues is primarily located in a different country, the exposure is allocated to the risk domicile of those assets or revenues.

In the case of derivatives, we show the counterparty's risk potential exposure against the counterparty's country of risk (presented within traded products). In addition, risk associated with an instantaneous fall in value of underlying reference assets to zero (assuming no recovery) is shown against the country of risk of the issuer of the reference asset (presented within the trading inventory for UBS Group excluding Credit Suisse only). This approach allows us to capture both counterparty and, where applicable, issuer elements of risk arising from derivatives and applies comprehensively for all derivatives, including single-name credit default swaps (CDSs) and other credit derivatives.

CDSs are primarily bought and sold in relation to our trading businesses, and, to a much lesser degree, used to hedge credit valuation adjustments. Holding CDSs for credit default protection does not necessarily protect the buyer of protection against losses, as contracts only pay out under certain scenarios. The effectiveness of our CDS protection as a hedge of default risk is influenced by several factors, including the contractual terms under which a given CDS was written. Generally, only the occurrence of credit events as defined by the CDS contract's terms (which may include, among other events, failure to pay, restructuring or bankruptcy) results in payments under the purchased credit protection contracts. For CDS contracts on sovereign obligations, repudiation can also be deemed as a default event. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association (ISDA) determination committees (composed of various ISDA member firms) based on the terms of the CDS and the facts and circumstances surrounding the event.

Top 20 country risk exposures

The table below shows our 20 largest country exposures by product type, excluding our home country, as of 31 December 2023 compared with 31 December 2022.

Compared with the prior year, our net exposure generally increased due to the acquisition of the Credit Suisse Group. The list of our top 20 countries remained broadly unchanged, with five new entries (Ireland, Spain, Brazil, Qatar and the Cayman Islands) at the bottom of the list, with the exposure to each of those five not exceeding USD 4.0bn. Based on the sovereign rating categories, as of 31 December 2023, 83% of our emerging market country exposure was rated investment grade, compared with 87% as of 31 December 2022.

Israel

As of 31 December 2023, our direct country risk exposure to Israel was USD 439m, mainly from lending and collateralized over-the-counter derivatives exposure within the Investment Bank. Our direct exposure to Gulf Cooperation Council countries was USD 6.8bn. We have limited direct exposure to Egypt, Jordan and Lebanon, and we have no direct exposure to Iran, Iraq or Syria.

Russia

Our direct country risk exposure to Russia contributed USD 256m to our total emerging market exposure of USD 44.5bn as of 31 December 2023. This included loans and trade finance exposures in Non-core and Legacy and Personal & Corporate Banking, as well as aviation finance in Global Wealth Management.

We had no material direct country risk exposures to Belarus or to Ukraine as of 31 December 2023 and no material reliance on Russian, Belarusian or Ukrainian collateral.

Top 20 country risk net exposures, by product type

| USD m | Total | | Banking products (loans, guarantees, loan commitments) | | Traded products (counterparty risk from derivatives and securities financing) after master netting agreements and net of collateral | | Trading inventory (securities and potential benefits / remaining exposure from derivatives) | |
|---------------------------------|----------------------------|-----------------------|---|-----------------------|---|-----------------------|--|-----------------------|
| | Net of hedges ¹ | 31.12.22 ² | Net of hedges ¹ | 31.12.22 ² | Net of hedges | 31.12.22 ² | Net long per issuer ³ | 31.12.22 ² |
| United States | 303,410 | 138,933 | 234,226 | 81,875 | 35,853 | 27,559 | 33,331 | 29,499 |
| United Kingdom | 58,202 | 32,163 | 33,934 | 10,887 | 22,602 | 19,786 | 1,666 | 1,490 |
| Germany | 30,634 | 20,115 | 14,151 | 8,255 | 10,364 | 6,959 | 6,118 | 4,901 |
| Luxembourg | 26,161 | 3,423 | 25,034 | 2,717 | 959 | 280 | 169 | 427 |
| Japan | 20,354 | 22,221 | 14,338 | 13,251 | 5,446 | 8,559 | 571 | 410 |
| Australia | 14,972 | 8,895 | 8,168 | 1,365 | 4,765 | 5,834 | 2,038 | 1,696 |
| France | 14,740 | 10,641 | 4,844 | 2,056 | 5,444 | 3,980 | 4,453 | 4,605 |
| Singapore | 12,405 | 12,137 | 4,025 | 3,038 | 3,555 | 3,767 | 4,827 | 5,332 |
| Canada | 11,093 | 7,832 | 2,369 | 274 | 3,293 | 3,730 | 5,431 | 3,827 |
| China | 9,781 | 4,709 | 5,720 | 1,347 | 918 | 1,379 | 3,144 | 1,983 |
| Netherlands | 7,420 | 5,964 | 3,490 | 1,074 | 2,989 | 3,767 | 941 | 1,123 |
| South Korea | 6,139 | 3,896 | 1,147 | 388 | 1,764 | 1,042 | 3,228 | 2,466 |
| Hong Kong SAR | 4,602 | 3,666 | 2,636 | 938 | 959 | 1,843 | 1,007 | 885 |
| Sweden | 4,269 | 2,283 | 1,152 | 158 | 1,628 | 1,322 | 1,490 | 803 |
| Italy | 3,540 | 1,492 | 2,501 | 628 | 801 | 703 | 238 | 161 |
| Ireland | 3,525 | 199 | 3,068 | 48 | 388 | 113 | 69 | 38 |
| Spain | 3,431 | 1,032 | 2,456 | 630 | 649 | 201 | 325 | 200 |
| Brazil | 3,385 | 1,057 | 2,380 | 568 | 673 | 249 | 332 | 240 |
| Qatar | 2,627 | 641 | 2,296 | 96 | 28 | 97 | 302 | 448 |
| Cayman Islands | 2,425 | 436 | 1,958 | 100 | 315 | 170 | 152 | 166 |
| Total top 20⁴ | 543,115 | 281,735 | 369,892 | 129,693 | 103,391 | 91,340 | 69,832 | 60,700 |

¹ Before deduction of IFRS 9 ECL allowances and provisions. ² Comparative period has been restated to reflect a change in the measure used to disclose country risk exposures. ³ Trading inventory exposures are for UBS Group excluding Credit Suisse only. ⁴ Excluding Switzerland and supranationals, global funds for UBS Group excluding Credit Suisse, and shipping finance exposures for Credit Suisse.

Emerging markets¹ net exposure², by internal UBS country rating category

| USD m | 31.12.23 | 31.12.22 ³ |
|----------------------|---------------|-----------------------|
| Investment grade | 36,851 | 21,996 |
| Sub-investment grade | 7,654 | 3,173 |
| Total | 44,505 | 25,169 |

¹ We classify countries as emerging markets based on per capita GDP, historical real GDP growth, alignment with international institutions (such as BIS, World Bank, IMF, MSCI) and other factors. ² Net of credit hedges (for banking products and for traded products); net long per issuer (for trading inventory) for UBS Group excluding Credit Suisse only. Before deduction of IFRS 9 ECL allowances and provisions. ³ Comparative period has been restated to reflect a change in the measure used to disclose country risk exposures.

Sustainability and climate risk

Managing sustainability and climate risk is a key component of our corporate responsibility. We define sustainability and climate risk as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other environmental, social and governance (ESG) matters. Sustainability and climate risks may manifest as credit, market, liquidity, business and non-financial risks for UBS, resulting in potential adverse financial, liability and reputational impacts.

Group Risk Control is responsible for our firm-wide sustainability and climate risk framework and the management of exposure to sustainability and climate (financial) risks on an ongoing basis as a second line of defense, while our Group Compliance, Regulatory & Governance function monitors the adequacy of our control environment for non-financial risks, applying independent control and oversight. We manage sustainability and climate risk under a dedicated risk management framework.

Our firm-wide sustainability and climate risk management framework and related policy standards and guidelines underpin our management practices and control principles, enabling us to identify and manage potential adverse impacts on the climate, the environment and human rights, as well as the associated risks affecting us and our clients while supporting the transition toward a net-zero future. Overseen by senior management, the framework applies to the balance sheet, our own operations and our supply chain. In 2023, we worked to revise this framework and our processes across UBS, following the acquisition of the Credit Suisse Group.

Recognizing that it is imperative to have a consistent approach to managing sustainability and climate risk across the combined Group, we have merged the sustainability and climate risk teams under the Sustainability CRO. We also developed a combined Group policy for sustainability and climate risks, including risk appetite standards. Furthermore, we continued to work toward consolidating our sustainability and climate risk metrics and quantitative approaches across the combined entity, while enhancing our analytical capabilities and further integrating sustainability and climate risk considerations into traditional financial and non-financial risks, for example, by enriching our risk management processes and reporting around nature-related risks.

The current inventory of quantitative sustainability and climate risk metrics, including exposure to carbon-related assets, climate-sensitive sectors and nature-related risks for UBS Group excluding Credit Suisse is disclosed in this section. UBS is in the process of implementing a combined and aligned sustainability-and-climate-risk dataset across UBS Group and including Credit Suisse AG. For this reason, UBS will publish UBS Group and Credit Suisse AG sustainability and climate risk metrics required pursuant to FINMA Circular 2016/1 "Disclosure – banks", Annex 5, in a supplement to the UBS Group Annual Report 2023 and the UBS Group Sustainability Report 2023, in line with the publication timeline for the semi-annual Pillar 3 disclosures in the third quarter of 2024.

- › Refer to the **UBS Group Sustainability Report 2023**, available under "Annual reporting" at ubs.com/investors, for more information about our sustainability and climate risk investment approach
- › Refer to "Sustainability and climate risk policy framework" in the Supplement to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information

1 Identification and measurement

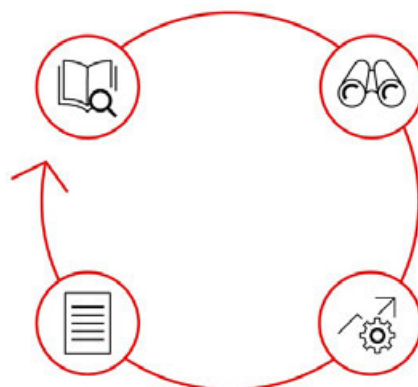
Sustainability and climate risks are identified and their materiality is measured

- Annual sustainability and climate risk materiality assessment¹
- Sustainability and climate risk heatmaps, sector-level¹
- Scenario-based climate and nature-related analysis and stress-testing exercises, including the development of a stress-testing framework²
- Sustainability and climate risk scorecards, company-level³

2 Monitoring and risk appetite setting

Sustainability and climate risk exposures, emerging risks and regulations are monitored and metrics reported internally to enable risk appetite setting

- Monitoring of sustainability and climate risks (including regulatory monitoring)
- Sustainability and climate risk metrics¹
- Qualitative sustainability and climate risk appetite¹
- Quantitative sustainability and climate risk appetite¹



3 Risk management and control

Management and control processes ensure that material sustainability and climate risks are identified, measured, monitored and escalated in a timely manner

- Integrate sustainability and climate risk considerations into decision-making processes and related policies¹
- Build in-house capacity to enhance risk management, including specialized training and further research and development of tools¹
- Centralize and execute ESG data strategy¹

4 Risk reporting and disclosure

Key sustainability and climate risks considerations are included in internal reporting and external disclosures

- Sustainability and climate risk content included in the UBS Group, divisional and relevant regional and legal entity risk reports¹
- External disclosures of sustainability and climate risk in annual and sustainability reports¹

Related toolkit

¹ Implemented, further development underway. ² Overview of scenario analysis and stress-testing exercises disclosed, further development underway. ³ Under development.

Risk identification and measurement

On an annual basis, an assessment of the materiality of sustainability- and climate-driven risks is carried out in accordance with the ISO 14001 standard for environmental management systems.

We aim to identify sustainability and climate risks at divisional and cross-divisional levels, both through the assessment mentioned above and, increasingly, by integrating them into the firm-wide traditional risk identification and measurement process. This approach is also applied to significant Group entities under UBS Group AG.

Our risk identification methodologies collectively define UBS's materiality-driven approach, focus areas and key risk drivers. The outputs of these efforts define our sustainability and climate risk management strategy by:

- identifying concentrations of climate- and nature-sensitive exposures that may make UBS vulnerable to financial and non-financial risks, enabling prioritization of resources toward enhanced risk quantification and subsequent management actions;
- supporting the delivery of a client-centric business strategy, where we assist clients with their sustainability transition (e.g., low-carbon transition) finance, identifying clients that could benefit from sustainability-focus UBS products and services; and
- providing information to senior management to support more-informed decision-making on sustainability- and climate-driven risks, along with providing decision-useful information to stakeholders through our external disclosures.
 - › Refer to "Managing sustainability and climate risks" in the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information

Transition risk

Climate-driven transition risks arise from the efforts to mitigate the effects of climate change. They cover the financial impact on our clients or on UBS itself through the credit worthiness of our counterparties or the value of collateral we hold. The financial impacts from climate transition risk could materialize through three key risk factors:

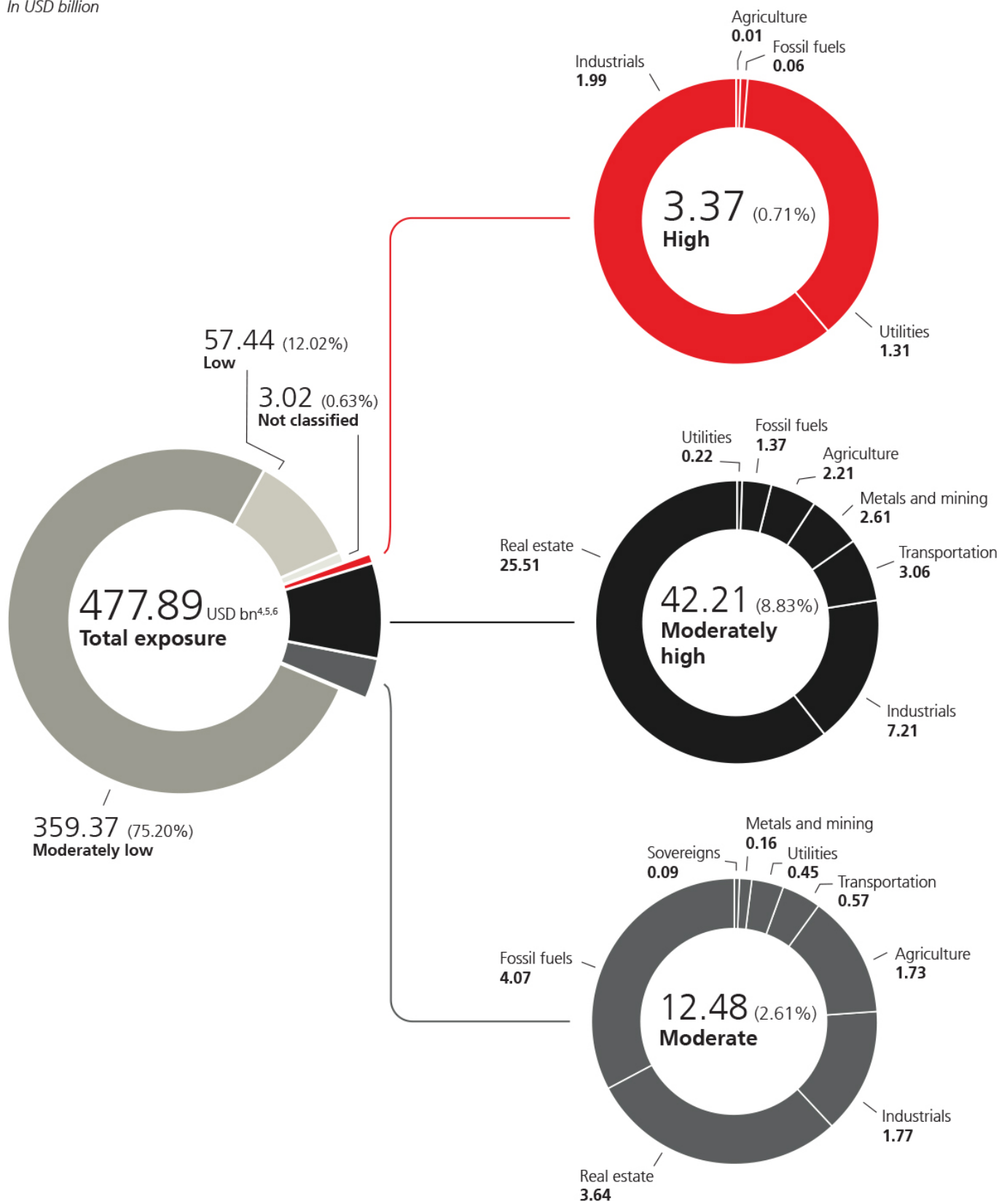
- climate policies, affecting operating expenses (e.g., carbon taxes), analyzed both directly and indirectly;
- low-carbon technologies and their potential for disruption, affecting capital expenditure requirements and / or market share due to low-cost competition; and
- shifts in consumer or investor sentiment, affecting revenues (shifts in consumer demand) or market-perceived value.

To calculate our exposure to climate transition risks, we have analyzed economic sectors within our classification taxonomy with a view to define segments that share similar characteristics in their vulnerability to the risk factors identified above. The approach consists of grouping companies into these segments under an adverse risk scenario. This scenario is defined as an immediate and disorderly approach toward meeting the well-below-2°C Paris goal over the zero-to-three-year time horizon (reflecting the business planning horizon). The outcome of this process is a sector-level transition risk heatmap, where the risk ratings ranging from “Low” to “High”, and “climate-sensitive” include the top three ratings (Moderate, Moderately High and High).

The transition risk heatmap shows that, at the end of 2023, UBS Group excluding Credit Suisse exposure to climate-sensitive sectors and related activities was relatively stable. Climate-driven transition-risk-sensitive exposure accounted for 12.1% of total customer lending exposure (up from 11.7% in 2022), mainly driven by an increase in exposure to commercial real estate in Switzerland. This risk exposure can be associated with the passage of the Climate and Innovation Act in Switzerland and the expected zero-to-three-year impact on energy-efficiency rules in the commercial real estate sector. A slight reduction in exposure can be observed in the fossil fuels trading and mining conglomerates sectors.

- › Refer to “Managing sustainability and climate risks” in the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors, for more information

In USD billion



¹ Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of places, hence potential deviation from actual). ² UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk exposure metrics are determined based upon the top three of the five rated categories: moderate to high. ⁴ Methodologies for assessing climate- and nature-related measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. ⁵ The credit exposure includes portfolio adjustment booking. ⁶ Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

High

Industrials 1.99

- 1.64 Chemicals
- 0.35 Cement or concrete manufacture

Utilities 1.31

- 1.31 Power production: regulated and high-carbon fuels

Fossil fuels 0.06

- 0.04 Coal
- 0.02 Shale gas

Agriculture 0.01

- 0.01 Livestock – beef extensive grazing

Moderately high

Real Estate 25.51

- 23.12 Commercial real estate
- 2.40 Development and management of real estate

Industrials 7.21

- 3.24 Machinery and related parts manufacturing
- 2.12 Pharmaceuticals
- 0.97 Consumer durables manufacturing
- 0.82 Plastics and petrochemicals manufacture
- 0.06 Chemicals

Metals and Mining 2.61

- 2.06 Mining conglomerates (including trading)
- 0.28 Production of other mined metals and raw materials
- 0.28 Production of steel and iron

Agriculture 2.21

- 2.21 Food and beverage production

Transportation 3.06

- 1.66 Airlines – cargo
- 0.64 Transportation parts and equipment supply
- 0.51 Land-based shipping high-carbon (trucks)
- 0.09 Sea-based shipping (high-carbon fuels)
- 0.09 Automobile manufacture (high-carbon fuels)
- 0.07 Airlines – commercial

Fossil Fuels 1.37

- 0.81 Wholesale and trading: crude oil and natural gas
- 0.32 Integrated oil and gas
- 0.16 Conventional oil (on-/offshore)
- 0.08 Gas processing (including LNG)

Utilities 0.22

- 0.16 Wastewater treatment
- 0.06 Power production: regulated and high-carbon fuels

Moderate

Fossil Fuels 4.07

- 3.74 Wholesale and trading: refined petroleum products
- 0.17 Transportation and storage (gas)
- 0.16 Downstream oil and gas distribution

Real Estate 3.64

- 1.91 Construction – non-infrastructure
- 1.63 Commercial real estate
- 0.07 Development and management of real estate
- 0.03 Construction of buildings and related activities

Industrials 1.77

- 0.98 Other consumer goods manufacturing
- 0.67 Clothing manufacture
- 0.09 Plastics and petrochemicals manufacture
- 0.02 Machinery and related parts manufacturing

Agriculture 1.73

- 1.50 Food and beverage wholesale/retail
- 0.15 Crops – high emissions intensity
- 0.07 Other agricultural services
- 0.01 Food and beverage production
- 0.01 Livestock – other

Transportation 0.57

- 0.55 Passenger ships
- 0.02 Automobile manufacture (high-carbon fuels)

Utilities 0.45

- 0.33 Grid operation and transmission
- 0.11 Waste disposal and recycling
- 0.01 Wholesale and trading: electricity and power

Metals and Mining 0.16

- 0.12 Metal ore mining not elsewhere classified
- 0.03 Production of other mined metals and raw materials
- 0.01 Production of steel and iron

Sovereigns 0.09

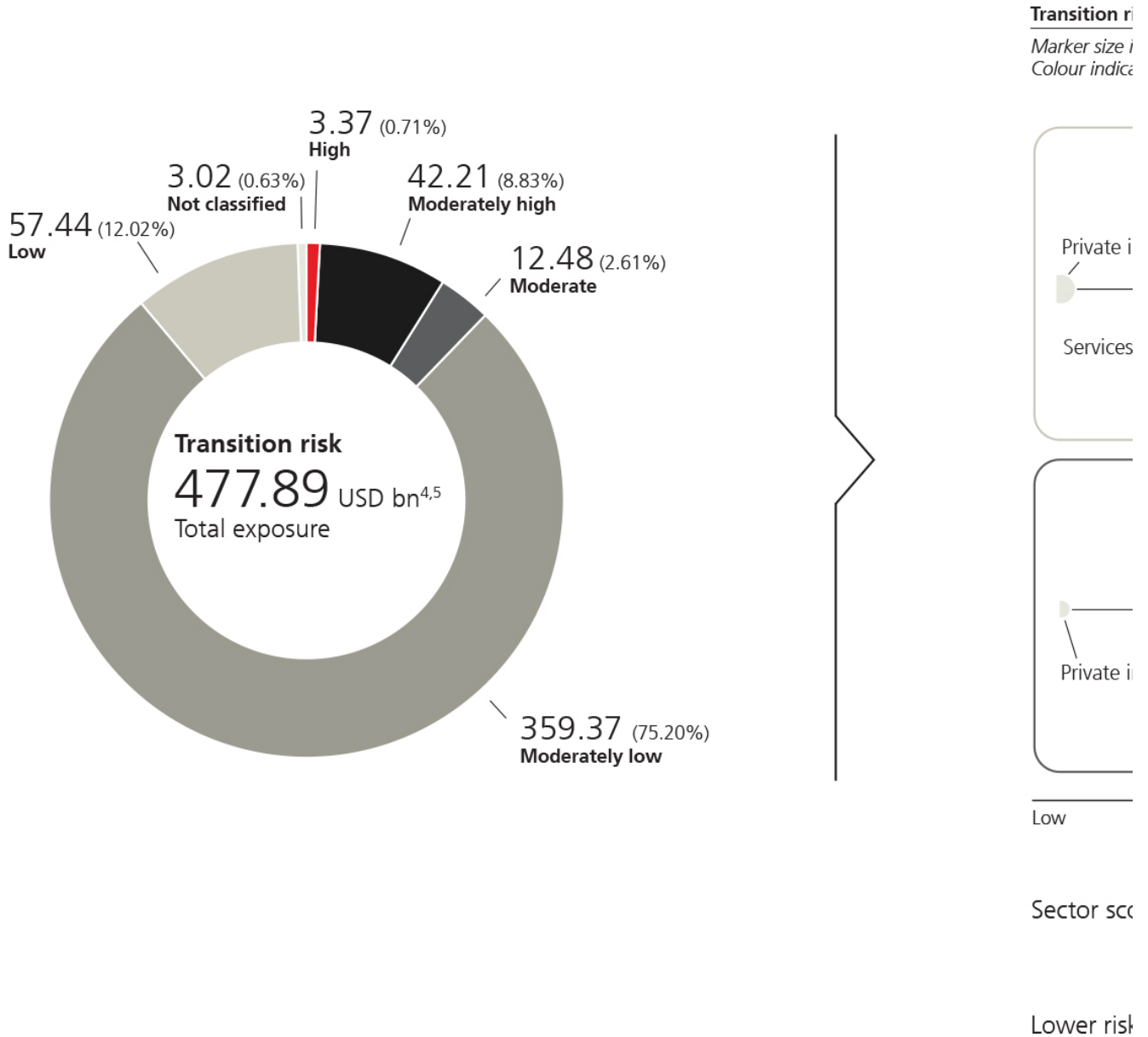
- 0.09 Sovereigns

oe of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal
acts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored
l. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive
-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and
akings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation.

The graph below shows that the majority of UBS Group excluding Credit Suisse exposure is rated moderately low, and climate-sensitive exposure accounts for 12.1% of the total customer lending exposure, driven by UBS's lending footprint in industrialized countries. The majority of exposure is concentrated in lower-risk sectors, such as residential real estate and financial services.

Climate risk heatmap (transition risk) for UBS Group excluding Credit Suisse^{1,2,3}

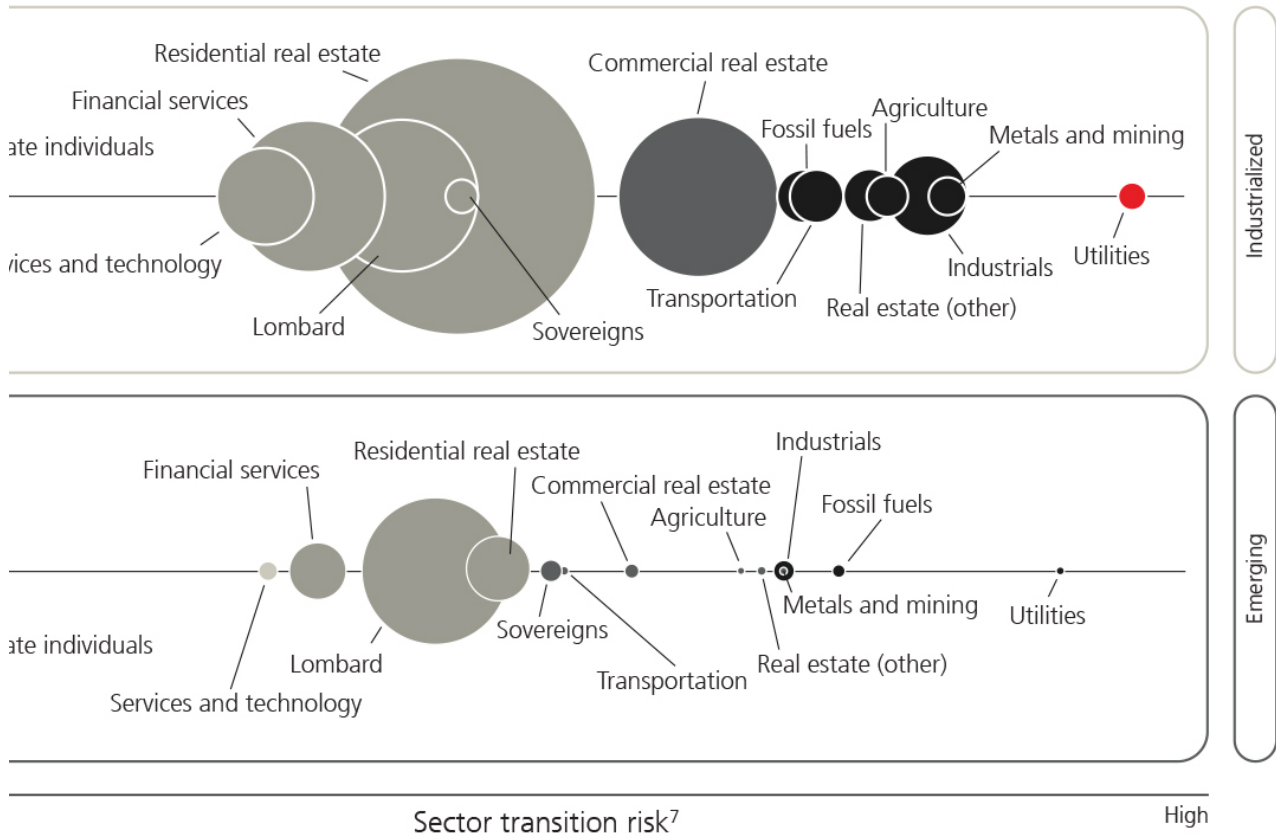
In USD billion



¹ Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope decimal places, hence potential deviation from actual). ² UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate bo risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Re nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. ⁴ Methodologies for assessing climat risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. ⁵ Not classified represents the por in the internal country classification to facilitate identification of diversification of policy stringency across developing and industrialised countries. ⁷ Displayed r.

on risk, by sector and geographic classifier of market maturity⁶

size indicates relative exposure magnitude
 indicates transition risk level



scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two...
 3 Climate- and nature-related...
 6 Market maturity is reflected...

Physical risk

Climate-driven physical risks arise from acute hazards, which are increasing in severity and frequency, and chronic climate risks arise from an incrementally changing climate. These effects may include increased temperature and sea-level rise, and the gradual changes may affect productivity and property values and increase the severity and frequency of acute hazards.

Our physical risk heatmap methodology groups together corporate counterparties based on exposure to key physical risk factors (risk segmentation), by rating sectoral, sub-sectoral and geographical vulnerabilities to climate-driven physical risks. These vulnerabilities were identified using a proprietary in-house UBS model. The model, developed in 2023, is a significant advancement from the historical physical risk heatmap methodology that UBS published in 2021 and 2022. By leveraging over a billion data points, UBS analyzed cross-sector information on asset-level data (sub-company level), third-party climate hazard ratings through geospatial datasets, and academic insights into how hazards and production methods may be aggravated or complementary (transmission channels). The analyses were then quantitatively aggregated across assets, transmission channels (including value chains) and hazards at a sub-sector / country or sub-country level of granularity.

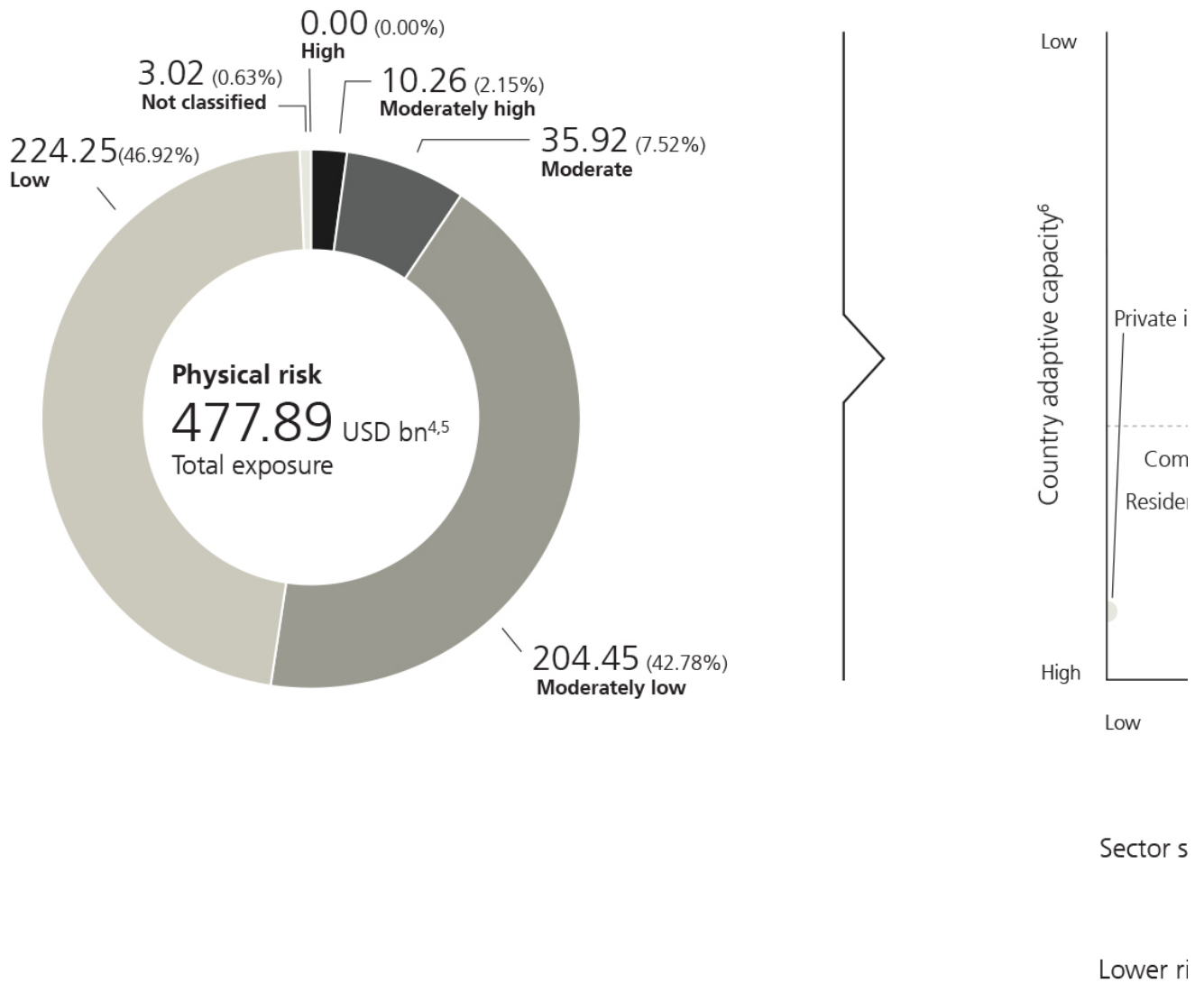
The refined heatmap methodology shows that our physical risk vulnerability remained, on average, moderately low year on year. Given UBS's business profile, the key drivers for UBS's climate-sensitive lending (physical risk) are financial intermediation activities and, collectively, the services, agriculture and transportation sectors. In its current state, the model takes a conservative approach in its key assumptions, limiting full incorporation of geographical and sectorial sources of variability, which may either further amplify or mitigate financial vulnerability. We are committed to addressing these and other limitations by continuously improving the modeling approach in parallel with the industry, as it continues to standardize the disclosure of physical climate risk data, integrates regionalized scientific climate models, specializes in its impact on sectors and assets, and collaborates with a view to more informed decision-making. More specifically, in 2024 and beyond, UBS will seek to expand its use of vendor data through both diversification and refinement, further address the limitations presented due to key assumptions in the model, and develop approaches to address data limitations in other types of assets (e.g., real estate). We will also explore the link between the changing climate and nature-related financial risks, which may result in intensified compounding vulnerabilities. Companies and activities that depend on natural-capital assets may be adversely affected by a changing climate, whose relationships have proven to either reduce or augment ecosystem services like fresh water or biodiversity.

The physical risk heatmap below shows that, at the end of 2023, UBS Group excluding Credit Suisse exposure to climate-sensitive sectors was 9.7% (up from 8.4% in 2022). This increase was driven by exposure to the services sector, which includes financial services activities in emerging markets. Most of the climate-sensitive physical risk exposure is located in countries that have high adaptive capacity to physical risk hazards, which is an important aspect to consider when assessing the 9.7% exposure to physical risk.

- › Refer to "Managing sustainability and climate risks" in the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information

In USD billion

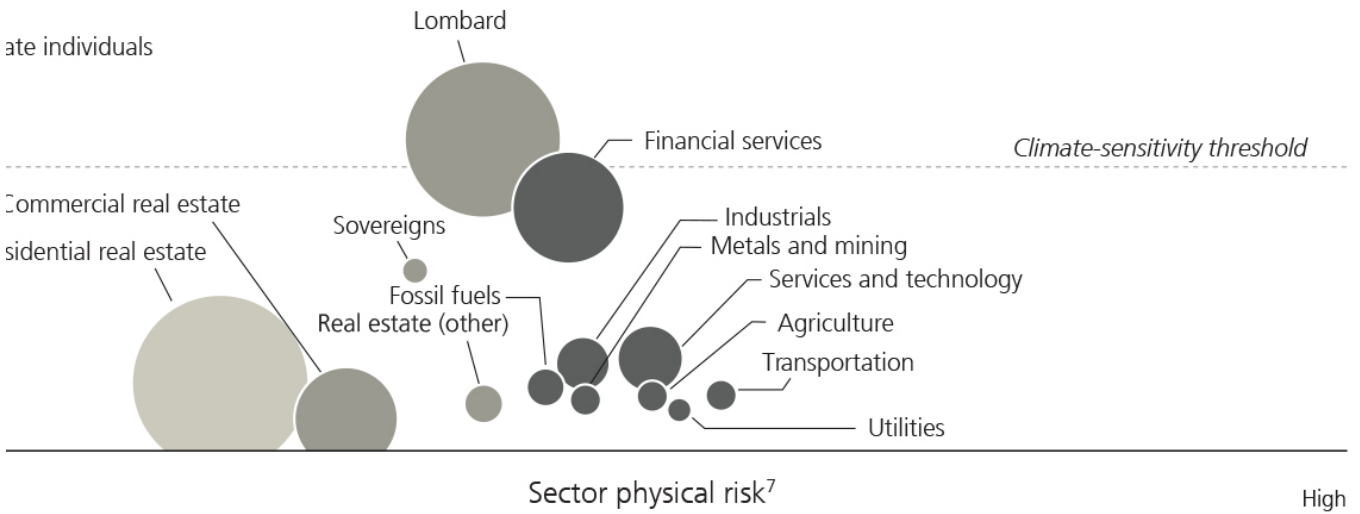
Physical risk, by
 Marker size indica
 Colour indicates p



¹ Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope decimal places, hence potential deviation from actual). ² UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report. ³ Nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. ⁴ Methodologies for assessing climate risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. ⁵ Not classified represents the portfolio represented by a sector exposure weighted-average based on the sovereign's segment score for the country of risk. ⁶ ⁷ Displayed ratings represent exposure-weighted

, by sector and country adaptive capacity

indicates relative exposure magnitude
 indicates physical risk level



or score



er risk → Higher risk

(scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places. 3 Climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals. 6 Country adaptive capacity is a country-weighted averages for a given sector scope.

Nature-related risks

Nature-related risks refer to how humans and organizations depend on and impact the natural environment. Natural resources are referred to as natural capital that, in combination, provides the ecosystem services that benefit people and the planet. Below we describe our understanding of how UBS's business model may depend on or impact those services, resulting in financial and non-financial risk for UBS.

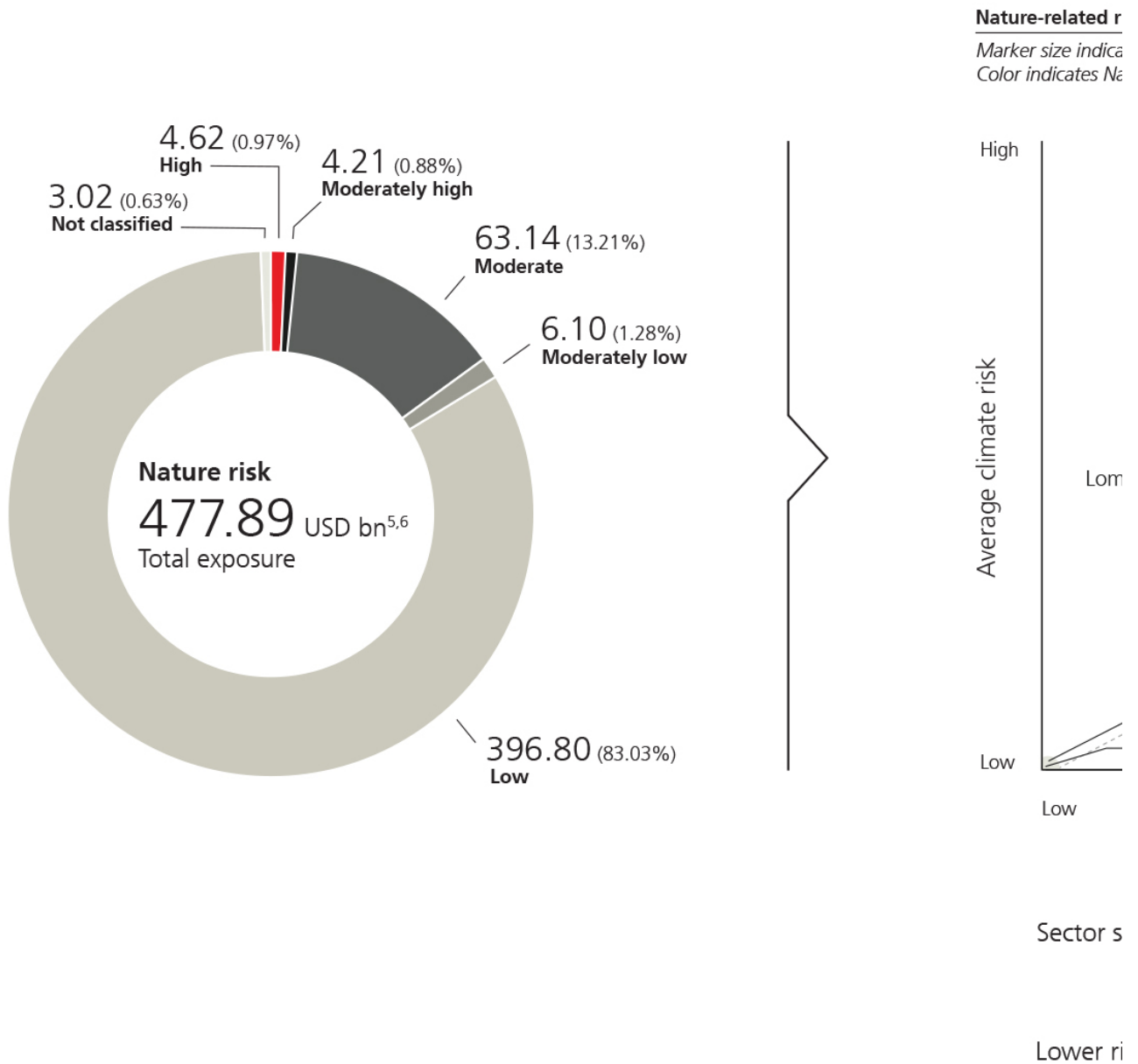
Biodiversity is presented as a function of various natural-capital assets providing life on earth with a range of services (ecosystem services), categorized and rated for its role in the development of medicines, technologies and more. UBS's development of insights in biodiversity, among other nature-related risks, is discussed in the context of improving data and methodology. Similar to the collaborative effort that UBS has made on climate-related risks in earlier years, we have contributed to global efforts to raise awareness of and exchange knowledge about nature-related risk assessment methodologies. UBS has made these contributions through its role as a member of the Taskforce on Nature-related Financial Disclosures since 2021 and the United Nations Environment Programme Finance Initiative (the UNEP FI) working group on nature-related risks (since 2018). As a key member of the UNEP FI working group, UBS has supported the development of a methodology to assess nature-related risks from both the dependency and impact perspectives to the natural environment. UBS took part in the collaborative work to develop the Exploring Natural Capital Opportunities, Risks and Exposure toolkit (ENCORE), which has been a central input to UBS's initial nature-related risk analysis. The UNEP FI coordinated this working group in partnership with the World Conservation Monitoring Centre, Global Canopy, the Swiss State Secretariat for Economic Affairs and the Swiss Federal Office for the Environment.

In 2022, we initially piloted a quantification approach for nature-related risks solely based on dependency of our clients on the natural environment, using the ENCORE methodology. This approach enabled us to assess vulnerability to nature-sensitive economic activities by our clients, which may drive financial risks for UBS, such as reduced creditworthiness of our clients or the value of companies' debt or of equity posted as collateral for lending activities. In 2023, we expanded the definition of our "nature-sensitive metric" to now include both dependencies and impacts on nature, its assets, and the ecosystem services nature provides to sustain human activities. Our methodology assigns ratings on the same scale and granularity as our climate-driven sector-level heatmaps. As in the case of the climate-driven heatmap assumptions, UBS takes a conservative approach in assigning the overall nature-sensitive risk rating to each of the UBS industry codes. The key assumption here is driven by taking the higher of the two values between the ENCORE-defined impact and the dependency ratings.

Our enhanced nature-related risk heatmap below shows that at the end of 2023, UBS Group excluding Credit Suisse exposure to nature-sensitive sectors was 15.1% (up from 14.4% in 2022) of our total customer lending exposure. Sensitivity is driven by sectors that either have a high impact or a high dependency on the natural environment. These include metals and mining, utilities, and agriculture. Our business activities are concentrated in Lombard lending and the financial services sector, which are rated as relatively low. A strong correlation can be observed between climate risk sensitivity (both transition risk and physical risk) and nature-related risks, with a heightened correlation identified in climate-sensitive sectors.

- › Refer to "Managing sustainability and climate risks" in the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information

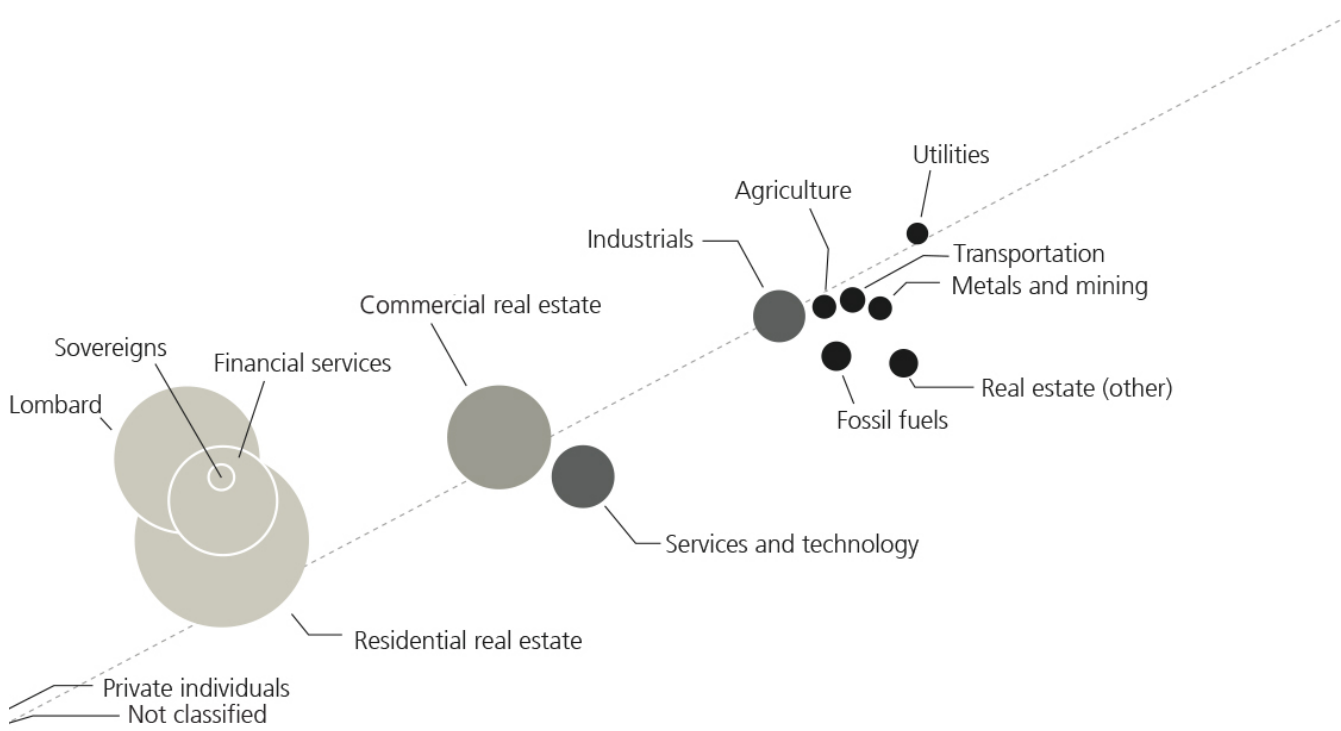
In USD billion



¹ Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of the report, hence potential deviation from actual). ² UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both climate and nature risks. ³ Nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report. ⁴ Nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. ⁵ Nature-related risk metric methodology is still under development. ⁶ Nature-related risk metric methodology is still under development. ⁷ Displayed ratings represent exposure-weighted average climate risk.

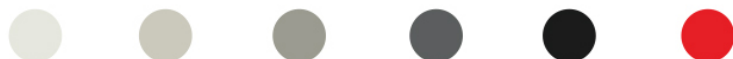
ed risk, by sector and alignment to average of transition and physical risk

indicates relative exposure magnitude
 as Nature-related risk level



Sector nature-related risk⁷ High

or score



er risk Higher risk

scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places. ³ Climate- and nature-related risks and opportunities. ⁴ Climate- and nature-related risks and opportunities. ⁵ Methodologies for assessing climate- and nature-related risks and opportunities. ⁶ Not classified represents the portion of exposure that is not classified. ⁷ Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- and nature-related risk methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI.

Climate scenario analysis

We use scenario-based approaches to assess our exposure to physical and transition risks stemming from climate change. We have introduced a series of assessments performed through industry collaborations in order to harmonize approaches for addressing methodological and data gaps. We have performed top-down balance sheet stress testing (across pre-acquisition UBS), as well as a targeted bottom-up analysis of specific sector exposures covering short-, medium- and long-term time horizons.

The work performed includes regulatory scenario analysis and stress-test exercises, including the Climate Risk Stress Test of the European Central Bank, which is used to assess banks' preparedness for dealing with financial and economic shocks stemming from climate risk; and the Bank of England 2021 Climate Biennial Exploratory Scenario: Financial risks from climate change, which has enabled UBS to assess management actions in response to different scenario results, as well as perform counterparty-level analysis.

While these exercises showed mild losses and low exposure to climate risk for the entities in scope, the analysis enabled UBS to enhance climate risk scenario analysis and stress testing, further developing our capabilities for assessing risks and vulnerabilities from climate change.

In 2023, we further advanced our capabilities surrounding internal climate risk scenario analysis and stress testing for UBS Group excluding Credit Suisse. We enhanced and refined our climate risk scenarios, with a focus on both transition and physical risk projections across 30 years. Furthermore, we have been developing additional corresponding climate risk models to amend the coverage of major risk types and have enhanced consistent modeling approaches in the context of real estate energy performance and location-specific physical risks. For details on Credit Suisse's approach to climate scenario analysis, refer to the UBS Group Sustainability Report 2023.

- › Refer to **"Managing sustainability and climate risks"** in the UBS Group Sustainability Report 2023, available under **"Annual reporting"** at ubs.com/investors, for more information
- › Refer to **"Entity-specific disclosures for Credit Suisse AG"** in the UBS Group Sustainability Report 2023, available under **"Annual reporting"** at ubs.com/investors, for more information

Monitoring and risk appetite setting

As a part of the sustainability and climate risk monitoring process, we have developed methodologies and metrics to assess our ongoing exposure to carbon-related assets and climate-sensitive sectors. In developing our metrics, we consider the inputs and guidance provided by standard-setting organizations, as well as new or enhanced regulatory requirements for climate disclosures. In 2023, we continued working on methodologies covering climate transition, physical and nature-related risk. Examples of such enhancements include issuer and traded risk products in our risk monitoring and reporting capabilities. We have newly expanded reporting scopes and enhanced methodologies, which, together with the underlying metrics, are illustrated in the table below.

- › Refer to **"Climate-related materiality assessment"** in the UBS Group Sustainability Report 2023, available under **"Annual reporting"** at ubs.com/investors, for more information

The table below includes climate- and nature-related risk metrics for UBS Group excluding Credit Suisse and UBS AG on standalone basis, as well as for UBS Switzerland AG and UBS Europe SE, both on a standalone basis. Respective climate- and nature-related risk metrics will be published for UBS Group and Credit Suisse AG in a supplement to the UBS Group Annual Report 2023 and the UBS Group Sustainability Report 2023, in line with the publication timeline for the semi-annual Pillar 3 disclosures in the third quarter of 2024.

Carbon-related assets proportion of total customer lending exposure for UBS Group excluding Credit Suisse decreased to 7.2% in 2023 from 7.5% in 2022. In 2023, the share of climate-sensitive sectors for UBS Group excluding Credit Suisse was 12.1% for transition risk and 9.7% for physical risk of our total customer lending exposure.

The main driver for transition risk was an increase in exposure to commercial real estate in Switzerland. This risk exposure was associated with the passing of the Climate and Innovation Act in Switzerland and the expected zero-to-three-year impact on energy-efficiency rules in the commercial real estate sector. The key driver for physical risk was exposure to the services sector, which includes financial services activities in emerging markets. Most of the climate-sensitive physical risk exposure was located in countries that have high levels of capacity to adapt to physical risk hazards.

The year-end 2023 exposure to nature-sensitive sectors of the UBS Group was 15.1% of the total customer lending exposure. For nature-related risk, sensitivity was driven by sectors that either have a high impact or a high dependency on the natural environment. These include metals and mining, utilities, and agriculture. Our business activities are concentrated in Lombard lending and the financial services sector, which are rated as having relatively low sensitivity to nature risk. A strong correlation can be observed between climate risk sensitivity (both transition and physical) and nature-related risks, with a heightened correlation in climate-sensitive sectors.

Risk management – climate- and nature-related metrics

| | For the year ended | | | % change from |
|--|--------------------|----------|----------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.21 | 31.12.22 |
| Climate- and nature-related metrics (USD bn)^{1,2} | | | | |
| Carbon-related assets UBS Group excluding Credit Suisse ^{1, 2, 3, 4, 5} | 34.2 | 33.6 | 36.0 | 1.7 |
| <i>Carbon-related assets proportion of total customer lending exposure, gross (%)^{1, 2, 3, 4, 5}</i> | 7.2 | 7.5 | 7.8 | |
| <i>Carbon-related assets: UBS AG (standalone)^{1, 2, 3, 4, 5}</i> | 8.5 | 8.6 | 9.9 | (1.5) |
| <i>Carbon-related assets: UBS Switzerland AG (standalone)^{1, 2, 3, 4, 5}</i> | 26.6 | 24.6 | 25.6 | 8.0 |
| <i>Carbon-related assets: UBS Europe SE (standalone)^{1, 2, 3, 4, 5}</i> | 0.0 | 0.0 | 0.0 | (25.7) |
| Exposure to climate-sensitive sectors, transition risk UBS Group excluding Credit Suisse ^{1, 2, 4, 5, 6} | 58.1 | 52.5 | 52.4 | 10.6 |
| <i>Climate-sensitive sectors, transition risk, proportion of total customer lending exposure, gross (%)^{1, 2, 4, 5, 6}</i> | 12.1 | 11.7 | 11.4 | |
| <i>Exposure to climate-sensitive sectors, transition risk: UBS AG (standalone)^{1, 2, 4, 5, 6}</i> | 9.9 | 9.2 | 9.6 | 7.8 |
| <i>Exposure to climate-sensitive sectors, transition risk: UBS Switzerland AG (standalone)^{1, 2, 4, 5, 6}</i> | 47.5 | 41.2 | 41.1 | 15.1 |
| <i>Exposure to climate-sensitive sectors, transition risk: UBS Europe SE (standalone)^{1, 2, 4, 5, 6}</i> | 0.0 | 0.0 | 0.0 | (0.1) |
| Exposure to climate-sensitive sectors, transition risk: Traded products, UBS Group excluding Credit Suisse ^{1, 2, 4, 5, 6, 7} | 0.9 | | | |
| Exposure to climate-sensitive sectors, transition risk: Issuer risk, UBS Group excluding Credit Suisse ^{1, 2, 4, 5, 6, 8} | 4.6 | | | |
| Exposure to climate-sensitive sectors, physical risk UBS Group excluding Credit Suisse ^{1, 2, 4, 5, 6} | 46.2 | 38.0 | 36.7 | 21.4 |
| <i>Climate-sensitive sectors, physical risk, proportion of total customer lending exposure, gross (%)^{1, 2, 4, 5, 6}</i> | 9.7 | 8.4 | 8.0 | |
| <i>Exposure to climate-sensitive sectors, physical risk: UBS AG (standalone)^{1, 2, 4, 5, 6}</i> | 52.7 | 44.8 | 42.1 | 17.7 |
| <i>Exposure to climate-sensitive sectors, physical risk: UBS Switzerland AG (standalone)^{1, 2, 4, 5, 6}</i> | 15.7 | 14.8 | 16.0 | 5.8 |
| <i>Exposure to climate-sensitive sectors, physical risk: UBS Europe SE (standalone)^{1, 2, 4, 5, 6}</i> | 0.0 | 0.0 | 0.0 | 122.3 |
| Exposure to climate-sensitive sectors, physical risk: Traded products, UBS Group excluding Credit Suisse ^{1, 2, 4, 5, 6, 7} | 7.2 | | | |
| Exposure to climate-sensitive sectors, physical risk: Issuer risk, UBS Group excluding Credit Suisse ^{1, 2, 4, 5, 6, 8} | 15.7 | | | |
| Exposure to nature-related risks UBS Group excluding Credit Suisse ^{1, 4, 5, 6, 9} | 72.0 | 64.6 | 67.3 | 11.4 |
| <i>Exposure to nature-related risks, proportion of total customer lending exposure, gross (%)^{1, 4, 5, 6, 9}</i> | 15.1 | 14.4 | 14.7 | |
| <i>Exposure to nature-related risks: UBS AG (standalone)^{1, 4, 5, 6, 9}</i> | 14.4 | 12.0 | 12.7 | 20.1 |
| <i>Exposure to nature-related risks: UBS Switzerland AG (standalone)^{1, 4, 5, 6, 9}</i> | 56.3 | 49.8 | 49.7 | 13.0 |
| <i>Exposure to nature-related risks: UBS Europe SE (standalone)^{1, 4, 5, 6, 9}</i> | 0.1 | 0.0 | 0.0 | 205.1 |
| Exposure to nature-related risks: Traded products, UBS Group excluding Credit Suisse ^{1, 5, 7, 9} | 1.2 | | | |
| Exposure to nature-related risks: Issuer risk, UBS Group excluding Credit Suisse ^{1, 5, 8, 9} | 3.5 | | | |

1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 As defined by the Task Force on Climate-related Financial Disclosures (the TCFD), in its expanded definition published in 2021, UBS defines carbon-related assets through industry-identifying attributes of the firm's banking book. UBS further includes the four non-financial sectors addressed by the TCFD, including, but not limited to, fossil fuel extraction, carbon-based power generation, transportation (air, sea, rail, and auto manufacture), metals production and mining, manufacturing industries, real estate development, chemicals, petrochemicals, and pharmaceuticals, building and construction materials and activities, forestry, agriculture, fishing, food and beverage production, as well as including trading companies that may trade any of the above (e.g., oil trading or agricultural commodity trading companies). This metric is agnostic of risk rating, and therefore may include exposures of companies that may be already transitioning or adapting their business models to climate risks, unlike UBS climate-sensitive-sectors methodology, which takes a risk-based approach to defining material exposure to climate impacts. 4 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. The credit exposure includes portfolio adjustment bookings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation. 5 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment in how it evaluates risks and opportunities. 6 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 7 Traded products are newly disclosed for 2023. Risk exposures consist of receivables from securities financing transactions, cash collateral receivables on derivative instruments and financial assets measured at amortized cost. 8 Issuer risk, is newly disclosed for 2023. Risk exposures consist of high-quality liquid assets assets, debt securities, bonds and liquidity buffer securities. 9 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP FI.

The table below presents a view of UBS's risk profile and year-on-year changes, when compared with 2022, within sectors and across climate- and nature-related risks. It shows UBS Group excluding Credit Suisse's total exposure to and trends in each sector, followed by an exposure-weighted risk rating, the trend in the underlying quantitative score year on year, and, finally, the total absolute exposure, rated as moderate, moderately high or high, within that sector. This is presented for all three risk types. Exposures may appear under one or more of the risk types and, therefore, cannot be added together; this is because the methodologies are distinct in their approach and application.

Overall, UBS Group excluding Credit Suisse had a moderate or moderately low outlook across the three risk categories as of the end of 2023. We found that most year-on-year fluctuations were driven by an increase in lending and changes in the risk profile relating to commercial real estate activities, especially in Switzerland. The changes in the risk profile can be attributed to regulatory action in Switzerland regarding climate policies.

Risk exposures by sector for UBS Group excluding Credit Suisse^{1, 2, 3, 4, 5}

| Sector / Sub-sector | Transition risk | | | | Physical risk | | | Nature-related risk ⁸ | | | |
|--|------------------------|---------------------------------------|---|---|---|---|--|---|---|---|---|
| | 2023 exposure (USD bn) | 2022–2023 exposure trend ⁶ | Weighted average transition risk rating 2023 ⁷ | 2022–2023 weighted average transition risk trend ⁶ | 2023 transition risk climate-sensitive exposure (USD bn) ⁵ | Weighted average physical risk rating 2023 ⁷ | 2022 risk-rating category ⁶ | 2023 physical risk climate-sensitive exposure (USD bn) ⁵ | Weighted average nature-related risk rating 2023 ⁷ | 2022–2023 weighted average nature-related risk trend ⁶ | 2023 nature-related risk climate-sensitive exposure (USD bn) ⁵ |
| Agriculture | | | | | | | | | | | |
| Agriculture, fishing and forestry | 0.30 | ↑ | Moderate | → | 0.23 | Moderate | → | 0.08 | High | → | 0.30 |
| Food and beverage | 3.72 | ↑ | Moderately high | → | 3.72 | Moderate | → | 2.08 | Moderate | → | 3.71 |
| Financial services | | | | | | | | | | | |
| Financial services | 60.72 | ↑ | Moderately low | ↓ | 0.00 | Moderate | → | 17.47 | Low | → | 0.06 |
| Fossil fuels | | | | | | | | | | | |
| Downstream refining, distribution | 0.25 | ↓ | Moderately high | → | 0.25 | Moderate | → | 0.16 | Moderately high | → | 0.24 |
| Integrated oil and gas | 0.32 | ↓ | Moderately high | → | 0.32 | Moderately low | → | 0.00 | High | → | 0.32 |
| Midstream transport, storage | 0.17 | ↑ | Moderate | → | 0.17 | Moderate | → | 0.17 | Moderately low | → | 0.00 |
| Trading fossil fuels | 4.55 | ↓ | Moderately high | → | 4.55 | Moderate | → | 0.57 | Moderate | → | 4.44 |
| Upstream extraction | 0.21 | ↑ | High | → | 0.21 | Moderate | ↓ | 0.18 | High | → | 0.21 |
| Industrials | | | | | | | | | | | |
| Cement or concrete manufacture | 0.35 | ↑ | High | → | 0.35 | Moderate | → | 0.13 | High | → | 0.35 |
| Chemicals manufacture | 1.71 | ↑ | High | → | 1.71 | Moderate | → | 0.39 | Moderately high | ↓ | 1.71 |
| Electronics manufacture | 2.08 | ↑ | Moderately low | → | 0.00 | Moderate | → | 0.53 | Moderate | → | 0.82 |
| Goods and apparel manufacture | 2.63 | ↑ | Moderately high | → | 2.63 | Moderate | → | 1.58 | Moderate | → | 2.55 |
| Machinery manufacturing | 3.73 | ↑ | Moderately high | → | 3.26 | Moderate | → | 0.59 | Moderately high | → | 3.72 |
| Pharmaceuticals manufacture | 2.12 | ↑ | Moderately high | → | 2.12 | Moderate | → | 0.89 | Moderate | → | 2.10 |
| Plastics and petrochemicals manufacture | 0.91 | → | Moderately high | → | 0.91 | Moderate | → | 0.28 | Moderate | → | 0.51 |
| Metals and mining | | | | | | | | | | | |
| Mining conglomerates (incl. trading) | 2.06 | ↓ | Moderately high | → | 2.06 | Moderate | → | 0.05 | Moderate | → | 2.06 |
| Mining and quarrying | 0.43 | → | Moderate | → | 0.12 | Moderate | → | 0.37 | High | → | 0.43 |
| Production of metals | 0.59 | ↑ | Moderately high | → | 0.59 | Moderate | → | 0.39 | Moderately high | ↓ | 0.25 |
| Private lending | | | | | | | | | | | |
| Lombard | 122.76 | ↓ | Moderately low | → | 0.00 | Moderately low | → | 0.00 | Low | → | 0.00 |
| Private lending, credit cards, others ⁹ | 2.90 | ↓ | Not classified | → | 0.00 | Not classified | → | 0.00 | Not classified | → | 0.00 |
| Real estate | | | | | | | | | | | |
| Development and management | 4.58 | ↓ | Moderately high | → | 4.40 | Moderately low | → | 0.42 | Moderately high | → | 4.58 |
| Commercial real estate | 55.09 | ↑ | Moderate | → | 24.75 | Moderately low | → | 2.87 | Moderately low | → | 26.71 |
| Residential real estate | 176.70 | ↑ | Moderately low | → | 0.00 | Low | → | 0.00 | Low | → | 0.00 |
| Services and technology | | | | | | | | | | | |
| Services and technology | 19.10 | ↑ | Moderately low | → | 0.00 | Moderate | → | 11.24 | Moderate | → | 10.49 |
| Sovereigns | | | | | | | | | | | |
| Sovereigns | 2.77 | → | Moderate | → | 0.09 | Moderately low | → | 0.04 | Low | → | 0.00 |
| Transportation | | | | | | | | | | | |
| Air transport | 1.72 | → | Moderately high | → | 1.72 | Moderate | → | 1.58 | Moderately high | → | 1.72 |
| Automotive | 0.41 | ↑ | Moderate | → | 0.11 | Moderate | → | 0.36 | Moderate | → | 0.41 |
| Rail freight | 0.50 | ↑ | Low | → | 0.00 | Moderate | → | 0.39 | Moderate | → | 0.49 |
| Road freight | 0.51 | → | Moderately high | → | 0.51 | Moderate | → | 0.43 | Moderately high | → | 0.51 |
| Transit | 0.59 | → | Moderately low | → | 0.00 | Moderate | → | 0.54 | Moderate | → | 0.23 |
| Transportation parts and equipment supply | 0.65 | ↑ | Moderately high | → | 0.65 | Moderate | ↓ | 0.34 | Moderate | → | 0.65 |
| Water transport | 0.64 | ↑ | Moderately high | → | 0.64 | Moderate | → | 0.64 | Moderately high | → | 0.64 |
| Utilities | | | | | | | | | | | |
| Power generation | 1.73 | → | High | → | 1.71 | Moderate | ↓ | 1.36 | Moderately high | → | 1.73 |
| Waste treatment | 0.27 | ↑ | Moderately high | ↑ | 0.27 | Moderate | → | 0.05 | Moderately low | ↓ | 0.02 |
| Not classified⁹ | 0.12 | ↑ | Not classified | → | 0.00 | Not classified | → | 0.00 | Not classified | → | 0.00 |
| Grand total | 477.89 | ↑ | Moderate | → | 58.05 | Moderately low | → | 46.18 | Moderately low | → | 71.97 |

1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss), and is based on consolidated and standalone IFRS Accounting Standards numbers. The credit exposure includes portfolio adjustment bookings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation. 4 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment in how it evaluates risks and opportunities. 5 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023, available under “Annual reporting” at ubs.com/investors. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 6 As a material change in risk profile (discrete risk score, weighted average per sub-sector) is considered a >5% shift up, or down, year on year. Similarly, for absolute exposure. 7 Displayed ratings represent exposure-weighted averages for a given sector scope. 8 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP FI. 9 Not classified represents the portion of UBS’s business activities where methodologies and data are not yet able to provide a rating, e.g., private individuals.

Non-financial risk

Non-financial risk is the risk of undue monetary loss and / or non-monetary adverse consequences resulting from inadequate or failed internal processes, people and / or systems, failure to comply with laws and regulations and internal policies and procedures, or external events (deliberate, accidental or natural) that have an impact on UBS, its clients or its markets.

Key developments

We have identified nine non-financial risk themes as being currently key to us. These are:

- governance and legal structure integration;
- financial and regulatory reporting;
- operational resilience, stability and cybersecurity;
- data life cycle;
- investor protection and market interaction;
- strategic growth initiatives and cross-divisional interaction;
- the evolving nature of anti-money laundering (AML), know your client (KYC), sanctions, anti-bribery and corruption (ABC), and fraud;
- employee conduct, capacity and culture; and
- environmental, social and governance (ESG) risks.

UBS continues to actively manage the non-financial risks emerging from the acquisition of the Credit Suisse Group, including the current operation of dual corporate structures, and the scale, pace and complexity of the required integration activities. These activities continue to be managed by the program run by our Group Integration Office. The integration of Credit Suisse requires data to be migrated into the UBS environment and we aim to ensure that we have robust controls to preserve data integrity, quality and availability to mitigate data migration risks and to meet regulatory expectations.

Through this period of change, we place an increased focus on maintaining and enhancing our control environment and continue to cooperate with regulators in relation to the submission and execution of implementation plans to meet regulatory expectations, including remediation requirements applicable to Credit Suisse AG. In addition, the Group is closely monitoring non-financial risk indicators to detect any potential for adverse impacts on the control environment.

There is an increased risk of cyber-related operational disruption to business activities at our locations and / or those of third-party suppliers due to operating an enlarged group of entities. This is combined with the increasingly dynamic threat environment, which is intensified by current geopolitical factors and evidenced by the increased volumes and sophistication of cyberattacks against financial institutions globally.

Cyberattacks on third-party vendors have affected our operations in the past and continue to be a source of residual risk to our business. We remain on heightened alert to respond to and mitigate elevated cyber- and information-security threats. During the first quarter of 2023, a third-party vendor, ION XTP, suffered a ransomware attack, which resulted in some disruption to our exchange-traded derivatives clearing activities, although we restored our services within 36 hours, using an available alternative solution. Following a post-incident review, we are improving our frameworks for managing third parties that support our important business services and are taking actions to enhance our cyber-risk assessments and controls over third-party vendors. We continue to invest in improving our technology infrastructure and information-security governance to improve our defense, detection and response capabilities against cyberattacks.

In addition, we are working to enhance our operational resilience to address these heightened risks and to meet regulatory deadlines through 2026. We are implementing a global framework designed to drive enhancements in operational resilience across all business divisions and relevant jurisdictions, as well as working with the third parties, including vendors, that are of critical importance to our operations to assess their operational resilience against our standards.

The increasing interest in data-driven advisory processes, and use of artificial intelligence (AI) and machine learning, is opening up new questions related to the fairness of AI algorithms, data life-cycle management, data ethics, data privacy and security, and records management. In addition, new risks continue to emerge, such as those that result from the demand from our clients for distributed ledger technology, blockchain-based assets and cryptocurrencies; however, we currently have limited exposure to such risks, and relevant control frameworks for them are implemented and reviewed on a regular basis as they evolve.

Competition to find new business opportunities, products and services across the financial services sector, both for firms and for customers, is increasing, particularly during periods of market volatility and economic uncertainty. Thus, suitability risk, product selection, cross-divisional service offerings, quality of advice and price transparency remain areas of heightened focus for UBS and for the industry as a whole.

Evolving ESG regulations and major legislation, such as the Consumer Duty regulation in the United Kingdom, the Swiss Financial Services Act (FIDLEG) in Switzerland, Regulation Best Interest (Reg BI) in the US and the Markets in Financial Instruments Directive II (MiFID II) in the EU, all significantly affect the industry and have required adjustments to control processes.

Cross-border risk (including unintended permanent establishment) remains an area of regulatory attention for global financial institutions, including a focus on market access, such as third-country market access into the European Economic Area, and taxation of US persons. We maintain a series of controls designed to address these risks, and we are increasing the number of controls that are automated.

Financial crime, including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption, continues to present a major risk, as technological innovation and geopolitical developments increase the complexity of doing business and heightened regulatory attention continues. An effective financial crime prevention program therefore remains essential, and we continue to focus on strategic enhancements to our global AML, KYC and sanctions programs. Money laundering and financial fraud techniques are becoming increasingly sophisticated, and geopolitical volatility makes the sanctions landscape more complex. The extensive and continuously evolving sanctions arising from the Russia–Ukraine war require constant attention to prevent circumvention risks, while the conflicts in the Middle East may increase terrorist-financing risks.

Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to us. We maintain a conduct risk framework across our activities, which is designed to align our standards and conduct with these objectives and to retain momentum on fostering a strong culture. On 5 January 2024, we integrated the UBS and Credit Suisse conduct risk frameworks to align our handling of conduct risk across the firm.

In September 2022, the US Securities and Exchange Commission (the SEC) and the Commodity Futures Trading Commission (the CFTC) issued settlement orders relating to communications recordkeeping requirements in our US broker-dealers and our registered swap dealers. In response to shortcomings identified in that context, we continued work on a global remediation program started in 2022.

Non-financial risk framework

We follow a Group-wide non-financial risk framework that establishes requirements for identifying, managing, assessing and mitigating operational, compliance and financial crime risks to achieve an agreed balance between risk and return. It is built on the following pillars:

- classifying inherent risks through 19 non-financial risk taxonomies, which define the universe of material non-financial risks that can arise as a consequence of our business activities and external factors;
- performing control assurance activities, including self-assessing the design and operating effectiveness of controls, first- and second-line-of-defense control reviews and independent control testing;
- defining the non-financial risk appetite (including a financial risk appetite statement at the Group, UBS AG and business division levels for non-financial risk events) through quantitative metrics and thresholds and qualitative measures, and assessing risk exposure against appetite;
- assessing inherent and residual risk through risk assessment processes and determining whether additional remediation plans are required to address identified deficiencies; and
- proactively and sustainably remediating identified control deficiencies.

Divisional Presidents are accountable for the effectiveness of non-financial risk management and for the robustness of the front-to-back control environment within their business divisions, and legal-entity-responsible executives are in charge of non-financial risk management within their legal entities. Group function heads are accountable for supporting the divisional Presidents and legal-entity-responsible executives of our legal entities in the discharge of this responsibility, by confirming completeness and effectiveness of the control environment and non-financial risk management within their Group functions. Collectively, divisional Presidents, central Group function heads and legal-entity-responsible executives are in charge of implementing the non-financial risk framework.

Compliance & Operational Risk Control (C&ORC) is responsible for providing an independent and objective view of the adequacy of non-financial risk management across the Group, and ensuring that compliance risk, financial crime risk and operational risk are understood, owned and managed in accordance with our risk appetite. C&ORC business- or function-aligned teams sit within the Group Compliance, Regulatory & Governance function, reporting to the Group Chief Compliance and Governance Officer, who is a member of the Group Executive Board.

The non-financial risk framework forms the common basis for managing and assessing compliance risk, financial crime risk and operational risk, and there are additional C&ORC activities intended to ensure we are able to demonstrate compliance with applicable laws, rules and regulations.

Group Compliance, Regulatory & Governance started working under integrated governance in June 2023, and progress has been made with the rolling out of the non-financial risk framework methodology and standards, which will be further aligned during 2024. To date, a unified non-financial risk framework policy and selected related guidance documents for the combined organization have been rolled out, with data, reporting and risk assessments being manually combined, or presented separately, until systems and processes are fully aligned.

In 2023, we successfully executed on the framework enhancements designed in 2022, with, for example, several cycles of risk appetite assessments performed on the basis of the Group-wide non-financial risk appetite statements across all taxonomies. We focused on improving effectiveness by simplifying and digitalizing the non-financial risk framework and respective processes.

All functions within UBS are required to periodically assess the design and operating effectiveness of key internal non-financial risk controls. The output of these reviews supports the assessment and testing scope of internal controls over financial reporting as required by the Sarbanes–Oxley Act, Section 404 (SOX 404).

Key control deficiencies identified during the internal control and risk assessment processes must be reported in the non-financial risk inventory, and sustainable remediation must be defined and executed. These control deficiencies are assigned to owners at senior management level and the remediation progress is reflected in the respective managers' annual performance measurement and objectives. To assist with prioritizing the most material control deficiencies and measuring aggregated risk exposure, irrespective of origin, a common rating methodology is applied across all three lines of defense, as well as by external audit.

Cybersecurity

Risk management and strategy

Cyber- and information security risk is the risk that a malicious internal or external act, or a failure of IT hardware or software, or human error may have a material impact on confidentiality, integrity, or availability of UBS's data or information systems.

Cybersecurity is a key operational risk facing UBS and we devote considerable resources to establishing and maintaining processes for assessing, identifying and managing cybersecurity risk through our global workforce and cyber-operations centers around the world.

- › Refer to “Risk governance” in this section for information about our approach to risk management, including our risk governance framework

Governance

In line with our overall non-financial risk management framework, we take a cross-functional approach to addressing cybersecurity risk, with the Group Operations and Technology Office (GOTO), business divisions, Group Compliance, Regulatory & Governance (GCRG), Group Risk Control, Group Legal, and Group Internal Audit all playing key roles. Our risk control framework follows the three-lines-of-defense model. GOTO establishes the policies and procedures designed to safeguard our information systems and the information those systems collect and process. The business divisions, together with GOTO, are then responsible for implementing those policies and procedures as part of the first line of defense. Group Compliance, Regulatory & Governance (GCRG) leads the second line of defense, by convening and consulting with additional control functions to provide independent oversight, and challenges the first line's cybersecurity framework and implementation. As the third line of defense, Group Internal Audit conducts independent reviews and validates the first-line and second-line processes and functions.

The Cyber- and Information Security Committee (the CIS-C) is the primary decision-making body with oversight of and accountability for the Group-wide cyber- and information security (CIS) program. The committee is jointly chaired by the Group Chief Operations and Technology Officer and the Group Chief Compliance and Governance Officer. The Head Group Internal Audit is a standing guest. The committee meets on a monthly basis and serves as a platform for interaction across all business divisions, Group functions and the three lines of defense for the identification and effective governance of CIS strategy, risks and regulatory obligations. The CIS-C governance structure is intended to streamline decision-making and, where necessary, escalation to the Board of Directors (the BoD) and Group Executive Board (GEB), who maintain overall responsibility for overseeing UBS.

Because Credit Suisse and UBS still have separate digital platforms, Credit Suisse maintained much of its pre-acquisition cyber- and information security governance during 2023, but was increasingly aligned to the UBS CIS risk governance framework. Credit Suisse's CIS program is led by the Credit Suisse Chief Information Security Officer, who reports to the Credit Suisse Chief Technology Officer and the UBS Group Chief Information Security Officer (the Group CISO). In addition, the Credit Suisse Chief Technology Officer and Credit Suisse Chief Operations Officer report to the Group Chief Operations and Technology Officer.

- › Refer to “Cybersecurity governance” in “Board of Directors” in the “Corporate governance” section of this report for more information

Our cyber- and information security program

Our CIS program is led by the Group CISO, who reports both to the Group Chief Operations and Technology Officer and the Group Chief Compliance and Governance Officer. The CIS program is designed to identify, prevent, detect and respond to CIS events, with the goal of maintaining the integrity and availability of our technology infrastructure and the confidentiality and integrity of our information. Our Group CISO, senior management within GOTO, as well as management personnel overseeing the CIS program, all have substantial relevant expertise in the areas of cyber- and information security. Our CIS program includes the following elements:

- *Threat intelligence*: We systematically gather threat information and monitor threat alerts from external sources. Our cyber-threat intelligence team analyzes such information and uses it to enhance existing defense capabilities, to respond to identified threats and to adjust our cybersecurity strategy where needed.
- *Preventative and detection controls*: We use layered firm-wide controls to prevent and detect cyberattacks. Defenses include system hardening, firewalls, intrusion prevention and detection systems, and other controls. External network connections are identified and recorded in an inventory. Access rights are defined for information assets, and IT systems and applications enforce authentication. We maintain access controls and approval processes designed to prevent unauthorized access.
- *Cyber-defense and incident response capabilities*: The Cybersecurity Operations Center is responsible for providing 24/7/365 real-time monitoring, detection and response capabilities for cybersecurity threats and attacks. Incidents assessed as having the potential to adversely affect our critical operations are subject to mandatory management notification. If assessed as potentially significant, cybersecurity and data incidents are managed under our crisis management framework.
- *Education and training*: All UBS staff, including the external workforce, receive appropriate CIS awareness training, commensurate with their roles and responsibilities.
- *Third-party risk*: Vulnerabilities in the cyber-risk environment of third parties represent a particular threat to our CIS and our ability to maintain our business services. We follow a risk-based approach to assess and mitigate cybersecurity risks related to third parties. Third-party services and processes are monitored and checked on an ongoing basis, with appropriate supervision from the CIS-C. This is a key component of our third-party risk management program, notwithstanding the challenges we face in imposing the same levels of protection to the systems and data of third parties that we rely on ourselves.
- *Monitoring and testing*: Effective incident response and problem management processes are complemented by vulnerability assessments, penetration and testing engagements based on specific threat scenarios that simulate tactics, techniques and procedures that might be used against our systems, as mandated by our policy regulations. This includes testing by internal and external red teams. Actual security-related events are directly correlated with threat scenarios to monitor and detect potential threats, such as network-intrusion and malware-driven events. Our deployed security measures are designed with the objective to isolate and contain threats that are detected to allow for effective incident response and analysis.

Our cybersecurity assessment framework

Our cybersecurity assessment framework includes internal and external cybersecurity risk assessments for applications and bank processes alongside a structured risk assessment process of third-party service providers. These processes are designed, along with our security capabilities, to support business objectives and priorities.

We conduct assessments to evaluate and test our cybersecurity program, and provide guidance on operating and improving the CIS program, including the design and operational effectiveness of the security and resiliency of our information systems. Our assessments, along with our threat intelligence capabilities, are used to assess and prioritize programs to improve our security, our incident response capabilities and our operational resilience. As the cyber-threat landscape evolves at an increasing pace, we seek to enhance our cybersecurity controls to meet developing threats. We have ongoing programs that are intended to increase our cybersecurity maturity across various dimensions, including governance, identification, protection and detection, as well as cyberattack response and recovery, and risk from third-party service providers.

We recognize that we will never be able to completely eliminate the risk of a future cyberattack, but, by using a risk-based approach, we work toward reducing the likelihood of a successful attack and toward mitigation of the potential business impact of such an attack.

The BoD, its Risk Committee and the GEB receive regular presentations and reports throughout the year from our Group Chief Operations and Technology Officer and our Group CISO on internal and external cybersecurity developments, threats and risks. In addition, on a quarterly basis, the BoD receives reports on the performance of cybersecurity risk appetite metrics, including metrics on vulnerabilities and third-party cybersecurity risks and incidents, and is notified promptly if a Board-level cybersecurity risk limit is breached. The Risk Committee of the BoD and the GEB also receive regular updates on CIS strategy, risks and alignment with regulatory requirements.

Operational resilience and incident response

Our business continuity and resilience framework is designed to limit the disruption cybersecurity events cause to our business activities. In accordance with the firm's cyber-incident response framework, the CIS-C, including the incident response team, tracks, documents, responds to and analyzes cybersecurity threats and incidents, including those experienced by the firm's third-party service providers that may impact the firm. Additionally, we maintain established procedures for responding to, and escalating, cybersecurity and other system availability incidents. These are regularly practiced, including tabletop exercises up to and including the GEB and BoD levels.

Our cybersecurity and data confidentiality contingency plans include event playbooks and escalation procedures designed to support a structured assessment of potential incidents and timely escalation and reporting of incidents based on the assessed potential impact. Incidents assessed to have the potential to adversely affect our critical operations are subject to mandatory management notification. If assessed as potentially significant, cybersecurity and data incidents are managed under our crisis management framework, which provides pre-established cross-functional task forces to manage the incident, ensure appropriate and timely regulatory, market and client communications and robust oversight by management, with escalation frameworks to inform and ensure oversight by the GEB and the BoD.

› Refer to "Crisis management framework" in the "Regulation and supervision" section of this report for more information about our crisis management framework

Advanced measurement approach model

The non-financial risk framework outlined above underpins the calculation of regulatory capital for operational risk, which enables us to quantify operational risk and define effective risk-mitigating management incentives as part of the related operational risk capital allocation approach to the business divisions.

We measure Group operational risk exposure and calculate operational risk regulatory capital using the advanced measurement approach (AMA) in accordance with Swiss Financial Market Supervisory Authority (FINMA) and international requirements. In 2023, we introduced an aggregation of the AMAs for UBS AG and Credit Suisse AG to report on total operational-risk-related risk-weighted assets (RWA) for the UBS Group. The related diversification effect, agreed with FINMA, resulted in a USD 10bn reduction for reported RWA from the second quarter of 2023 onward.

An entity-specific AMA model has been applied for UBS Switzerland AG, while for other regulated entities the basic indicators or standardized approaches are adopted for regulatory capital in agreement with local regulators. Also, the methodology of the UBS AMA is leveraged for entity-specific internal capital adequacy assessment processes.

AMA model calibration and review

A key assumption when calibrating data-driven frequency and severity distributions is that historical losses form a reasonable proxy for future events. In line with regulatory expectations, the AMA methodology utilizes both historical internal losses and external losses suffered by the broader industry for model calibration purposes.

Initial model outputs driven by the loss history are reviewed and adjusted to reflect fast-changing external developments, such as new regulations, geopolitical change, volatile market and economic conditions, and internal factors (e.g., changes in business strategy and control framework enhancements). The resulting baseline data-driven frequency and severity distributions are reviewed by subject matter experts and where necessary adjusted based on a review of qualitative information about the business environment and internal control factors, as well as expert judgment, with the aim of forecasting losses.

Our model is reviewed regularly to maintain risk sensitivity and recalibrated at least annually. Any changes to regulatory capital as a result of a recalibration or methodology changes are presented to FINMA for approval prior to use for disclosure purposes.

The Group- and entity-specific AMA models are subject to an independent validation performed by Model Risk Management & Control in line with the Group's model risk management framework.

The AMA is expected to be replaced by the standardized approach for regulatory capital determination purposes in line with the relevant Basel Committee for Banking Supervision Basel III capital regulations. UBS is interacting closely with the relevant Swiss authorities to discuss the implementation details and related implementation timeline.

Capital, liquidity and funding, and balance sheet

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Capital management

Capital management objectives, planning and activities

Capital management objectives

Audited I An adequate level of common equity tier 1 (CET1) capital and total loss-absorbing capacity (TLAC) meeting both internal assessment and regulatory requirements is a prerequisite for conducting our business activities. ▲

We are therefore committed to maintaining a strong CET1 capital and TLAC position at all times, in order to meet regulatory capital requirements and our target capital ratios, and to support the growth of our businesses.

As of 31 December 2023, our CET1 capital ratio was 14.4% and our CET1 leverage ratio 4.6%, each above our capital guidance and also above the requirements for Swiss systemically relevant banks (SRBs) and the Basel Committee on Banking Supervision (the BCBS) requirements. We believe that our capital strength, consistent with our capital guidance, is a source of confidence for our stakeholders, contributes to our sound credit ratings and is one of the foundations of our success.

The BCBS announced the finalization of the Basel III framework in December 2017, and published the final rules on the minimum capital requirements for market risk from the Fundamental Review of the Trading Book (the FRTB) in January 2019. In November 2023, the Swiss Federal Council adopted amendments to the Capital Adequacy Ordinance (the CAO) for banks to incorporate the final Basel III standards adopted by the BCBS into Swiss law. The amended CAO will enter into force on 1 January 2025. The final degree of alignment between the Swiss implementation and those in other jurisdictions remains uncertain at this stage. Although EU legislators target implementation by January 2025, the implementation timelines in the UK and the US have been delayed until July 2025. The Swiss Federal Department of Finance will inform the Swiss Federal Council about the status of international implementation by the end of July 2024. We currently estimate that the revised Basel III framework, including the FRTB, will lead to a further increase in risk-weighted assets (RWA) of approximately USD 25bn, of which USD 10bn is in Non-core and Legacy. This estimate is based on static balances and on our current understanding of the relevant standards before taking into account mitigating actions and not reflecting the impact of the output floor, which is phased in over time. It may change as a result of new or updated regulatory interpretations, appropriate conservatism in model calibration, the implementation of Basel III standards into national law, changes in business growth, market conditions and other factors. The core business-led reductions in RWA, coupled with the run-down of positions in the Non-core and Legacy business division during 2024 and 2025, are expected to more than offset the effects of revised Basel III standards.

- › Refer to the “Our strategy” and “Targets, capital guidance and ambitions” sections of this report for more information about our capital and resource guidelines
- › Refer to “We may be unable to maintain our capital strength” in the “Risk factors” section of this report for more information about capital ratio-related risks

Capital planning and activities

Audited I We manage our balance sheet, RWA, leverage ratio denominator (LRD) and TLAC ratio levels based on our regulatory requirements, within our internal limits and targets, and our externally provided guidance. Our strategic focus is on achieving an optimal attribution and use of financial resources between our business divisions and Group Items, as well as between our legal entities, while remaining within the limits defined for the Group and allocated to the business divisions by the Board of Directors (the BoD). These resource allocations, in turn, affect business plans and earnings projections, which are reflected in our capital plans.

The annual strategic planning process includes a capital planning component that is key in defining our capital targets. It is based on an attribution of Group RWA and LRD internal limits to the business divisions.

Limits and targets are established at the Group and business division levels, and are approved by the BoD at least annually. In the target-setting process we take into account the current and potential future TLAC requirements, our aggregate risk exposure in terms of capital-at-risk and the effect of expected accounting policy changes. ▲

Monitoring is based on these internal limits and targets and provides indications if any changes are required. Any breach of limits in place triggers a series of required remediating actions.

Group Treasury plans for and monitors consolidated TLAC information on an ongoing basis, reflecting business and legal entity requirements, as well as regulatory developments in capital regulations. In addition, capital planning and monitoring are performed at the legal entity level for our significant subsidiaries and sub-groups that are subject to prudential supervision and must meet capital and other supervisory requirements.

- › Refer to “Capital and capital ratios of our significant regulated subsidiaries” in this section for more information
- › Refer to “Economic capital measures” in the “Risk management and control” section of this report for more information about capital-at-risk

Swiss SRB total loss-absorbing capacity framework

The disclosures in this section are provided for UBS Group AG on a consolidated basis and focus on key developments during the reporting period and information in accordance with the Basel III framework, as applicable to Swiss SRBs.

Additional regulatory disclosures for UBS Group AG on a consolidated basis are provided in our 31 December 2023 Pillar 3 Report. The Pillar 3 Report also includes information relating to our significant regulated subsidiaries and sub-groups (UBS AG consolidated, UBS AG standalone, UBS Switzerland AG standalone, UBS Europe SE consolidated, UBS Americas Holding LLC consolidated, Credit Suisse AG consolidated, Credit Suisse AG standalone, Credit Suisse (Schweiz) AG consolidated, Credit Suisse (Schweiz) AG standalone, Credit Suisse International standalone and Credit Suisse Holdings (USA), Inc. consolidated) as of 31 December 2023 and is available under "Pillar 3 disclosures" at ubs.com/investors.

Capital and other regulatory information for UBS AG consolidated in accordance with the Basel III framework, as applicable to Swiss SRBs, is provided in the UBS AG consolidated Annual Report 2023, available under "Annual reporting" at ubs.com/investors.

Regulatory framework

The Basel III framework came into effect in Switzerland on 1 January 2013 and is embedded in the Swiss Capital Adequacy Ordinance (the CAO). The CAO also includes the too-big-to-fail (TbTF) provisions applicable to Swiss SRBs.

Under the Swiss SRB framework, going and gone concern requirements represent the Group's TLAC requirement. TLAC encompasses regulatory capital, such as CET1, loss-absorbing additional tier 1 (AT1) and tier 2 capital instruments, and liabilities that can be written down or converted into equity in case of resolution or for the purpose of restructuring measures. RWA calculations are based on the applicable rules and models approved by the Swiss Financial Market Supervisory Authority (FINMA) for the respective legal entities.

Capital and other instruments contributing to our total loss-absorbing capacity

In addition to CET1 capital, the following instruments contribute to our loss-absorbing capacity:

- loss-absorbing AT1 capital instruments (high- and low-trigger);
- non-Basel III-compliant tier 2 capital instruments; and
- TLAC-eligible senior unsecured debt instruments.

Under the Swiss SRB rules, going concern capital includes CET1 and high-trigger loss-absorbing AT1 capital instruments. Our existing outstanding low-trigger loss-absorbing AT1 capital instruments are available to meet the going concern capital requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements.

Outstanding high- and low-trigger loss-absorbing tier 2 capital instruments, non-Basel III-compliant tier 2 capital instruments and TLAC-eligible senior unsecured debt instruments are eligible to meet gone concern requirements until one year before maturity. A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years (i.e., are in the last year of eligibility). However, once at least 75% of the gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital.

- › Refer to "Bondholder information," available at ubs.com/investors, for more information about the eligibility of capital and senior unsecured debt instruments and key features and terms and conditions of capital instruments

Total loss-absorbing capacity and leverage ratio requirements

Going concern capital requirements

Under the Swiss SRB requirements, total going concern minimum requirements for all Swiss SRBs are a capital ratio requirement of 12.86% of RWA and a leverage ratio requirement of 4.5%. In addition to these minimum requirements, an add-on reflecting the degree of systemic importance is applied, based on market share and LRD. The applicable market share and LRD add-on requirements for UBS were both unchanged at 0.72% of RWA and 0.25% of LRD, resulting in add-ons of 1.44% of RWA and 0.50% of LRD. As a result of the acquisition of the Credit Suisse Group, the UBS Group will be subject to higher TBTF capital requirements for market share and LRD after an appropriate transition period to be agreed with FINMA. The phase-in of these increased capital requirements will commence from the end of 2025 and will be completed by the beginning of 2030, at the latest.

The Swiss countercyclical capital buffer, at a maximum level of 2.5% on risk-weighted positions that are directly or indirectly backed by residential properties in Switzerland, increased our minimum CET1 capital requirement by 33 basis points as of 31 December 2023. We also continued to apply countercyclical buffer requirements introduced in other BCBS member jurisdictions, which resulted in an additional buffer requirement of 14 basis points as of 31 December 2023. Overall, countercyclical capital buffers contributed 47 basis points to our minimum CET1 capital requirement as of 31 December 2023.

The UBS going concern requirements include the FINMA Pillar 2 capital add-on of USD 800m related to supply chain finance funds matter at Credit Suisse. This Pillar 2 capital add-on results in an additional CET1 capital ratio requirement of 15 basis points and an additional CET1 leverage ratio requirement of 5 basis points as of 31 December 2023.

The total going concern capital requirements applicable are 14.92% of RWA (including countercyclical buffer requirements) and 5.05% of LRD. Furthermore, of the total going concern capital requirement of 14.92% of RWA, at least 10.62% must be met with CET1 capital, while a maximum of 4.3% can be met with high-trigger loss-absorbing AT1 capital instruments (and our existing outstanding low-trigger AT1 capital instruments, which qualify until their first call date as mentioned above).

Similarly, of the total going concern leverage ratio requirement of 5.05%, at least 3.55% must be met with CET1 capital, while a maximum of 1.5% can be met with high-trigger loss-absorbing AT1 capital instruments (and our existing outstanding low-trigger AT1 capital instruments, which qualify until their first call date as mentioned above).

Gone concern loss-absorbing capacity requirements

As an internationally active Swiss SRB, UBS is also subject to gone concern loss-absorbing capacity requirements. The gone concern requirements also include add-ons for market share and LRD.

In November 2022, the Swiss Federal Council adopted amendments to the Banking Act and the Banking Ordinance, which entered into force as of 1 January 2023. The amendments replaced the resolvability discount on the gone concern capital requirements for systemically important banks (SIBs), including UBS, with reduced base gone concern capital requirements equivalent to 75% of the total going concern requirements (excluding countercyclical buffer requirements and the Pillar 2 add-on). In addition, as of July 2024, FINMA will have the authority to impose a surcharge of up to 25% of the total going concern capital requirements (excluding countercyclical buffer requirements and the Pillar 2 add-on) based on obstacles to an SIB's resolvability identified in future resolvability assessments. Our total gone concern requirements remained substantially unchanged in 2023.

Our gone concern requirements can be reduced when higher-quality capital instruments (CET1 capital, low-trigger loss-absorbing AT1 or certain low-trigger tier 2 capital instruments) are used to meet gone concern requirements. As of 31 December 2023, UBS did not use any higher-quality capital instruments to fulfill gone concern requirements.

From 1 January 2022 onward, the gone concern requirement after potential reduction for the use of higher-quality capital instruments has been floored at 10.0% and 3.75% for the RWA- and LRD-based requirements, respectively.

In this report, we refer to the RWA-based gone concern requirements as gone concern loss-absorbing capacity requirements and the RWA-based gone concern ratio is referred to as the gone concern loss-absorbing capacity ratio.

The table below provides the RWA- and LRD-based requirements and information as of 31 December 2023.

Swiss SRB going and gone concern requirements and information

| As of 31.12.23 | RWA | | LRD | |
|--|--------------------------|----------------|-------------------------|------------------|
| <i>USD m, except where indicated</i> | in % | | in % | |
| Required going concern capital | | | | |
| Total going concern capital | 14.92¹ | 81,530 | 5.05¹ | 85,570 |
| Common equity tier 1 capital | 10.62 | 58,031 | 3.55² | 60,139 |
| <i>of which: minimum capital</i> | <i>4.50</i> | <i>24,593</i> | <i>1.50</i> | <i>25,431</i> |
| <i>of which: buffer capital</i> | <i>5.50</i> | <i>30,058</i> | <i>2.00</i> | <i>33,908</i> |
| <i>of which: countercyclical buffer</i> | <i>0.47</i> | <i>2,580</i> | | |
| Maximum additional tier 1 capital | 4.30 | 23,500 | 1.50 | 25,431 |
| <i>of which: additional tier 1 capital</i> | <i>3.50</i> | <i>19,128</i> | <i>1.50</i> | <i>25,431</i> |
| <i>of which: additional tier 1 buffer capital</i> | <i>0.80</i> | <i>4,372</i> | | |
| Eligible going concern capital | | | | |
| Total going concern capital | 16.90 | 92,377 | 5.45 | 92,377 |
| Common equity tier 1 capital | 14.36 | 78,485 | 4.63 | 78,485 |
| Total loss-absorbing additional tier 1 capital³ | 2.54 | 13,892 | 0.82 | 13,892 |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i> | <i>2.32</i> | <i>12,678</i> | <i>0.75</i> | <i>12,678</i> |
| <i>of which: low-trigger loss-absorbing additional tier 1 capital</i> | <i>0.22</i> | <i>1,214</i> | <i>0.07</i> | <i>1,214</i> |
| Required gone concern capital | | | | |
| Total gone concern loss-absorbing capacity^{4,5,6} | 10.73 | 58,613 | 3.75 | 63,578 |
| <i>of which: base requirement including add-ons for market share and LRD</i> | <i>10.73⁷</i> | <i>58,613</i> | <i>3.75⁷</i> | <i>63,578</i> |
| Eligible gone concern capital | | | | |
| Total gone concern loss-absorbing capacity | 19.60 | 107,106 | 6.32 | 107,106 |
| Total tier 2 capital | 0.10 | 538 | 0.03 | 538 |
| <i>of which: non-Basel III-compliant tier 2 capital</i> | <i>0.10</i> | <i>538</i> | <i>0.03</i> | <i>538</i> |
| TLAC-eligible senior unsecured debt | 19.50 | 106,567 | 6.29 | 106,567 |
| Total loss-absorbing capacity | | | | |
| Required total loss-absorbing capacity | 25.64 | 140,143 | 8.80 | 149,148 |
| Eligible total loss-absorbing capacity | 36.50 | 199,483 | 11.77 | 199,483 |
| Risk-weighted assets / leverage ratio denominator | | | | |
| Risk-weighted assets | | 546,505 | | |
| Leverage ratio denominator | | | | 1,695,403 |

1 Includes applicable add-ons of 1.59% for risk-weighted assets (RWA) and 0.55% for leverage ratio denominator (LRD), of which 15 basis points for RWA and 5 basis points for LRD reflect the Swiss Financial Market Supervisory Authority (FINMA) Pillar 2 capital add-on of USD 800m related to the supply chain finance funds matter at Credit Suisse. 2 Our minimum CET1 leverage ratio requirement of 3.55% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement, a 0.25% market share add-on requirement based on our Swiss credit business and a 0.05% Pillar 2 capital add-on related to the supply chain finance funds matter at Credit Suisse. 3 Includes outstanding low-trigger loss-absorbing additional tier 1 capital instruments, which are available under the Swiss systemically relevant bank framework to meet the going concern requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements. 4 A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. 5 From 1 January 2023, the resolvability discount on the gone concern capital requirements for systemically important banks (SIBs) has been replaced with reduced base gone concern capital requirements equivalent to 75% of the total going concern requirements (excluding countercyclical buffer requirements and the Pillar 2 add-on). 6 As of July 2024, FINMA will have the authority to impose a surcharge of up to 25% of the total going concern capital requirements should obstacles to an SIB's resolvability be identified in future resolvability assessments. 7 Includes applicable add-ons of 1.08% for RWA and 0.38% for LRD.

Transitional purchase price allocation adjustments for regulatory capital

As part of the acquisition of the Credit Suisse Group, the assets acquired and liabilities assumed, including contingent liabilities, were recognized at fair value as of the acquisition date in accordance with IFRS 3, *Business Combinations*. The purchase price allocation (PPA) fair value adjustments required under IFRS 3 are recognized as part of negative goodwill and include effects on financial instruments measured at amortized cost, such as fair value impacts from interest rates and own credit, that are expected to accrete back to par through the income statement as the instruments are held to maturity. Similar own-credit-related effects have also been recognized as part of the PPA adjustments on financial liabilities measured at fair value. As agreed with FINMA, a transitional CET1 capital treatment has been applied for certain of these fair value adjustments, given the substantially temporary nature of the IFRS-3-accounting-driven effects. As such, equity reductions under IFRS Accounting Standards of USD 5.9bn (pre-tax) and USD 5.0bn (net of tax) as of the acquisition date have been neutralized for CET1 capital calculation purposes, of which USD 1.0bn (net of tax) relates to own-credit-related fair value adjustments. The transitional treatment is subject to linear amortization and will reduce to nil by 30 June 2027. In 2023, the amortization of transitional CET1 PPA adjustments (interest rate and own credit) was USD 0.7bn (net of tax).

Total loss-absorbing capacity

Swiss SRB going and gone concern information

| <i>USD m, except where indicated</i> | 31.12.23 | 31.12.22 |
|--|----------------|----------------|
| Eligible going concern capital | | |
| Total going concern capital | 92,377 | 58,321 |
| Total tier 1 capital | 92,377 | 58,321 |
| Common equity tier 1 capital | 78,485 | 45,457 |
| Total loss-absorbing additional tier 1 capital | 13,892 | 12,864 |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i> | <i>12,678</i> | <i>11,675</i> |
| <i>of which: low-trigger loss-absorbing additional tier 1 capital</i> | <i>1,214</i> | <i>1,189</i> |
| Eligible gone concern capital | | |
| Total gone concern loss-absorbing capacity | 107,106 | 46,991 |
| Total tier 2 capital | 538 | 2,958 |
| <i>of which: low-trigger loss-absorbing tier 2 capital</i> | <i>0</i> | <i>2,422</i> |
| <i>of which: non-Basel III-compliant tier 2 capital</i> | <i>538</i> | <i>536</i> |
| TLAC-eligible senior unsecured debt | 106,567 | 44,033 |
| Total loss-absorbing capacity | | |
| Total loss-absorbing capacity | 199,483 | 105,312 |
| Risk-weighted assets / leverage ratio denominator | | |
| Risk-weighted assets | 546,505 | 319,585 |
| Leverage ratio denominator | 1,695,403 | 1,028,461 |
| Capital and loss-absorbing capacity ratios (%) | | |
| Going concern capital ratio | 16.9 | 18.2 |
| <i>of which: common equity tier 1 capital ratio</i> | <i>14.4</i> | <i>14.2</i> |
| Gone concern loss-absorbing capacity ratio | 19.6 | 14.7 |
| Total loss-absorbing capacity ratio | 36.5 | 33.0 |
| Leverage ratios (%) | | |
| Going concern leverage ratio | 5.4 | 5.7 |
| <i>of which: common equity tier 1 leverage ratio</i> | <i>4.6</i> | <i>4.4</i> |
| Gone concern leverage ratio | 6.3 | 4.6 |
| Total loss-absorbing capacity leverage ratio | 11.8 | 10.2 |

Audited I

Reconciliation of equity under IFRS Accounting Standards to Swiss SRB common equity tier 1 capital

| <i>USD m</i> | 31.12.23 | 31.12.22 |
|---|---------------|---------------|
| Total equity under IFRS Accounting Standards | 86,639 | 57,218 |
| Equity attributable to non-controlling interests | (531) | (342) |
| Defined benefit plans, net of tax | (965) | (311) |
| Deferred tax assets recognized for tax loss carry-forwards | (3,039) | (4,077) |
| Deferred tax assets for unused tax credits | (97) | |
| Deferred tax assets on temporary differences, excess over threshold | | (64) |
| Goodwill, net of tax ¹ | (5,750) | (5,754) |
| Intangible assets, net of tax | (894) | (150) |
| Compensation-related components (not recognized in net profit) | (2,186) | (2,287) |
| Expected losses on advanced internal ratings-based portfolio less provisions | (713) | (471) |
| Unrealized (gains) / losses from cash flow hedges, net of tax | 3,109 | 4,234 |
| Own credit related to (gains) / losses on financial liabilities measured at fair value that existed at the balance sheet date, net of tax | 1,291 | (523) |
| Own credit related to (gains) / losses on derivative financial instruments that existed at the balance sheet date | (89) | (105) |
| Prudential valuation adjustments | (368) | (201) |
| Accruals for dividends to shareholders | (2,240) | (1,683) |
| Transitional CET1 purchase price allocation adjustments, net of tax | 4,316 | |
| Other | 3 | (29) |
| Total common equity tier 1 capital | 78,485 | 45,457 |

¹ Includes goodwill related to significant investments in financial institutions of USD 20m as of 31 December 2023 (31 December 2022: USD 20m) presented on the balance sheet line Investments in associates.



Total loss-absorbing capacity and movement

Our total loss-absorbing capacity increased by USD 94.2bn to USD 199.5bn as of 31 December 2023.

Going concern capital and movement

Audited | Our CET1 capital mainly consists of: share capital; share premium, which primarily consists of additional paid-in capital related to shares issued; and retained earnings. A detailed reconciliation of equity under IFRS Accounting Standards to CET1 capital is provided in the "Reconciliation of equity under IFRS Accounting Standards to Swiss SRB common equity tier 1 capital" table.

Our CET1 capital increased by USD 33.0bn to USD 78.5bn as of 31 December 2023, predominantly due to an operating profit before tax (excluding negative goodwill) of USD 1.0bn, the acquisition of the Credit Suisse Group, which resulted in an increase of USD 34.9bn as of the acquisition date (including transitional CET1 purchase price allocation adjustments of USD 5.0bn, net of tax), an increase in eligible deferred tax assets on temporary differences of USD 1.9bn, primarily in connection with our business planning process and an election to capitalize compensation-related costs for US tax purposes, and positive effects from foreign currency translation of USD 1.5bn, partly offset by dividend accruals of USD 2.2bn, current tax expense of USD 1.6bn, share repurchases of USD 1.3bn under our share repurchase programs, amortization of transitional CET1 PPA adjustments (interest rate and own credit) of USD 0.7bn (net of tax), and an increase in compensation- and own shares-related components of USD 0.3bn.

› Refer to "UBS shares" in this section for more information about our share repurchase programs

Our loss-absorbing AT1 capital increased by USD 1.0bn to USD 13.9bn, mainly reflecting two issuances of AT1 capital instruments of USD 3.5bn and positive impacts from interest rate risk hedge, foreign currency translation and other effects. These increases were partly offset by USD 3.0bn equivalent of AT1 capital instruments that ceased to be eligible as going concern capital when we issued notice of redemption of the instruments during 2023. ▲

AT1 capital instruments issued from the beginning of the fourth quarter of 2023 are currently subject to write-down upon occurrence of a trigger event or a viability event. The notes provide, however, that, following approval of a minimum amount of conversion capital by UBS Group AG's shareholders at the 2024 Annual General Meeting, upon the occurrence of a trigger event or a viability event, the notes will be converted into UBS Group AG ordinary shares rather than being subject to a write-down.

Gone concern loss-absorbing capacity and movement

Audited | Our total gone concern loss-absorbing capacity increased by USD 60.1bn to USD 107.1bn as of 31 December 2023 and included USD 106.6bn of TLAC-eligible senior unsecured debt. ▲

The increase of USD 60.1bn mainly reflected the acquisition of the Credit Suisse Group, as USD 53.6bn equivalent of TLAC-eligible senior unsecured debt instruments originally issued by the Credit Suisse Group were assumed as gone concern capital by the UBS Group, and new issuances of USD 13.4bn equivalent of TLAC-eligible senior unsecured debt instruments. The aforementioned increases were partly offset by the redemption of USD 6.0bn equivalent of TLAC-eligible senior unsecured debt instruments, amortization of a USD 0.8bn senior unsecured debt instrument that ceased to be TLAC-eligible as its residual time to maturity fell below one year, and a partial repurchase of two TLAC-eligible senior unsecured debt instruments under a tender offer (in light of the acquisition of the Credit Suisse Group, UBS announced on 22 March 2023 a tender offer to repurchase two TLAC-eligible senior unsecured debt instruments, both issued on 17 March 2023, with an initial nominal amount totaling EUR 2.8bn, at their respective re-offer prices; the nominal amounts of the two instruments bought back under the tender offer totaled an equivalent of USD 0.8bn). In addition, a USD 2.4bn low-trigger loss-absorbing tier 2 capital instrument ceased to be eligible as gone concern capital as it had less than one year to maturity.

Loss-absorbing capacity and leverage ratios

Our CET1 capital ratio increased to 14.4% from 14.2%, reflecting the aforementioned increase in CET1 capital, partly offset by a USD 226.9bn increase in RWA.

Our CET1 leverage ratio increased to 4.6% from 4.4% due to the increase in CET1 capital, partly offset by a USD 666.9bn increase in the LRD.

Our gone concern loss-absorbing capacity ratio increased to 19.6% from 14.7%, due to an increase in gone concern loss-absorbing capacity of USD 60.1bn, partly offset by the aforementioned increase in RWA.

Our gone concern leverage ratio increased to 6.3% from 4.6%, driven by the aforementioned increase in gone concern loss-absorbing capacity, partly offset by the increase in the LRD.

Swiss SRB total loss-absorbing capacity movement

USD m

| | Swiss SRB |
|---|----------------|
| Going concern capital | |
| Common equity tier 1 capital as of 31.12.22 | 45,457 |
| Operating profit before tax excluding negative goodwill | 991 |
| Current tax (expense) / benefit | (1,567) |
| Share repurchase program | (1,279) |
| Foreign currency translation effects, before tax | 1,473 |
| Compensation- and own share-related capital components | (285) |
| Deferred tax assets on temporary differences | 1,919 |
| Accruals for proposed dividends to shareholders | (2,240) |
| CET1 capital acquired from Credit Suisse Group as of the acquisition date | 29,874 |
| Transitional CET1 purchase price allocation adjustments as of the acquisition date, net of tax | 5,005 |
| Amortization of transitional CET1 purchase price allocation adjustments, net of tax | (689) |
| Other | (174) |
| Common equity tier 1 capital as of 31.12.23 | 78,485 |
| Loss-absorbing additional tier 1 capital as of 31.12.22 | 12,864 |
| Issuance of high-trigger loss-absorbing additional tier 1 capital | 3,455 |
| Call of high-trigger loss-absorbing additional tier 1 capital | (3,023) |
| Interest rate risk hedge, foreign currency translation and other effects | 596 |
| Loss-absorbing additional tier 1 capital as of 31.12.23 | 13,892 |
| Total going concern capital as of 31.12.22 | 58,321 |
| Total going concern capital as of 31.12.23 | 92,377 |
| Gone concern loss-absorbing capacity | |
| Tier 2 capital as of 31.12.22 | 2,958 |
| Debt no longer eligible as gone concern loss-absorbing capacity due to residual tenor falling to below one year | (2,437) |
| Interest rate risk hedge, foreign currency translation and other effects | 17 |
| Tier 2 capital as of 31.12.23 | 538 |
| TLAC-eligible senior unsecured debt as of 31.12.22 | 44,033 |
| TLAC-eligible senior unsecured debt acquired from Credit Suisse | 53,556 |
| Issuance of TLAC-eligible senior unsecured debt | 13,403 |
| Call of TLAC-eligible senior unsecured debt | (5,971) |
| Debt no longer eligible as gone concern loss-absorbing capacity due to residual tenor falling to below one year | (791) |
| Debt bought back under the tender offer | (792) |
| Interest rate risk hedge, foreign currency translation and other effects | 3,128 |
| TLAC-eligible senior unsecured debt as of 31.12.23 | 106,567 |
| Total gone concern loss-absorbing capacity as of 31.12.22 | 46,991 |
| Total gone concern loss-absorbing capacity as of 31.12.23 | 107,106 |
| Total loss-absorbing capacity | |
| Total loss-absorbing capacity as of 31.12.22 | 105,312 |
| Total loss-absorbing capacity as of 31.12.23 | 199,483 |

Additional information

Active management of sensitivity to foreign exchange movements

Group Treasury is mandated to minimize adverse effects from changes in foreign currency rates on our CET1 capital and / or CET1 capital ratio. A significant portion of our CET1 capital and RWA is denominated in Swiss francs, euro, pounds sterling and other currencies. In order to hedge the CET1 capital ratio, CET1 capital needs to have foreign currency exposure, leading to foreign currency rates sensitivity of CET1 capital.

Consequently, it is not possible to simultaneously fully hedge CET1 capital and the CET1 capital ratio. As the proportion of RWA denominated in currencies other than the US dollar outweighs CET1 capital in such currencies, a significant appreciation of the US dollar against such currencies could benefit our capital ratios, while a significant depreciation of the US dollar against these currencies could adversely affect our capital ratios.

The Group Asset and Liability Committee, a committee of the Group Executive Board, has mandated Group Treasury to adjust the currency mix of CET1 capital, within limits set by the BoD, to balance the effect of foreign exchange movements on CET1 capital and the CET1 capital ratio. Limits are in place for the sensitivity of both CET1 capital and the CET1 capital ratio to an appreciation or depreciation of 10% in the value of the US dollar against other currencies.

Sensitivity to currency movements

Risk-weighted assets

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our RWA by USD 24bn and our CET1 capital by USD 2.6bn as of 31 December 2023 (31 December 2022: USD 13bn and USD 1.4bn, respectively) and decreased our CET1 capital ratio by 13 basis points (31 December 2022: 13 basis points).

Conversely, a 10% appreciation of the US dollar against other currencies would have decreased our RWA by USD 21bn and our CET1 capital by USD 2.4bn (31 December 2022: USD 12bn and USD 1.3bn, respectively) and increased our CET1 capital ratio by 13 basis points (31 December 2022: 13 basis points).

Leverage ratio denominator

Our leverage ratio is also sensitive to foreign exchange movements as a result of the currency mix of our capital and LRD. When adjusting the currency mix in capital, potential effects on the going concern leverage ratio are taken into account and the sensitivity of the going concern leverage ratio to an appreciation or depreciation of 10% in the value of the US dollar against other currencies is actively monitored.

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our LRD by USD 114bn as of 31 December 2023 (31 December 2022: USD 63bn) and decreased our CET1 leverage ratio by 15 basis points (31 December 2022: 12 basis points). Conversely, a 10% appreciation of the US dollar against other currencies would have decreased our LRD by USD 103bn (31 December 2022: USD 57bn) and increased our CET1 leverage ratio by 15 basis points (31 December 2022: 12 basis points).

The aforementioned sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report. We have employed for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this basis, we estimate the maximum loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at USD 4.0bn as of 31 December 2023. This estimate is not related to and does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of our actual exposure in any of these matters.

- › Refer to "Non-financial risk" in the "Risk management and control" section of this report for more information
- › Refer to "Note 18 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information

Capital and capital ratios of our significant regulated subsidiaries

UBS Group AG is a holding company conducting substantially all operations through UBS AG, Credit Suisse AG and subsidiaries thereof. UBS Group AG, UBS AG and Credit Suisse AG have contributed a significant portion of their respective capital to, and provided substantial liquidity to, subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. Regulatory capital components and capital ratios of our significant regulated subsidiaries determined under the regulatory framework of each subsidiary's home jurisdiction are provided in the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report. Supervisory authorities generally have discretion to impose higher requirements, or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, and may limit the ability of the entity to engage in new activities or take capital actions based on the results of those tests.

- › Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more capital and other regulatory information about our significant regulated subsidiaries and sub-groups

Joint liability of UBS AG and UBS Switzerland AG

In June 2015, upon the transfer of the Personal & Corporate Banking and Global Wealth Management businesses booked in Switzerland from UBS AG to UBS Switzerland AG, UBS AG and UBS Switzerland AG assumed joint liability for obligations transferred to UBS Switzerland AG and existing at UBS AG, respectively. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

The joint liability amounts have declined as obligations matured, terminated or were novated following the transfer date. As of 31 December 2023, the liability of UBS Switzerland AG amounted to CHF 2.8bn (USD 3.3bn), a decrease of CHF 1.2bn (USD 1.0bn) compared with 31 December 2022. The respective liability of UBS AG has been substantially extinguished.

Risk-weighted assets

RWA development in 2023

During 2023, RWA increased by USD 226.9bn to USD 546.5bn, primarily due to a USD 237.7bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, RWA decreased by USD 10.8bn, primarily driven by decreases of USD 19.0bn due to asset size and other movements and USD 3.7bn due to model updates and methodology changes, partly offset by an increase of USD 11.8bn due to currency effects.

- › Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about RWA movements and definitions of RWA movement key drivers

Movement in risk-weighted assets, by key driver

| <i>USD bn</i> | RWA as of 31.12.22 | Currency effects | Model updates and methodology changes | Asset size and other ¹ | <i>of which: Acquisition of the Credit Suisse Group on 30.6.23²</i> | RWA as of 31.12.23 |
|--|-----------------------|---------------------|--|--------------------------------------|--|-----------------------|
| Credit and counterparty credit risk ³ | 200.5 | 11.0 | 1.5 | 132.3 | 152.4 | 345.3 |
| Non-counterparty-related risk ⁴ | 24.2 | 0.8 | | 9.3 | 6.7 | 34.4 |
| Market risk | 13.5 | | (0.2) | 8.1 | 9.5 | 21.4 |
| Operational risk | 81.4 | | (5.0) | 69.0 | 69.0 | 145.4 |
| Total | 319.6 | 11.8 | (3.7) | 218.8 | 237.7 | 546.5 |

¹ Includes the Pillar 3 categories "Asset size," "Credit quality of counterparties," "Acquisitions and disposals" and "Other." For more information, refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors. ² Reflects the RWA acquired from the Credit Suisse Group as on 30 June 2023. Subsequent changes in this portfolio in the second half of 2023 are shown under currency effects, model updates and methodology changes or asset size and other changes. ³ Includes settlement risk, credit valuation adjustments, equity and investments in funds exposures in the banking book, and securitization exposures in the banking book. ⁴ Non-counterparty-related risk includes deferred tax assets recognized for temporary differences, property, equipment, software and other items.

Credit and counterparty credit risk

Credit and counterparty credit risk RWA increased by USD 144.8bn to USD 345.3bn as of 31 December 2023, primarily due to a USD 152.4bn increase resulting from the acquisition of the Credit Suisse Group.

Excluding that acquisition, credit and counterparty credit risk RWA decreased by USD 7.6bn, driven by a USD 20.1bn decrease related to asset size and other movements, mainly due to lower RWA in Non-core and Legacy, primarily driven by an accelerated roll-off arising from our actions to actively unwind the portfolio, in addition to the natural roll-off, as well as lower RWA from loans in Global Wealth Management and Personal & Corporate Banking. These decreases were partly offset by currency effects of USD 11.0bn and an increase of USD 1.5bn from model updates and methodology changes, driven by increases related to various updates, most notably due to updates for private equity and hedge fund financing trades, as well as for derivatives and securities financing transaction models, partly offset by decreases related to the recalibration of certain multipliers as a result of our improvements to models.

- › Refer to "Credit risk" in the "Risk management and control" section of this report for more information about credit and counterparty credit risk developments
- › Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about credit and counterparty credit risk developments

Non-counterparty-related risk

Non-counterparty-related risk RWA increased by USD 10.1bn, primarily due to a USD 6.7bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, non-counterparty-related risk RWA increased by USD 3.4bn, mainly driven by higher RWA from deferred taxes on temporary differences.

Market risk

Market risk RWA increased by USD 7.9bn to USD 21.4bn as of 31 December 2023, primarily due to a USD 9.5bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, market risk RWA decreased by USD 1.6bn, driven by a decrease of USD 1.4bn from asset size and other movements and a decrease of USD 0.2bn related to ongoing parameter updates of the value-at-risk (VaR) model. FINMA approved the integration of time decay into regulatory VaR and stressed VaR, which went live on 12 January 2024.

- › Refer to "Market risk" in the "Risk management and control" section of this report for more information about market risk developments
- › Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about market risk developments

Operational risk

Operational risk RWA increased by USD 64.0bn to USD 145.4bn as of 31 December 2023, primarily due to a USD 69.0bn increase resulting from the acquisition of the Credit Suisse Group. The aggregation of the advanced measurement approach (AMA) model considering diversification effects resulted in a USD 10.0bn reduction in RWA, of which USD 5.0bn was reflected in the acquisition balance of the Credit Suisse Group and USD 5.0bn was included as a model update.

- › Refer to "Advanced measurement approach model" in the "Risk management and control" section of this report for more information about the AMA model

Outlook

We expect that model updates will result in an RWA increase of around USD 10bn in 2024 and 2025, primarily as a result of the migration of Credit Suisse portfolios to UBS models. The extent and timing of RWA changes may vary as model updates are completed and receive regulatory approval, along with changes in the composition of the relevant portfolios. In addition, we currently estimate that the revised Basel III framework, including the Fundamental Review of the Trading Book, will lead to a further increase in RWA of approximately USD 25bn, of which USD 10bn is in Non-core and Legacy. This estimate is based on static balances and on our current understanding of the relevant standards before taking into account mitigating actions and not reflecting the impact of the output floor, which is phased in over time. It may change as a result of new or updated regulatory interpretations, appropriate conservatism in model calibration, the implementation of Basel III standards into national law, changes in business growth, market conditions and other factors. The core business-led reductions in RWA, coupled with the run-down of positions in the Non-core and Legacy business division, are expected to more than offset the effects of model updates and revised Basel III standards in 2024 and 2025.

Risk-weighted assets, by business division and Group Items

| <i>USD bn</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | Total RWA |
|--|--------------------------|------------------------------|------------------|-----------------|----------------------------------|--------------------------|--------------|
| | 31.12.23 | | | | | | |
| Credit and counterparty credit risk ² | 90.4 | 137.8 | 7.6 | 65.0 | 34.3 | 10.2 | 345.3 |
| Non-counterparty-related risk ³ | 6.8 | 3.4 | 0.8 | 3.8 | 2.5 | 17.1 | 34.4 |
| Market risk | 1.7 | 0.1 | 0.1 | 12.5 | 5.1 | 1.9 | 21.4 |
| Operational risk | 57.5 | 19.5 | 7.2 | 25.0 | 30.0 | 6.2 | 145.4 |
| Total | 156.5 | 160.8 | 15.6 | 106.3 | 72.0 | 35.3 | 546.5 |
| | 31.12.22 | | | | | | |
| Credit and counterparty credit risk ² | 68.4 | 64.9 | 3.0 | 57.7 | 2.2 | 4.3 | 200.5 |
| Non-counterparty-related risk ³ | 5.9 | 1.9 | 0.6 | 3.7 | 0.0 | 12.1 | 24.2 |
| Market risk | 1.6 | 0.0 | | 10.1 | 0.7 | 1.1 | 13.5 |
| Operational risk | 37.6 | 9.1 | 3.2 | 21.3 | 10.1 | | 81.4 |
| Total | 113.5 | 75.9 | 6.7 | 92.8 | 13.0 | 17.6 | 319.6 |
| | 31.12.23 vs 31.12.22 | | | | | | |
| Credit and counterparty credit risk ² | 22.1 | 72.9 | 4.5 | 7.3 | 32.2 | 5.8 | 144.8 |
| Non-counterparty-related risk ³ | 0.9 | 1.5 | 0.2 | 0.1 | 2.5 | 4.9 | 10.1 |
| Market risk | 0.1 | 0.1 | 0.1 | 2.4 | 4.5 | 0.8 | 7.9 |
| Operational risk | 19.9 | 10.4 | 4.1 | 3.7 | 19.9 | 6.2 | 64.0 |
| Total | 43.0 | 84.9 | 8.9 | 13.5 | 59.0 | 17.7 | 226.9 |

¹ Starting with the third quarter of 2023, Non-core and Legacy represents a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been revised to reflect these changes. Operational Risk RWA was fully allocated to Non-core and Legacy as of 31.12.2022. ² Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. ³ Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (31 December 2023: USD 16.4bn; 31 December 2022: USD 11.4bn), as well as property, equipment, software and other items (31 December 2023: USD 18bn; 31 December 2022: USD 12.9bn).

Leverage ratio denominator

During 2023, the LRD increased by USD 666.9bn to USD 1,695.4bn, primarily due to a USD 644.4bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, the LRD increased by USD 53.8bn due to currency effects, partly offset by USD 31.3bn due to asset size and other movements.

Movement in leverage ratio denominator, by key driver

| <i>USD bn</i> | LRD as of 31.12.22 | Currency effects | Asset size and other | of which: Acquisition of the Credit Suisse Group as on 30.6.23 ¹ | LRD as of 31.12.23 |
|---|--------------------|------------------|----------------------|---|--------------------|
| On-balance sheet exposures (excluding derivatives and securities financing transactions) ¹ | 816.0 | 49.5 | 463.7 | 464.2 | 1,329.2 |
| Derivatives | 90.3 | 0.1 | 37.7 | 48.8 | 128.1 |
| Securities financing transactions | 98.6 | 1.4 | 65.5 | 63.5 | 165.4 |
| Off-balance sheet items | 34.4 | 2.5 | 43.0 | 64.6 | 79.9 |
| Deduction items | (10.8) | 0.3 | 3.3 | 3.4 | (7.2) |
| Total | 1,028.5 | 53.8 | 613.1 | 644.4 | 1,695.4 |

¹ Reflects the LRD acquired from the Credit Suisse Group as at 30 June 2023. Subsequent changes in this portfolio in the second half of 2023 are shown under currency effects or asset size and other changes.

The LRD movements described below exclude currency effects.

On-balance sheet exposures (excluding derivatives and securities financing transactions) increased by USD 463.7bn, primarily due to a USD 464.2bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, on-balance sheet exposures decreased by USD 0.5bn, mainly due to lower lending balances, partly offset by higher central bank balances and trading portfolio assets.

Derivatives exposures increased by USD 37.7bn, primarily due to a USD 48.8bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, derivative exposures decreased by USD 11.0bn, mainly reflecting market-driven movements and lower trading volumes across products.

Securities financing transactions exposures increased by USD 65.5bn, primarily due to a USD 63.5bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, security financing transactions increased by USD 2.0bn.

Off-balance sheet items exposures increased by USD 43.0bn, primarily due to a USD 64.6bn increase resulting from the acquisition of the Credit Suisse Group. Excluding that acquisition, off-balance sheet items exposures decreased by USD 21.6bn, mainly due to a decrease in loan commitments in Non-core and Legacy, following the accounting reclassification of loan commitments from accrual to fair value.

› Refer to “Balance sheet and off-balance sheet” in this section for more information about balance sheet movements

Leverage ratio denominator by business division and Group Items

| <i>USD bn</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | Total |
|--|--------------------------|------------------------------|------------------|-----------------|----------------------------------|--------------------------|----------------|
| | 31.12.23 | | | | | | |
| On-balance sheet exposures | 428.3 | 442.4 | 5.8 | 217.2 | 95.0 | 140.5 | 1,329.2 |
| Derivatives | 8.1 | 3.0 | 0.0 | 90.3 | 23.6 | 3.1 | 128.1 |
| Securities financing transactions | 36.4 | 28.3 | 0.1 | 39.9 | 17.7 | 43.1 | 165.4 |
| Off-balance sheet items | 20.3 | 38.5 | 0.2 | 18.3 | 1.6 | 1.1 | 79.9 |
| Items deducted from Swiss SRB tier 1 capital | (4.7) | 4.3 | (1.2) | (0.4) | (0.7) | (4.5) | (7.2) |
| Total | 488.4 | 516.6 | 4.9 | 365.2 | 137.1 | 183.2 | 1,695.4 |
| | 31.12.22 | | | | | | |
| On-balance sheet exposures | 364.8 | 223.4 | 4.0 | 189.5 | 2.9 | 31.3 | 816.0 |
| Derivatives | 5.4 | 1.5 | 0.0 | 80.0 | 2.5 | 0.9 | 90.3 |
| Securities financing transactions | 20.5 | 10.8 | 0.1 | 40.4 | 0.9 | 26.0 | 98.6 |
| Off-balance sheet items | 8.8 | 16.6 | | 6.9 | 0.0 | 2.1 | 34.4 |
| Items deducted from Swiss SRB tier 1 capital | (5.2) | (0.2) | (1.2) | (0.4) | 0.0 | (3.9) | (10.8) |
| Total | 394.4 | 252.1 | 2.9 | 316.6 | 6.3 | 56.3 | 1,028.5 |
| | 31.12.23 vs. 31.12.22 | | | | | | |
| On-balance sheet exposures | 63.5 | 219.0 | 1.8 | 27.6 | 92.1 | 109.2 | 513.2 |
| Derivatives | 2.7 | 1.6 | 0.0 | 10.3 | 21.1 | 2.2 | 37.9 |
| Securities financing transactions | 15.9 | 17.6 | 0.0 | (0.6) | 16.8 | 17.1 | 66.8 |
| Off-balance sheet items | 11.5 | 21.9 | 0.2 | 11.4 | 1.6 | (1.0) | 45.5 |
| Items deducted from Swiss SRB tier 1 capital | 0.5 | 4.5 | 0.0 | 0.0 | (0.7) | (0.7) | 3.6 |
| Total | 94.0 | 264.5 | 2.0 | 48.6 | 130.9 | 126.9 | 666.9 |

¹ Starting with the third quarter of 2023, Non-core and Legacy represents a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been revised to reflect these changes.

Liquidity and funding management

We manage the structural risks of our balance sheet, including interest rate risk, structural foreign exchange risk and collateral risk, as well as liquidity and funding risk. This section provides information about liquidity and funding regulatory requirements, governance, management (including sources of liquidity and funding), contingency planning, and stress testing. The balances disclosed in this section represent year-end positions, unless indicated otherwise. Intra-period balances fluctuate in the ordinary course of business and may differ from year-end positions.

Following the completion of the acquisition of the Credit Suisse Group, Credit Suisse became part of the overall liquidity and funding management of the UBS Group. Credit Suisse now leverages the market access of UBS and engages in secured intercompany transactions to facilitate funding between entities.

The UBS Group is managed as an aggregate of UBS AG and Credit Suisse AG. The subsections on liquidity and funding stress testing and funding management describe the management implemented at UBS AG. The underlying frameworks and models have been materially aligned and are subject to further alignment as the integration progresses. For details on the management of Credit Suisse AG, please refer to the Credit Suisse AG Annual Report 2023.

Strategy, objectives and governance

Audited I Our management of liquidity and funding has the overall objective of protecting our business franchises and prudently managing our internal and regulatory liquidity and funding requirements. We measure liquidity and funding risk using internal and regulatory models and metrics. We define and implement internal stress testing across different time horizons, scenarios and currencies to ensure we have sufficient liquidity and funding, while remaining compliant with regulatory requirements, primarily expressed through the liquidity coverage ratio (the LCR) and the net stable funding ratio (the NSFR). Our liquidity and funding strategy is proposed by Group Treasury and approved by the Group Asset and Liability Committee (the Group ALCO), which is a committee of the Group Executive Board (the GEB) that is overseen by the Risk Committee of the Board of Directors (the BoD).

Liquidity and funding limits and other indicators (including early-warning indicators) are set at Group and, where appropriate, at legal entity and business-division levels. Key limits (under BoD authority) and indicators linked to these limits are reviewed and reconfirmed at least once a year by the BoD, the GEB, the Group ALCO, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group Treasurer, taking into consideration the Group's business strategy and risk appetite. Treasury Risk Control provides independent oversight over liquidity and funding risk. ▲

› Refer to the “Corporate governance” and “Risk management and control” sections of this report for more information

Group Treasury monitors and oversees the implementation and execution of our liquidity and funding strategy and manages liquidity and funding risk within the limits and other relevant indicators, thereby adhering to the internal risk appetite and regulatory requirements. This includes close control of both our cash and collateral, including our high-quality liquid assets (HQLA), and centralizes the Group's access to wholesale cash markets in Group Treasury. To complement our business-as-usual management, Group Treasury maintains a Contingency Funding Plan and contributes to plans for recovery and resolution to define procedures throughout the crisis continuum. Group Treasury reports on the Group's liquidity and funding status and position, at least monthly, to the Group ALCO and the Risk Committee of the BoD.

Liquidity and funding stress testing

Audited I Our liquidity and funding risk management aims to ensure that the firm has sufficient liquidity and funding to survive a severe idiosyncratic and market-wide liquidity and funding stress event without government support, allowing for discrete management actions.

Group Treasury maintains a diversified, high-quality pool of unencumbered liquid assets under Treasury control. The liquid asset portfolio is managed dynamically, so as to operate at all times within the internal risk appetite and other relevant Group and subsidiary liquidity and funding requirements. ▲

Our liquidity and funding stress testing covers two main stress scenarios: a combined (market and idiosyncratic) scenario and a structural market-wide scenario. We continuously refine stress-testing assumptions.

› Refer to “Risk measurement” in the “Risk management and control” section of this report for more information about stress testing

› Refer to “Liquidity and funding stress testing” in the “Liquidity and funding management” section of the Credit Suisse AG Annual Report 2023 for more information about liquidity and funding stress testing at Credit Suisse AG

Combined (market and idiosyncratic) scenario

In this scenario, UBS faces the consequences of both a severely deteriorated macroeconomic and financial market environment and a UBS-specific event, resulting in an acute loss of liquidity over a relatively short period of time. This scenario represents severe yet plausible events encompassing both market-wide and idiosyncratic elements, in which, however, franchise client relationships are materially maintained.

The risk appetite objective of this stress test is to ensure that UBS keeps a cumulative liquidity surplus on each day in the three-month stress horizon. The liquidity gap is assessed by modeling the stressed liquidity value of the liquidity buffer and stressed liquidity inflows and outflows under the scenario.

Structural market-wide scenario

In this scenario, UBS is subject to a significant deterioration of macroeconomic and financial market conditions globally, resulting in a requirement for long-term funding to survive the liquidity drain and support the franchise of the business. Macroeconomic shocks result in deteriorated financial market conditions over the scenario horizon of one year. UBS is assumed to be affected equally relative to other global financial institutions.

The risk appetite objective of this stress test is to ensure that UBS maintains a positive cumulative behavioral liquidity gap across the 3-month, 6-month, 9-month and 12-month tenors. The liquidity gap is assessed by modeling the stressed liquidity value of the liquidity buffer, and stressed liquidity inflows and outflows under the scenario.

Funding management

Audited I Group Treasury monitors our funding position, including concentration risk, aiming to ensure that we maintain a well-balanced and diversified liability structure. Our funding management team looks to create the optimal liability structure to finance our businesses in a reliable and cost-efficient manner. Our funding activities are planned by analyzing the overall liquidity and funding requirements, taking into account the amount of stable funding that would be needed to support ongoing business activities through periods of difficult market conditions. ▲

The funding strategy of UBS Group AG is set annually in the Funding Plan and is reviewed on an ongoing basis. The Funding Plan is developed by Group Treasury and approved by the Group ALCO.

- › Refer to “Balance sheet and off-balance sheet” in this section for more information about the development of our short- and long-term debt during 2023

Global Wealth Management and Personal & Corporate Banking provide significant, cost-efficient and stable sources of funding. These include deposits and debt issued through the Swiss central mortgage institutions and UBS's covered bond programs, which use a portion of our portfolio of Swiss residential mortgages as collateral to generate long-term funding. In addition, we have several short-, medium- and long-term funding programs under which we issue senior unsecured debt and structured notes, as well as short-term debt. These programs enable UBS to source funding from institutional and private investors who are active in Europe, the US and Asia Pacific. Collectively, these broad product offerings and funding sources, together with the global scope of our business activities, support our funding stability.

Internal funding and funds transfer pricing

We use our global liquidity and funding framework to govern the liquidity management of our branches and subsidiaries. Group Treasury meets demands for funding by channeling funds from entities generating surplus cash to those in need of financing, except in circumstances where transfer restrictions exist.

Funding costs and benefits are allocated to our business divisions according to our liquidity and funding risk management framework. Our internal funds transfer pricing system aims to incentivize that we have the right balance of assets and liabilities in currencies and tenors.

Credit ratings

Credit ratings can affect the cost and availability of funding, especially from wholesale unsecured sources. Our credit ratings can also influence the performance of some of our businesses and the levels of client and counterparty confidence. Rating agencies take into account a range of factors when assessing creditworthiness and setting credit ratings. These include the company's strategy, its business position and franchise value, stability and quality of earnings, capital adequacy, risk profile and management, liquidity management, diversification of funding sources, asset quality, and corporate governance. Credit ratings reflect the opinions of the rating agencies and can change at any time.

In evaluating our liquidity and funding requirements, we consider the potential effect of a reduction in our long-term credit ratings and a corresponding reduction in short-term ratings. If our credit ratings were to be downgraded, rating trigger clauses could result in an immediate cash settlement or the need to deliver additional collateral to counterparties from contractual obligations related to over-the-counter (OTC) derivative positions and other obligations. Based on our credit ratings as of 31 December 2023, in the event of a one-notch reduction in our long-term credit ratings, we would have been required to provide USD 0.5bn in cash or other collateral. In the event of a two-notch reduction, it would have been USD 0.9bn and for a three-notch downgrade USD 1.4bn. In the two- and three-notch scenarios the collateral requirements predominantly relate to OTC derivative positions.

In March 2023, following the announcement of the planned acquisition of the Credit Suisse Group, rating agencies took the following actions regarding UBS Group AG's ratings: S&P Global Ratings Europe Limited (S&P) placed its "A-" Long-term Issuer Credit Rating on Negative outlook, Fitch Ratings Ireland Limited (Fitch) placed its "A+" Long-Term Issuer Default Rating (IDR) on Rating Watch Negative and Moody's Investors Service Limited (Moody's) changed the outlook on its "A3" Long-term Issuer Default Rating to Negative. Upon the close of the acquisition in June 2023, Fitch downgraded UBS Group's Long-Term IDR to A from A+ and changed the outlook to Stable, while Moody's changed the outlook on UBS Group's Long-term IDR to Positive. In February 2024, S&P affirmed their ratings and outlook for UBS Group.

- › Refer to "Liquidity and funding management are critical to UBS's ongoing performance" in the "Risk factors" section of this report for more information
- › Refer to "Funding Management" in the "Liquidity and funding management" section of the Credit Suisse AG Annual Report 2023 for more information about funding management at Credit Suisse AG

Contingency Funding Plan

Audited | We maintain our Contingency Funding Plan as a preparation and action plan, aiming to ensure we maintain sufficient liquidity to meet payment obligations in a period of liquidity and funding stress. The plan specifies the processes, tools and responsibilities that we have available to effectively manage liquidity and funding through these periods. Our funding diversification and global scope help to protect our liquidity position in the event of a crisis. Our contingent funding sources include our HQLA portfolios, available Central Bank eligible non-HQLA collateral for liquidity facilities at several major central banks, contingent reductions of trading portfolio assets, and other actions available to the management.▲

Liquidity coverage ratio

The LCR measures the short-term resilience of a bank's liquidity profile by assessing whether sufficient HQLA are available to meet expected net cash outflows from a significant liquidity stress scenario, as defined by the relevant regulator.

For UBS, HQLA are low-risk unencumbered assets under the control of Group Treasury that are easily and immediately convertible into cash at little or no loss of value, in order to meet liquidity needs. Our HQLA predominantly consist of assets that qualify as Level 1 in the LCR framework, including cash, central bank reserves and government bonds. Group HQLA are held by UBS AG and its subsidiaries and may include amounts that are available to meet funding and collateral needs in certain jurisdictions but are not readily available for use by the Group as a whole. These limitations are typically the result of local regulatory requirements, including local LCR and large exposure requirements. Funds that are effectively restricted in subsidiaries and branches are excluded from the calculation of Group HQLA. On this basis, USD 42.3bn of assets were excluded from our daily average Group HQLA for the fourth quarter of 2023. Amounts held in excess of local liquidity requirements that are not subject to other restrictions are generally available for transfer within the Group.

Basel Committee on Banking Supervision (BCBS) standards require an LCR of at least 100%. In a period of financial stress, the Swiss Financial Market Supervisory Authority (FINMA) may allow banks to use their HQLA and let their LCR temporarily fall below the minimum threshold. We monitor the LCR in all significant currencies in order to manage any currency mismatches between HQLA and the net expected cash outflows in times of stress.

Our daily average LCR for the fourth quarter of 2023 was 215.7%, compared with 163.7% in the fourth quarter of 2022, remaining above the prudential requirement communicated by FINMA.

The movement in the average LCR was primarily driven by an increase in HQLA of USD 177.0bn to USD 415.6bn, primarily related to Credit Suisse HQLA and higher cash available from debt issued and customer deposits in UBS Group excluding Credit Suisse. The increase in HQLA was partly offset by a USD 46.8bn increase in net cash outflows to USD 192.8bn, largely attributable to Credit Suisse's net cash outflows related to customer deposits and credit commitments. These outflows were partly offset by lower outflows from customer deposits of UBS Group excluding Credit Suisse.

- › Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about the LCR
- › Refer to the "Significant regulated subsidiary and sub-group information" section of this report for more information about the LCR of UBS AG and UBS Switzerland AG

Liquidity coverage ratio

| <i>USD bn, except where indicated</i> | Average 4Q23 ¹ | Average 4Q22 ¹ |
|---|---------------------------|---------------------------|
| High-quality liquid assets | 415.6 | 238.6 |
| Total net cash outflows ² | 192.8 | 146.0 |
| Liquidity coverage ratio (%)³ | 215.7 | 163.7 |

¹ Calculated based on an average of 63 data points in the fourth quarter of 2023 and 63 data points in the fourth quarter of 2022. ² Represents the net cash outflows expected over a stress period of 30 calendar days. ³ Calculated after the application of haircuts and inflow and outflow rates, as well as, where applicable, caps on Level 2 assets and cash inflows.

Too-big-to-fail liquidity requirements

The too-big-to-fail (TBTf) liquidity requirements communicated by the Swiss Financial Market Supervisory Authority (FINMA) in the third quarter of 2023 became effective on 1 January 2024. The affected legal entities of the UBS Group are compliant with these requirements.

Net stable funding ratio

The NSFR framework is intended to limit overreliance on short-term wholesale funding, to encourage a better assessment of funding risk across all on- and off-balance sheet items and to promote funding stability. The NSFR has two components: available stable funding (ASF), as numerator, and required stable funding (RSF), as denominator. ASF is the portion of capital and liabilities expected to be available over the period of one year. RSF is a measure of the stable funding requirement of assets based on their maturity, encumbrance and other characteristics, as well as the potential for contingent calls on funding liquidity from off-balance sheet exposures. The BCBS NSFR regulatory framework requires a ratio of at least 100%.

As of 31 December 2023, the NSFR increased 4.9 percentage points to 124.7%, remaining above the prudential requirement communicated by FINMA.

Available stable funding increased by USD 365.0bn to USD 926.4bn, predominantly driven by the acquisition of the Credit Suisse Group, mainly reflecting debt issued, customer deposits and regulatory capital. The increase in UBS Group excluding Credit Suisse was predominantly driven by higher customer deposits and debt issued.

Required stable funding increased by USD 274.7bn to USD 743.2bn, substantially reflecting the acquisition of the Credit Suisse Group. This balance predominantly includes lending assets and, to a lesser extent, trading portfolio assets and derivative balances. Required stable funding in UBS Group excluding Credit Suisse increased, mainly driven by higher lending assets, including currency effects, and higher trading portfolio assets.

- ▶ Refer to the **31 December 2023 Pillar 3 Report**, available under **"Pillar 3 disclosures"** at ubs.com/investors, for more information about the NSFR
- ▶ Refer to the **"Significant regulated subsidiary and sub-group information"** section of this report for more information about the NSFR of UBS AG and UBS Switzerland AG

Net stable funding ratio

| <i>USD bn, except where indicated</i> | 31.12.23 | 31.12.22 |
|---------------------------------------|--------------|----------|
| Available stable funding (ASF) | 926.4 | 561.4 |
| Required stable funding (RSF) | 743.2 | 468.5 |
| Net stable funding ratio (%) | 124.7 | 119.8 |

Balance sheet and off-balance sheet

The balances disclosed in this section represent year-end positions, unless indicated otherwise. Intra-period balances fluctuate in the ordinary course of business and may differ from year-end positions. Refer to the "Consolidated financial statements" section of this report for more information about the development of our financial position. For more information about the effects of the acquisition of the Credit Suisse Group on our balance sheet and off-balance sheet, refer to "Note 2 Accounting for the acquisition of the Credit Suisse Group" in the "Consolidated financial statements" section of this report.

Balance sheet

Balance sheet assets

As of 31 December 2023, balance sheet assets totaled USD 1,717.2bn, an increase of USD 612.9bn compared with 31 December 2022, which was mainly driven by the acquisition of the Credit Suisse Group, which contributed USD 604.1bn in June 2023.

Cash and balances at central banks increased by USD 144.7bn to USD 314.1bn. The acquisition of the Credit Suisse Group in June 2023 contributed USD 93.0bn, mainly in balances with the Swiss National Bank (the SNB) and the Federal Reserve. Excluding the effects of that acquisition, balances with central banks increased by USD 51.7bn during 2023, driven by inflows from higher customer deposits, lower lending and net new issuances of short-term debt and debt issued designated at fair value, as well as currency effects. These inflows were partly offset by repayment of funding from the SNB and other outflows.

Lending assets increased by USD 259.0bn to USD 661.0bn, predominantly reflecting the acquisition of the Credit Suisse Group, which added USD 260.8bn in June 2023. Excluding the increase from the addition in June, Lending assets decreased by USD 1.8bn during 2023, mainly reflecting net new loan outflows of USD 37.0bn, partly offset by currency effects. Securities financing transactions at amortized cost increased by USD 31.2bn to USD 99.0bn, of which USD 26.2bn related to balances acquired from the Credit Suisse Group in June 2023. Excluding the effects of that acquisition, the increase mainly reflects net new excess cash reinvestment trades. Trading assets increased by USD 61.7bn to USD 169.6bn, including USD 56.2bn reflecting the acquisition of the Credit Suisse Group in June 2023. Excluding the additions from that acquisition, the increase mainly reflected higher inventory held to hedge client positions and market-driven movements, partly offset by the wind-down of the Credit Suisse business in Non-Core and Legacy.

Derivatives and cash collateral receivables on derivative instruments increased by USD 41.1bn to USD 226.2bn. The increase related mainly to the acquisition of the Credit Suisse Group, which added USD 83.0bn in June 2023, including USD 20.9bn of cash collateral receivables. Excluding the effects of that acquisition, balances decreased by USD 42bn, mainly in Derivatives & Solutions and Financing in the Investment Bank, predominantly reflecting decreases in foreign exchange contracts, where the contracts in place at the end of 2023 had lower fair values than the contracts in place at the end of 2022, as well as decreases in interest rate contracts, mainly reflecting valuation effects due to decreases in long-term interest rates. In addition, the unwinding of the Credit Suisse business in Non-core and Legacy contributed to the decrease.

Other financial assets measured at amortized cost increased by USD 12.2bn to USD 65.5bn, mostly related to the acquisition of the Credit Suisse Group, which added USD 13.4bn, reflecting finance lease receivables, as well as cash collateral provided to exchanges and clearing houses to secure securities trading activity through those counterparties. Other financial assets measured at fair value increased by USD 44.3bn to USD 106.3bn. Excluding the effects of the acquisition of the Credit Suisse Group, which added USD 54.2bn in June 2023, balances decreased by USD 9.9bn, mainly reflecting the wind-down of the Credit Suisse business in Non-core and Legacy, partly offset by higher securities financing transactions measured at fair value in Group Treasury. Non-financial assets increased by USD 15.3bn to USD 54.5bn, mainly driven by positions acquired from the Credit Suisse Group, which were USD 16.8bn as of the acquisition date and mainly included leased and owned properties and equipment, investments in associates, and prepaid expenses, as well as physical holdings of precious metals.

Assets

| | As of | | % change from |
|---|----------------|----------------|---------------|
| <i>USD bn</i> | 31.12.23 | 31.12.22 | 31.12.22 |
| Cash and balances at central banks | 314.1 | 169.4 | 85 |
| Lending ¹ | 661.0 | 402.0 | 64 |
| Securities financing transactions at amortized cost | 99.0 | 67.8 | 46 |
| Trading assets | 169.6 | 107.9 | 57 |
| Derivatives and cash collateral receivables on derivative instruments | 226.2 | 185.1 | 22 |
| Brokerage receivables | 21.0 | 17.6 | 20 |
| Other financial assets measured at amortized cost | 65.5 | 53.3 | 23 |
| Other financial assets measured at fair value ² | 106.3 | 62.0 | 71 |
| Non-financial assets | 54.5 | 39.2 | 39 |
| Total assets | 1,717.2 | 1,104.4 | 55 |
| <i>of which: Credit Suisse³</i> | <i>583.2</i> | | |

¹ Consists of loans and advances to customers and amounts due from banks. ² Consists of Financial assets at fair value not held for trading and Financial assets measured at fair value through other comprehensive income. ³ Refer to "Note 2 Accounting for the acquisition of the Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information.

Asset encumbrance

The table below provides a breakdown of on- and off-balance sheet assets between encumbered assets, unencumbered assets and assets that cannot be pledged as collateral.

Assets are presented as Encumbered if they have been pledged as collateral against an existing liability or are otherwise not available for securing additional funding. Included within the latter category are assets protected under client asset segregation rules, financial assets for unit-linked investment contracts, and assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements.

Assets that cannot be pledged as collateral represent assets that are not encumbered but by their nature are not considered available to secure funding or meet collateral needs.

All other assets are presented as Unencumbered. This category consists of cash and securities readily realizable in the normal course of business, which include our high-quality liquid assets and unencumbered positions in our trading portfolio. In addition, unencumbered assets include loans and advances to customers and amounts due from banks. Unencumbered assets that are considered to be available to secure funding at the legal entity level may be subject to restrictions that limit the total amount of assets available to the Group as a whole.

- › Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of this report for more information

Asset encumbrance as of 31 December 2023

| USD bn | Encumbered | | Unencumbered assets | Assets that cannot be pledged as collateral | Total Group |
|--|------------------------------|---|-----------------------------|---|----------------|
| | Assets pledged as collateral | Assets otherwise restricted and not available to secure funding | | | |
| Balance sheet | | | | | |
| Cash and balances at central banks | 1.0 | 0.4 | 312.8 | | 314.1 |
| Amounts due from banks | | 2.9 | 18.2 | 0.1 | 21.2 |
| Receivables from securities financing transactions measured at amortized cost | | | | 99.0 | 99.0 |
| Cash collateral receivables on derivative instruments | | 9.5 | | 40.5 | 50.1 |
| Loans and advances to customers | 127.4 | 0.3 | 512.2 | | 639.8 |
| Other financial assets measured at amortized cost | 7.6 ¹ | 4.7 | 43.5 | 9.7 | 65.5 |
| Total financial assets measured at amortized cost | 136.0 | 17.8 | 886.7 | 149.4 | 1,189.8 |
| Financial assets at fair value held for trading | 83.7 ¹ | 0.2 | 85.8 | | 169.6 |
| Derivative financial instruments | | | | 176.1 | 176.1 |
| Brokerage receivables | | | | 21.0 | 21.0 |
| Financial assets at fair value not held for trading | 3.1 ¹ | 18.2 | 45.0 | 37.7 | 104.0 |
| Total financial assets measured at fair value through profit or loss | 86.8 | 18.4 | 130.7 | 234.8 | 470.8 |
| Financial assets measured at fair value through other comprehensive income | | 1.8 | 0.4 | | 2.2 |
| Non-financial assets | | 0.0 | 25.8 | 28.6 | 54.5 |
| Total balance sheet assets as of 31 December 2023 | 222.8 | 38.0 | 1,043.6 | 412.9 | 1,717.2 |
| Total balance sheet assets as of 31 December 2022 | 77.5 | 27.3 | 697.1 | 302.5 | 1,104.4 |
| Off-balance sheet | | | | | |
| Fair value of securities accepted as collateral as of 31 December 2023 | 382.3 | 5.3 | 189.0 | | 576.6 |
| Fair value of securities accepted as collateral as of 31 December 2022 | 331.8 | 5.6 | 96.6 | | 434.0 |
| Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2023 | 605.1 | 43.3 | 1,232.6 ² | 412.9 | 2,293.8 |
| <i>of which: Credit Suisse³</i> | <i>134.3</i> | <i>7.0</i> | <i>401.0</i> | <i>129.1</i> | <i>671.3</i> |
| Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2022 | 409.3 | 33.0 | 793.7 ² | 302.5 | 1,538.4 |

¹ Includes assets pledged as collateral that may be sold or repledged by counterparties. The respective amounts are disclosed in "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of this report. ² Includes high-quality liquid assets (31 December 2023: 443.0bn; 31 December 2022: 238.6bn). ³ Refer to "Note 2 Accounting for the acquisition of the Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information.

Balance sheet liabilities

Total liabilities as of 31 December 2023 were USD 1,630.6bn, an increase of USD 583.5bn compared with 31 December 2022, which was mainly driven by the acquisition of the Credit Suisse Group.

Short-term borrowings increased by USD 68.2bn to USD 109.5bn. The acquisition of the Credit Suisse Group added USD 112.9bn in June 2023, including USD 97.2bn of funding from the SNB. Excluding the effects of the addition of Credit Suisse balances, short-term borrowings decreased by USD 44.7bn, mainly driven by the repayment of USD 56.5bn of funding from the Swiss National Bank. This decrease was partly offset by net new issuances of commercial paper and certificates of deposit in Group Treasury, as well as an increase in funding obtained from the US Federal Home Loan Banks. Securities financing transactions at amortized cost increased by USD 10.2bn to USD 14.4bn, mainly driven by the acquisition of the Credit Suisse Group, which added USD 11.9bn in June 2023.

Customer deposits increased by USD 266.9bn to USD 792.0bn. The acquisition of the Credit Suisse Group contributed USD 183.1bn in June 2023. Excluding the effects of that acquisition, the increase of USD 83.8bn was mainly due to currency effects of approximately USD 31.3bn and net inflows into fixed-term deposit products in Global Wealth Management and Personal & Corporate Banking, partly offset by continued shifts into money market funds and US-government securities.

Debt issued designated at fair value and long-term debt issued measured at amortized cost increased by USD 169.0bn to USD 327.6bn. The increase mainly related to the acquisition of the Credit Suisse Group, which added USD 150.1bn to the Group. Excluding the effects of the acquisition of the Credit Suisse Group, Debt issued designated at fair value and long-term debt issued measured at amortized cost increased by USD 18.9bn, mainly reflecting net new issuances of Debt issued designated at fair value in Derivatives & Solutions, as well as net new issuances of senior unsecured debt, including total loss-absorbing capacity (TLAC)-eligible instruments, and loss-absorbing tier 1 capital instruments.

In December 2023, we announced our intention to call one high-trigger loss-absorbing tier 1 capital instrument of USD 2.5bn, which was redeemed in January 2024.

› Refer to "Capital management" in this section for more information

Derivatives and cash collateral payables on derivative instruments increased by USD 42.4bn to USD 233.8bn, including USD 78.7bn recognized in June 2023 with the acquisition of the Credit Suisse Group, of which USD 10.9bn was cash collateral payables. Excluding that acquisition, balances decreased by USD 36.3bn, reflecting the same drivers as on the asset side.

Other financial liabilities measured at amortized cost increased by USD 11.3bn to USD 20.9bn. The balances of USD 8.0bn added with the acquisition of Credit Suisse Group in June 2023 mainly included accrued expenses and lease liabilities. Excluding the effects of that acquisition, balances increased mainly due to higher interest accruals. Non-financial liabilities increased by USD 14.1bn to USD 26.3bn. The increase mainly related to the acquisition of the Credit Suisse Group, which added USD 13.8bn in June 2023, mainly representing provisions and contingent liabilities, compensation-related liabilities and deferred tax liabilities.

Equity

Equity attributable to shareholders increased by USD 29,232m to USD 86,108m as of 31 December 2023.

The increase of USD 29,232m was mainly driven by total comprehensive income attributable to shareholders of USD 28,836m, reflecting net profit of USD 27,849m, which included the recognition of negative goodwill on the acquisition of the Credit Suisse Group of USD 27,748m, and other comprehensive income (OCI) of USD 986m. OCI mainly included OCI related to foreign currency translation of USD 1,456m, cash flow hedge OCI of USD 1,275m and negative OCI related to own credit on financial liabilities designated at fair value of USD 1,769m. In addition, deferred share-based compensation awards of USD 1,097m were expensed in the income statement, increasing share premium.

Net treasury share activity increased equity by USD 745m. This was mainly due to the consideration of USD 3,547m used to acquire the Credit Suisse Group, largely offset by share repurchases with an acquisition cost of USD 1,279m under our 2022 share repurchase program and purchases of USD 1,258m from the market to hedge our share delivery obligations related to employee share-based compensation awards.

These increases were partly offset by distributions to shareholders of USD 1,679m, reflecting a dividend payment of USD 0.55 per share.

In the second quarter of 2023, we canceled 62,548,000 shares purchased under our 2021 share repurchase program, as approved by shareholders at the 2023 Annual General Meeting (the AGM). The cancellation of shares resulted in reclassifications within equity but had no net effect on our total equity attributable to shareholders.

At the 2023 AGM, the shareholders also approved the change of the share capital currency of UBS Group AG from the Swiss franc to the US dollar. As a result, the nominal value per share has changed from CHF 0.10 to USD 0.10, resulting in a reclassification between share capital and capital contribution reserve (presented as share premium in the consolidated financial statements). Total equity reported was not affected by this change.

- › Refer to the “Group performance” and “Consolidated financial statements” sections of this report for more information about OCI
- › Refer to the “Reconciliation of equity under IFRS Accounting Standards to Swiss SRB common equity tier 1 capital” table in this section for more information about the effects of OCI on common equity tier 1 capital
- › Refer to “UBS shares” in this section for more information about our share repurchase programs

Liabilities and equity

| | As of | | % change from |
|--|----------------|----------------|---------------|
| USD bn | 31.12.23 | 31.12.22 | 31.12.22 |
| Short-term borrowings ^{1,2} | 109.5 | 41.3 | 165 |
| Securities financing transactions at amortized cost | 14.4 | 4.2 | 243 |
| Customer deposits | 792.0 | 525.1 | 51 |
| Debt issued designated at fair value and long-term debt issued measured at amortized cost ² | 327.6 | 158.6 | 107 |
| Trading liabilities | 34.2 | 29.5 | 16 |
| Derivatives and cash collateral payables on derivative instruments | 233.8 | 191.3 | 22 |
| Brokerage payables | 42.5 | 45.1 | (6) |
| Other financial liabilities measured at amortized cost | 20.9 | 9.6 | 118 |
| Other financial liabilities designated at fair value | 29.5 | 30.2 | (2) |
| Non-financial liabilities | 26.3 | 12.3 | 114 |
| Total liabilities | 1,630.6 | 1,047.1 | 56 |
| <i>of which: Credit Suisse³</i> | <i>475.7</i> | | |
| Share capital | 0.3 | 0.3 | 14 |
| Share premium | 13.2 | 13.5 | (2) |
| Treasury shares | (4.8) | (6.9) | (30) |
| Retained earnings | 74.9 | 50.0 | 50 |
| Other comprehensive income ⁴ | 2.5 | (0.1) | |
| Total equity attributable to shareholders | 86.1 | 56.9 | 51 |
| Equity attributable to non-controlling interests | 0.5 | 0.3 | 55 |
| Total equity | 86.6 | 57.2 | 51 |
| Total liabilities and equity | 1,717.2 | 1,104.4 | 55 |

1 Consists of short-term debt issued measured at amortized cost and amounts due to banks, which includes amounts due to central banks. 2 The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. 3 Excludes USD 57.5bn of debt instruments previously issued by Credit Suisse Group AG (transferred to UBS Group AG as part of the acquisition of the Credit Suisse Group), USD 14.8bn of borrowings from UBS AG, USD 3.4bn of fiduciary placements where UBS Switzerland AG acts as the fiduciary, and other minor intercompany positions. Refer to “Note 2 Accounting for the acquisition of the Credit Suisse Group” in the “Consolidated financial statements” section of this report for more information. 4 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings.

Asset funding UBS Group

USD bn, except where indicated
As of 31 December 2023

| Assets | | Liabilities and equity | |
|--|-----|------------------------|---|
| Cash, balances at central banks and amounts due from banks | 335 | 109 | Short-term borrowings |
| Securities financing transactions at amortized cost | 99 | 14 | Securities financing transactions at amortized cost |
| Trading assets | 170 | 34 | Trading liabilities |
| Brokerage receivables | 21 | 43 | Brokerage payables |
| Loans and advances to customers | 640 | 792 | 241 Demand deposits |
| | | 186 | Retail savings / deposits |
| | | 41 | Sweep deposits |
| | | 324 | Time deposits |
| Other | 276 | 128 | Debt issued designated at fair value |
| | | 199 | Long-term debt issued measured at amortized cost ¹ |
| | | 134 | Other (including net derivative liability) |
| | | 87 | Total equity |

124% coverage
USD 152bn surplus

¹ The classification of debt issued measured at amortized cost into short- and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features.

Liabilities by product and currency

| USD bn | All currencies | | of which: USD | | USD equivalent | | of which: EUR | |
|--|----------------|----------------|---------------|--------------|----------------|--------------|---------------|--------------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Short-term borrowings | 109.5 | 41.3 | 49.2 | 23.3 | 41.5 | 3.8 | 8.3 | 4.4 |
| of which: amounts due to banks | 71.0 | 11.6 | 20.4 | 4.2 | 41.1 | 3.7 | 3.1 | 1.1 |
| of which: short-term debt issued ^{1,2} | 38.5 | 29.7 | 28.8 | 19.0 | 0.3 | 0.1 | 5.2 | 3.3 |
| Securities financing transactions at amortized cost | 14.4 | 4.2 | 7.8 | 3.6 | 2.4 | 0.0 | 3.3 | 0.2 |
| Customer deposits | 792.0 | 525.1 | 311.8 | 226.6 | 328.0 | 198.5 | 80.6 | 53.6 |
| of which: demand deposits | 240.9 | 180.8 | 57.4 | 47.1 | 114.9 | 71.4 | 38.3 | 37.3 |
| of which: retail savings / deposits | 186.1 | 149.3 | 28.9 | 24.6 | 152.6 | 119.0 | 4.5 | 5.6 |
| of which: sweep deposits | 41.0 | 69.2 | 41.0 | 69.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| of which: time deposits | 324.0 | 125.7 | 184.4 | 85.7 | 60.5 | 8.1 | 37.8 | 10.6 |
| Debt issued designated at fair value and long-term debt issued measured at amortized cost ² | 327.6 | 158.6 | 185.8 | 98.4 | 44.7 | 16.9 | 69.6 | 29.6 |
| Trading liabilities | 34.2 | 29.5 | 12.6 | 12.1 | 1.1 | 0.8 | 9.3 | 8.1 |
| Derivatives and cash collateral payables on derivative instruments | 233.8 | 191.3 | 181.0 | 160.4 | 9.9 | 3.8 | 26.7 | 15.8 |
| Brokerage payables | 42.5 | 45.1 | 31.5 | 32.3 | 0.7 | 0.4 | 2.4 | 3.2 |
| Other financial liabilities measured at amortized cost | 20.9 | 9.6 | 11.3 | 4.9 | 3.9 | 1.6 | 2.0 | 1.0 |
| Other financial liabilities designated at fair value | 29.5 | 30.2 | 6.8 | 11.4 | 0.1 | 0.1 | 3.5 | 3.8 |
| Non-financial liabilities | 26.3 | 12.3 | 13.2 | 4.7 | 4.2 | 1.5 | 4.4 | 2.9 |
| Total liabilities | 1,630.6 | 1,047.1 | 810.9 | 577.7 | 436.5 | 227.6 | 210.0 | 122.6 |
| of which: Credit Suisse ³ | 475.7 | | 176.8 | | 185.5 | | 66.6 | |

¹ Short-term debt issued consists of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. ² The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. ³ Refer to "Note 2 Accounting for the acquisition of the Credit Suisse Group" in the "Consolidated financial statements" section of this report for more information.

Off-balance sheet

In the normal course of business, we enter into transactions where, pursuant to IFRS Accounting Standards, the maximum contractual exposure may not be recognized in whole or in part on our balance sheet. These transactions include derivative instruments, guarantees, loan commitments and similar arrangements.

When we incur an obligation or become entitled to an asset through these arrangements, we recognize them on the balance sheet. It should be noted that in certain instances the amount recognized on the balance sheet does not represent the full gain or loss potential inherent in such arrangements.

The following paragraphs provide more information about certain off-balance sheet arrangements. Additional off-balance sheet information is primarily provided in Notes 10, 11, 18, 20, 21h, 23 and 29 in the "Consolidated financial statements" section of this report and in the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors.

Guarantees, loan commitments and similar arrangements

In the normal course of business, we issue various forms of guarantees, commitments to extend credit, standby and other letters of credit to support our clients, forward starting transactions, note issuance facilities, and revolving underwriting facilities. With the exception of related premiums, generally these guarantees and similar obligations are kept as off-balance sheet items, unless a provision to cover probable losses or expected credit losses is required.

Guarantees represent irrevocable assurances that, subject to the satisfying of certain conditions, we will make payments if our clients fail to fulfill their obligations to third parties. As of 31 December 2023, the net exposure (i.e., gross values less sub-participations) from guarantees and similar instruments was USD 43.9bn, compared with USD 20.6bn as of 31 December 2022. The increase of USD 23.3bn was mainly driven by the acquisition of the Credit Suisse Group and an increase in sponsored repo clearing in Group Treasury. Fee income from issuing guarantees compared with total net fee and commission income is insignificant for both 2023 and 2022.

We also enter into commitments to extend credit in the form of credit lines available to secure the liquidity needs of clients. The majority of irrevocable loan commitments range in maturity from one month to three years. During 2023, Irrevocable loan commitments increased by USD 51.6bn to USD 91.6bn and Committed unconditionally revocable credit lines increased by USD 121.9bn to USD 163.3bn, with both predominantly driven by the acquisition of the Credit Suisse Group. Forward starting reverse repurchase agreements increased by USD 14.6bn to USD 18.4bn, mainly reflecting fluctuations in levels of business division activity in short-dated securities financing transactions.

Off-balance sheet

| | As of | | % change from |
|--|----------|----------|---------------|
| USD bn | 31.12.23 | 31.12.22 | 31.12.22 |
| Guarantees ^{1,2} | 43.9 | 20.6 | 113 |
| Irrevocable loan commitments ¹ | 91.6 | 40.0 | 129 |
| Committed unconditionally revocable credit lines | 163.3 | 41.4 | 294 |
| Forward starting reverse repurchase agreements | 18.4 | 3.8 | 385 |

¹ Guarantees and irrevocable loan commitments are shown net of sub-participations. ² Includes guarantees measured at fair value through profit or loss.

If customers fail to meet their obligations, our maximum exposure to credit risk is generally the contractual amount of these instruments. The risk is similar to the risk involved in extending loan facilities and is subject to the same risk management and control framework. In 2023, we recognized net credit loss expenses of USD 142m related to irrevocable loan commitments, guarantees and other credit facilities in the scope of expected credit loss measurement, compared with net credit loss releases of USD 3m in 2022. Provisions recognized for irrevocable loan commitments, guarantees and other credit facilities in the scope of expected credit loss measurement were USD 350m as of 31 December 2023, compared with USD 201m as of 31 December 2022.

- › Refer to “**Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement**” and “**Note 20 Expected credit loss measurement**” in the “**Consolidated financial statements**” section of this report for more information about provisions for expected credit losses

For certain obligations, we enter into partial sub-participations to mitigate various risks from guarantees and irrevocable loan commitments. A sub-participation is an agreement by another party to take a share of the loss in the event that the obligation is not fulfilled by the obligor and, where applicable, to fund a part of the credit facility. We retain the contractual relationship with the obligor, and the sub-participant has only an indirect relationship. Generally, we only enter into sub-participation agreements with banks to which we ascribe a credit rating equal to or better than that of the obligor.

We also provide representations, warranties and indemnifications to third parties in the normal course of business.

Support provided to non-consolidated investment funds

In 2023, the Group did not provide material support, financial or otherwise, to unconsolidated investment funds when the Group was not contractually obligated to do so, nor does it currently have an intention to do so.

Clearing house and exchange memberships

We are a member of numerous securities and derivative exchanges and clearing houses. In connection with some of these memberships, we may be required to pay a share of the financial obligations of another member who defaults, or we may be otherwise exposed to additional financial obligations. While the membership rules vary, obligations generally would arise only if the exchange or clearing house had exhausted its resources. We consider the probability of a material loss due to such obligations to be remote.

Deposit insurance

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 8bn for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. As of 31 December 2023, FINMA estimates our share in the deposit insurance system to be CHF 1.8bn. This represents a contingent payment obligation and exposes us to additional risk. As of 31 December 2023, we considered the probability of a material loss from our obligations to be remote.

UBS is also subject to, or is a member of, other deposit protection schemes in other countries. However, no contingent payment obligation existed as of 31 December 2023 from any other material scheme.

Material cash requirements

The Group's material cash requirements as of 31 December 2023 are represented by the residual contractual maturities for non-derivative and non-trading financial liabilities included in the table presented in "Note 24b Maturity analysis of financial liabilities on an undiscounted basis" in the "Consolidated financial statements" section of this report. Included in the table are debt issued designated at fair value (USD 149.8bn) and debt issued measured at amortized cost (USD 279.3bn). The amounts represent estimated future interest and principal payments on an undiscounted basis.

In the normal course of business, we also issue or enter into various forms of guarantees, loan commitments and other similar arrangements that may result in an outflow of cash in the future. The maturity profile of these obligations, which are presented off-balance sheet, are included in "Note 24b Maturity analysis of financial liabilities on an undiscounted basis" in the "Consolidated financial statements" section of this report. Refer to "Guarantees, loan commitments and similar arrangements" in this section for more information.

Cash flows

As a global financial institution, our cash flows are complex and often may bear little relation to our net earnings and net assets. Consequently, we believe that a traditional cash flow analysis is less meaningful when evaluating our liquidity position than the liquidity, funding and capital management frameworks and measures described elsewhere in this section.

› Refer to "Liquidity and funding management" in this section for more information

Cash and cash equivalents

As of 31 December 2023, cash and cash equivalents totaled USD 340.3bn, an increase of USD 145.0bn compared with 31 December 2022, driven by net cash inflows from investing and operating activities and positive foreign exchange effects, largely reflecting the depreciation of the US dollar against the Swiss franc in 2023. These effects were partly offset by net cash outflows used in financing activities in amount of USD 58.3bn.

Operating activities

Net cash inflows from operating activities were USD 86.1bn in 2023, compared with USD 14.6bn in 2022. The net change in operating assets and liabilities of 88.3bn was mainly driven by a USD 52.8bn increase in customer deposits, a USD 27.9bn decrease in loans and advances to customers and a USD 9.9bn change in financial assets and liabilities at fair value not held for trading and other financial assets and liabilities. These effects were partly offset by smaller movements in other operating assets and liabilities and adjustments to remove the net impact of non-cash effects in the balance sheet, such as foreign currency effects.

Investing activities

Investing activities resulted in a net cash inflow of USD 103.2bn in 2023, compared with a net outflow of USD 12.4bn in 2022, primarily reflecting the effect of cash acquired upon the acquisition of the Credit Suisse Group in the amount of USD 108.5bn, partly offset by outflows from purchases of debt securities measured at amortized cost of USD 3.8bn.

Financing activities

Financing activities resulted in a net cash outflow of USD 58.3bn in 2023, compared with an outflow of USD 9.1bn in 2022, mainly due to the repayment of USD 56.5bn of funding from the Swiss National Bank, net cash used to repurchase treasury shares of USD 2.8bn and a dividend distribution to shareholders of USD 1.7bn. These outflows were partly offset by net issuance proceeds from short-term debt measured at amortized cost of USD 3.2bn and from debt designated at fair value and long-term debt measured at amortized cost of USD 0.3bn.

› Refer to "Primary financial statements and share information" in the "Consolidated financial statements" section of this report for more information about cash flows

Statement of cash flows (condensed)

| | For the year ended | |
|---|--------------------|---------------|
| USD bn | 31.12.23 | 31.12.22 |
| Net cash flow from / (used in) operating activities | 86.1 | 14.6 |
| Net cash flow from / (used in) investing activities | 103.2 | (12.4) |
| Net cash flow from / (used in) financing activities | (58.3) | (9.1) |
| Effects of exchange rate differences on cash and cash equivalents | 14.0 | (5.7) |
| Net increase / (decrease) in cash and cash equivalents | 145.0 | (12.6) |
| Cash and cash equivalents at the end of the year | 340.3 | 195.3 |

Currency management

Strategy, objectives and governance

Group Treasury focuses on three main areas of currency risk management: (i) currency-matched funding and investment of non-US-dollar assets and liabilities; (ii) the sell-down of foreign currency IFRS Accounting Standards profits and losses; and (iii) selective hedging of anticipated non-US-dollar profits and losses to further mitigate the effect of structural imbalances in the balance sheet. Group Treasury also manages structural currency composition across three scopes: UBS Group AG consolidated, UBS AG consolidated and Credit Suisse AG consolidated.

Currency-matched funding and investment of non-US-dollar assets and liabilities

For monetary balance sheet items and other investments, as far as is practical and efficient, we follow the principle of matching the currencies of our assets and liabilities for funding purposes. This avoids profits and losses arising from the translation of non-US-dollar assets and liabilities.

UBS Group AG consolidated and UBS AG consolidated apply net investment hedge accounting to non-US-dollar core investments, while Credit Suisse AG consolidated applies it to its non-Swiss Franc core investments to balance the effect of foreign exchange movements on both common equity tier 1 (CET1) capital and the CET1 capital ratio.

- › Refer to “**Note 1 Summary of material accounting policies**” and “**Note 26 Hedge accounting**” in the “**Consolidated financial statements**” section of this report for more information
- › Refer to “**Capital management**” in this section for more information about our active management of sensitivity to currency movements and the effect thereof on our key ratios

Sell-down of non-US-dollar reported profits and losses

Income statement items of group entities with a functional currency other than the US dollar are translated into US dollars at average exchange rates. To reduce earnings volatility on the translation of previously recognized earnings in foreign currencies, Group Treasury centralizes the profits and losses (under IFRS Accounting Standards) arising in UBS AG and its branches and sells or buys the profit or loss for US dollars on a monthly basis. UBS AG subsidiaries and Credit Suisse AG branches and subsidiaries follow a similar monthly sell-down process into their own functional currencies. The retained earnings in subsidiaries and branches with a functional currency other than the US dollar are integrated and managed as part of the UBS Group’s net investment hedge accounting program.

Hedging of anticipated non-US-dollar profits and losses

The Group Asset and Liability Committee may at any time instruct Group Treasury to execute hedges to protect anticipated future profits and losses in foreign currencies against possible adverse trends of foreign exchange rates. Although intended to hedge future earnings, these transactions are accounted for as open currency positions and subject to internal market risk limits for value-at-risk and stress loss limits.

Dividend distribution

UBS Group AG declares dividends in US dollars. Shareholders holding shares through SIX SIS AG will receive dividends in Swiss francs, based on a published exchange rate calculated up to five decimal places, on the day prior to the ex-dividend date. Shareholders holding shares through DTC or Computershare will be paid dividends in US dollars.

- › Refer to the **UBS Group AG Standalone financial statements and regulatory information for the year ended 31 December 2023** for more information about the proposed dividend distribution of UBS Group AG for the 2023 financial year

UBS shares

UBS Group AG shares

Audited | As of 31 December 2023, equity attributable to shareholders under IFRS Accounting Standards amounted to USD 86,108m, represented by 3,462,087,722 shares issued. Shares issued decreased by 62,548,000 shares in 2023 as the shares acquired under the 2021 share repurchase program after 18 February 2022 were canceled by means of a capital reduction, as approved by shareholders at the 2023 Annual General Meeting (the AGM).

In the second quarter of 2023, the share capital currency of UBS Group AG was changed from the Swiss franc to the US dollar, as approved by shareholders at the 2023 AGM. As a result, the nominal value per share has changed from CHF 0.10 to USD 0.10, resulting in a reclassification between share capital and capital contribution reserve (presented as share premium in the consolidated financial statements).

Each share carries one vote if entered into the share register as having the right to vote, and also entitles the holder to a proportionate share of distributed dividends. All shares are fully paid up. As the Articles of Association of UBS Group AG indicate, there are no other classes of shares and no preferential rights for shareholders. ▲

- ▶ Refer to “Share information and earnings per share” in the “Consolidated financial statements” section of this report for more information about the conversion of our share capital currency in 2023, which was approved by shareholders at the 2023 AGM
- ▶ Refer to the “Corporate governance” section of this report for more information about UBS shares

UBS Group share information

| | As of or for the year ended | | % change from |
|---|-----------------------------|---------------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.22 |
| Shares issued | 3,462,087,722 | 3,524,635,722 | (2) |
| Treasury shares ¹ | 253,233,437 | 416,909,010 | (39) |
| <i>of which: related to share repurchase program 2021</i> | | 62,548,000 | |
| <i>of which: related to share repurchase program 2022</i> | 120,506,008 | 233,901,950 | (48) |
| Shares outstanding | 3,208,854,285 | 3,107,726,712 | 3 |
| Basic earnings per share (USD) ² | 8.83 | 2.34 | 278 |
| Diluted earnings per share (USD) ² | 8.45 | 2.25 | 276 |
| Equity attributable to shareholders (USD m) | 86,108 | 56,876 | 51 |
| Less: goodwill and intangible assets (USD m) | 7,515 | 6,267 | 20 |
| Tangible equity attributable to shareholders (USD m) | 78,593 | 50,609 | 55 |
| Ordinary cash dividends per share (USD) ^{3,4} | 0.70 | 0.55 | 27 |
| Total book value per share (USD) | 26.83 | 18.30 | 47 |
| Tangible book value per share (USD) | 24.49 | 16.28 | 50 |
| Share price (USD) ⁵ | 31.01 | 18.61 | 67 |
| Market capitalization (USD m) ⁶ | 107,355 | 65,608 | 64 |

¹ Based on a settlement date view. ² Refer to “Share information and earnings per share” in the “Consolidated financial statements” section of this report for more information. ³ Dividends and / or distributions out of the capital contribution reserve are normally approved and paid in the year subsequent to the reporting period. ⁴ Refer to “Statement of proposed appropriation of total profit and dividend distribution out of total profit and capital contribution reserve” in the “UBS Group AG standalone financial statements” section of the UBS Group AG Standalone financial statements and regulatory information for the year ended 31 December 2023 report, available under “Holding company and significant regulated subsidiaries and sub-groups” at ubs.com/investors, for more information. ⁵ Represents the share price as listed on the SIX Swiss Exchange, translated to US dollars using the closing exchange rate as of the respective date. ⁶ The calculation of market capitalization has been amended in the second quarter of 2023 to reflect total shares issued multiplied by the share price at the end of the period. The calculation was previously based on total shares outstanding multiplied by the share price at the end of the period. Market capitalization has been increased by USD 7.8bn as of 31 December 2022 as a result.

Holding of UBS Group AG shares

Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards, and also holds shares purchased under share repurchase programs. As of 31 December 2023, we held a total of 253,233,437 treasury shares (31 December 2022: 416,909,010).

Our 2021 share repurchase program was concluded on 29 March 2022 with the purchase of an additional 87.7m shares in 2022 for an acquisition cost of USD 1,637m (CHF 1,516m). The 177.8m shares repurchased under this program from its inception until 18 February 2022 for a total acquisition cost of USD 3,022m (CHF 2,775m) were canceled by means of a capital reduction in 2022, as approved by shareholders at the 2022 AGM. The remaining 62,548,000 shares purchased under the 2021 program were canceled by means of a capital reduction in 2023, as approved by shareholders at the 2023 AGM.

On 31 March 2022, we commenced a new, 2022 share repurchase program of up to USD 6bn. Shares acquired under this program totaled 298.5m as of 31 December 2023 for a total acquisition cost of USD 5,245m (CHF 5,010m). A total of 178m shares repurchased under this program and originally intended for cancellation purposes were repurposed for the acquisition of the Credit Suisse Group and 176m shares were transferred to Credit Suisse Group shareholders in an exchange of shares as consideration for the acquisition of the Credit Suisse Group. The remaining 121m shares, with a total acquisition cost of USD 2,277m (CHF 2,138m), are intended to be canceled by means of a capital reduction, pending approval by the shareholders at a future AGM.

A new, two-year share repurchase program of up to USD 6bn was approved by shareholders at the 2023 AGM. We have temporarily suspended repurchases under the share repurchase programs due to the acquisition of the Credit Suisse Group, but we plan to repurchase up to USD 1bn of our shares in 2024, commencing after the completion of the merger of UBS AG and Credit Suisse AG.

Treasury shares held to hedge our share delivery obligations related to employee share-based compensation awards totaled 131m shares as of 31 December 2023 (31 December 2022: 119m). Share delivery obligations related to employee share-based compensation awards totaled 196m shares as of 31 December 2023 (31 December 2022: 178m) and are calculated on the basis of undistributed notional share awards, taking applicable performance conditions into account. Treasury shares held are delivered to employees at exercise or vesting. As of 31 December 2023, up to 122m UBS Group AG shares (31 December 2022: 122m) could have been issued out of conditional capital to satisfy share delivery obligations of any future employee share option programs or similar awards.

The Investment Bank also holds a limited number of UBS Group AG shares, primarily in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments.

The table below outlines the market purchases of UBS Group AG shares by Group Treasury. It does not include the activities of the Investment Bank.

Treasury share purchases

| Month of purchase ³ | Share repurchase programs ¹ | | | Other treasury shares purchased ² | |
|--------------------------------|--|----------------------|---|--|----------------------|
| | Number of shares | Average price in USD | Remaining volume of 2022 share repurchase program in USD m at month-end | Number of shares | Average price in USD |
| January 2023 | 28,143,000 | 20.66 | 1,453 | | |
| February 2023 | | | 1,453 | 23,305,000 | 21.71 |
| March 2023 | 35,343,000 | 19.73 | 755 | 3,820,000 | 21.64 |
| April 2023 | | | 755 | | |
| May 2023 | | | 755 | | |
| June 2023 | | | 755 | | |
| July 2023 | | | 755 | | |
| August 2023 | | | 755 | | |
| September 2023 | | | 755 | | |
| October 2023 | | | 755 | | |
| November 2023 | | | 755 | 16,401,362 | 25.92 |
| December 2023 | | | 755 | 8,598,638 | 28.39 |

¹ UBS has an active share repurchase program to buy back up to USD 6bn of its own shares over the two-year period started in March 2022 and ending at the latest on 29 March 2024. The share buybacks were transacted in Swiss francs on a separate trading line on the SIX Swiss Exchange. A new, two-year share repurchase program of up to USD 6bn was approved by shareholders at the 2023 AGM. However, we have temporarily suspended repurchases under the share repurchase programs due to the acquisition of the Credit Suisse Group. ² This table excludes purchases for the purpose of hedging derivatives linked to UBS Group AG shares and for market-making in UBS Group AG shares. The table also excludes UBS Group AG shares purchased by post-employment benefit funds for UBS employees, which are managed by a board of UBS management and employee representatives in accordance with Swiss law. UBS's post-employment benefit funds purchased 509,075 UBS Group AG shares during the year and held 13,478,820 UBS Group AG shares as of 31 December 2023. ³ Based on the transaction date of the respective treasury share purchases.

Trading volumes

| | For the year ended | | |
|---------------------------------------|--------------------|-----------|-----------|
| 1,000 shares | 31.12.23 | 31.12.22 | 31.12.21 |
| SIX Swiss Exchange total | 2,102,613 | 2,433,051 | 2,514,259 |
| SIX Swiss Exchange daily average | 8,377 | 9,579 | 9,899 |
| New York Stock Exchange total | 170,875 | 186,468 | 137,366 |
| New York Stock Exchange daily average | 684 | 743 | 545 |

Source: Reuters

Listing of UBS Group AG shares

UBS Group AG shares are listed on the SIX Swiss Exchange (SIX). They are also listed on the New York Stock Exchange (the NYSE) as global registered shares. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

During 2023, the average daily trading volume of UBS Group AG shares was 8.4m shares on SIX and 0.7m shares on the NYSE. SIX is expected to remain the main venue for determining the movement in our share price, because of the high volume traded on this exchange.

During the hours in which both SIX and the NYSE are simultaneously open for trading, price differences between these exchanges are likely to be arbitrated away by professional market-makers. Accordingly, the share price will typically be similar between the two exchanges when considering the prevailing US dollar / Swiss franc exchange rate. When SIX is closed for trading, globally traded volumes will typically be lower. However, the specialist firm making a market in UBS Group AG shares on the NYSE is required to facilitate sufficient liquidity and maintain an orderly market in UBS Group AG shares throughout normal NYSE trading hours.

Ticker symbols UBS Group AG

| Trading exchange | SIX / NYSE | Bloomberg | Reuters |
|-------------------------|------------|-----------|---------|
| SIX Swiss Exchange | UBSG | UBSG SW | UBSG.S |
| New York Stock Exchange | UBS | UBS UN | UBS.N |

Security identification codes

| | |
|---------|------------------|
| ISIN | CH0244767585 |
| Valoren | 24 476 758 |
| CUSIP | CINS H42097 10 7 |

Corporate governance and compensation

Management report

Audited information according to the Swiss law and applicable regulatory requirements and guidance

Disclosures provided are in line with the requirements of the Swiss Code of Obligations (tables containing such information are marked as “Audited” throughout this section), as well as other applicable regulations and guidance.

Corporate governance

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Corporate governance

UBS Group AG is subject to, and complies with, all relevant Swiss legal and regulatory requirements regarding corporate governance, including the SIX Swiss Exchange's Directive on Information relating to Corporate Governance (the SIX Swiss Exchange Corporate Governance Directive) and the standards established in the Swiss Code of Best Practice for Corporate Governance.

Following a revision of the Swiss Code of Obligations that entered into force on 1 January 2023, the correspondingly amended Articles of Association of UBS Group AG (the AoA) were approved by the Annual General Meeting (the AGM) on 5 April 2023. The key amendments of the AoA are amendment of the threshold to convene extraordinary general meetings, the introduction of the basis to hold hybrid and virtual general meetings, and changes in connection with the external mandates of the Board of Directors (the BoD) and the Group Executive Board (the GEB), as well as compensation-related changes and clarifications with regards to publications and notices.

As a non-US company with shares listed on the New York Stock Exchange (the NYSE), UBS Group AG also complies with all relevant corporate governance standards applicable to foreign private issuers.

The Organization Regulations of UBS Group AG, adopted by the BoD based on Art. 716b of the Swiss Code of Obligations and Art. 25 and 27 of the AoA, constitute UBS Group AG's primary corporate governance guidelines.

- › Refer to the **Articles of Association of UBS Group AG** and to the **Organization Regulations of UBS Group AG**, available at ubs.com/governance and ubs.com/ubs-ag-governance, for more information
- › The **SIX Swiss Exchange Corporate Governance Directive** is available at ser-ag.com/content/dam/serag/downloads/regulation/listing/directives/dcg-en.pdf, the **Swiss Code of Best Practice for Corporate Governance** at economiesuisse.ch/en/publications/swiss-code-best-practice-corporate-governance and the **NYSE rules** at nyseguide.srorules.com/listed-company-manual

Differences from corporate governance standards relevant to US-listed companies

The NYSE standards on corporate governance require foreign private issuers to disclose any significant ways in which their corporate governance practices differ from those that have to be followed by US companies. The key differences are discussed below.

Responsibility of the Audit Committee regarding independent auditors

Our Audit Committee is responsible for the compensation, retention and oversight of independent auditors. It assesses the performance and qualifications of external auditors and submits proposals for appointment, reappointment or removal of independent auditors to the BoD. As required by the Swiss Code of Obligations, the BoD submits its proposals for a shareholder vote at the AGM. Under NYSE standards audit committees are responsible for appointing independent auditors.

Discussion of risk assessment and risk management policies by the Risk Committee

As per the Organization Regulations of UBS Group AG, the Risk Committee, instead of the Audit Committee, as per NYSE standards, oversees our risk principles and risk capacity on behalf of the BoD. The Risk Committee is responsible for monitoring our adherence to those risk principles and monitoring whether business divisions and control units maintain appropriate systems of risk management and control.

Supervision of the internal audit function

Although under NYSE standards only audit committees supervise internal audit functions, the Chairman of the BoD (the Chairman) and the Audit Committee share the supervisory responsibility and authority with respect to the internal audit function.

Responsibility of the Compensation Committee for performance evaluations of senior management of UBS Group AG

In line with Swiss law, our Compensation Committee, together with the BoD, proposes for shareholder approval at the AGM the maximum aggregate amount of compensation for the BoD, the maximum aggregate amount of fixed compensation for the Group Executive Board (the GEB) and the aggregate amount of variable compensation for the GEB. The members of the Compensation Committee are elected by the AGM. Under NYSE standards it is the responsibility of compensation committees to evaluate senior management's performance and to determine and approve, as a committee or together with the other independent directors, the compensation thereof.

Proxy statement reports of the Audit Committee and the Compensation Committee

NYSE standards require the aforementioned committees to submit their reports directly to shareholders. However, under Swiss law all reports to shareholders, including those from the aforementioned committees, are provided to and approved by the BoD, which has ultimate responsibility to the shareholders.

Shareholder votes on equity compensation plans

NYSE standards require shareholder approval for the establishing of and material revisions to all equity compensation plans. However, as per Swiss law, the BoD approves compensation plans. Shareholder approval is only mandatory if equity-based compensation plans require an increase in capital. No shareholder approval is required if shares for such plans are purchased in the market.

- › Refer to **"Board of Directors"** in this section for more information about the BoD's committees
- › Refer to **"Share capital structure"** in this section for more information about UBS Group AG's capital

Group structure and shareholders

Operational Group structure

As of 31 December 2023, the operational structure of the UBS Group is composed of the Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank, and Non-core and Legacy business divisions, as well as Group functions. After the acquisition of the Credit Suisse Group in June 2023, its global divisions (Wealth Management (Credit Suisse), the Investment Bank (Credit Suisse), Swiss Bank (Credit Suisse) and Asset Management (Credit Suisse)) were integrated into the Group.

- › Refer to the “Our businesses” section of this report for more information about our business divisions and Group functions
- › Refer to “Financial and operating performance” and to “Note 3a Segment reporting” in the “Consolidated financial statements” section of this report for more information
- › Refer to the “Our evolution” section of this report for more information

Listed and non-listed companies belonging to the Group

The Group includes a number of consolidated entities, of which only UBS Group AG shares are listed. All Credit Suisse Group AG shares were exchanged for shares in UBS Group AG in June 2023 based on a share exchange.

UBS Group AG's registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland. UBS Group AG shares are listed on the SIX Swiss Exchange (ISIN CH0244767585) and on the NYSE (CUSIP H42097107).

- › Refer to “UBS shares” in the “Capital, liquidity and funding, and balance sheet” section of this report for information about UBS Group AG's market capitalization and shares held by Group entities
- › Refer to “Note 29 Interests in subsidiaries and other entities” in the “Consolidated financial statements” section of this report for more information about the significant subsidiaries of the Group

Significant shareholders

General rules

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (the FMIA), anyone who directly, indirectly or acting in concert with third parties, acquires or disposes of shares in a company listed in Switzerland or holds other purchase or sale positions relating to such shares, and, thereby, directly, indirectly or in concert with third parties reaches, falls below or exceeds one of the following percentage thresholds: 3, 5, 10, 15, 20, 25, 33 $\frac{1}{3}$, 50 or 66 $\frac{2}{3}$ % of the voting rights in such company, regardless of whether or not such rights may be exercised, must notify the company and the Swiss stock exchange on which such shares are listed. Nominee companies that cannot autonomously decide how voting rights are exercised are not required to notify the company and such stock exchange if they reach, exceed or fall below the aforementioned thresholds.

Shareholders subject to FMIA disclosure notifications

According to the mandatory FMIA disclosure notifications filed with UBS Group AG and SIX Swiss Exchange (SIX), as of 31 December 2023, the following entities held more than 3% of the total voting rights of UBS Group AG: Norges Bank, Oslo, which disclosed a holding of 4.79% on 4 December 2023; BlackRock Inc., New York, which disclosed a holding of 5.01% on 30 November 2023; and Artisan Partners Limited Partnership, Milwaukee, which disclosed a holding of 3.03% on 29 March 2023.

In accordance with the FMIA, the aforementioned holdings are calculated in relation to the voting rights associated with the total share capital of UBS Group AG entered into the commercial register at the time of the respective disclosure notification.

Information on disclosures under the FMIA is available at ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html.

Cross-shareholdings

UBS Group AG has no cross-shareholdings where reciprocal ownership would be in excess of 5% of capital or voting rights with any other company.

Share capital structure

Ordinary share capital

On 5 April 2023, the AGM approved the conversion of the share capital currency of UBS Group AG from the Swiss franc to the US dollar. To obtain a Swiss franc nominal value per share equaling USD 0.10 after the conversion, the AGM also approved a CHF 25,896,416.16056 reduction of the ordinary share capital, and this reduction resulted in a corresponding allocation to the capital contribution reserve on UBS Group AG's standalone financial statements. At the end of 2023, UBS Group AG had 3,462,087,722 issued shares with a nominal value of USD 0.10 each, equating to a share capital of USD 346,208,772.20.

Under Swiss company law, shareholders must approve, in a general meeting of shareholders, any increase or reduction in the ordinary share capital, the creation of conditional share capital or the introduction of a capital band. In addition, under the Swiss Banking Act, shareholders of a Swiss top holding company of a financial group or of a Swiss bank must approve, in a general meeting of shareholders, the introduction of conversion capital or reserve capital.

In 2023, the shareholders of UBS Group AG were asked to approve a reduction of share capital by way of canceling 62,548,000 registered shares repurchased under the 2021 share repurchase program.

In 2023, the shareholders of UBS Group AG were not asked to approve the creation of conditional capital or the introduction of conversion capital, capital band or reserve capital. As of the date of this report, UBS Group AG has no conversion capital, capital band or reserve capital.

No shares were issued out of UBS Group AG's existing conditional capital in 2023, as there were no employee options or stock appreciation rights outstanding.

Following the permanent write down of Credit Suisse Group AG's additional tier 1 (AT1) instruments in March 2023, UBS Group AG has issued AT1 instruments with terms that provide for an equity conversion feature (instead of the existing write-down feature) as soon as UBS Group AG has a minimum amount of conversion capital in place. In relation to AT1 instruments with equity conversion features, the BoD will propose at the 2024 AGM that the shareholders approve the introduction of conversion capital in a maximum amount equivalent to 700 million shares.

› Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for information about the conversion of the share capital currency

Distribution of UBS Group AG shares

| As of 31 December 2023 | Shareholders registered | | Shares registered | |
|------------------------------------|-------------------------|--------------|----------------------------|--------------------|
| | Number | % | Number | % of shares issued |
| <i>Number of shares registered</i> | | | | |
| 1–100 | 68,848 | 27.2 | 2,667,746 | 0.1 |
| 101–1,000 | 114,217 | 45.1 | 49,049,169 | 1.4 |
| 1,001–10,000 | 63,425 | 25.1 | 177,203,347 | 5.1 |
| 10,001–100,000 | 5,924 | 2.3 | 136,419,449 | 3.9 |
| 100,001–1,000,000 | 483 | 0.2 | 135,910,660 | 3.9 |
| 1,000,001–5,000,000 | 96 | 0.0 | 198,179,947 | 5.7 |
| 5,000,001–34,620,877 (1%) | 23 | 0.0 | 246,038,682 | 7.1 |
| 1–2% | 2 | 0.0 | 98,317,626 | 2.8 |
| 2–3% | 0 | 0.0 | 0 | 0.0 |
| 3–4% | 1 | 0.0 | 134,570,286 | 3.9 |
| 4–5% | 0 | 0.0 | 0 | 0.0 |
| Over 5% | 1 ¹ | 0.0 | 256,797,945 | 7.4 |
| Total shares registered | 253,020 | 100.0 | 1,435,154,857 ² | 41.5 |
| Shares not registered ³ | | | 2,026,932,865 | 58.5 |
| Total | | 100.0 | 3,462,087,722 | 100.0 |

¹ On 31 December 2023, the US securities clearing organization DTC (Cede & Co.), New York, was registered with 7.42% of all UBS shares issued and is not subject to the 5% voting limit as a securities clearing organization. ² Of the total shares registered, 115,991,129 shares did not carry voting rights. ³ Shares not entered in the UBS share register as of 31 December 2023.

Conditional share capital

At year-end 2023, the following conditional share capital was available to UBS Group AG's BoD.

- A maximum of USD 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of USD 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments by UBS Group AG or another member of the Group on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting (the EGM) held on 26 November 2014, having originally been approved at the AGM of UBS AG on 14 April 2010. The BoD has not made use of such allowance.
- A maximum of USD 12,170,583 represented by 121,705,830 fully paid registered shares with a nominal value of USD 0.10 each, to be issued upon exercise of employee options and stock appreciation rights issued to employees and members of the management and of the BoD of UBS Group AG and its subsidiaries. This conditional capital allowance was approved by the shareholders at the same EGM in 2014.
 - › Refer to article 4a of the AoA for more information about the terms and conditions of the issue of shares out of existing conditional capital. The AoA are available at ubs.com/governance
 - › Refer to the "Our evolution" section of this report for more information

Conditional capital of UBS Group AG

| As of 31 December 2023 | Maximum number of shares to be issued | Year approved by Extraordinary General Meeting | % of shares issued |
|---|---------------------------------------|--|--------------------|
| Employee equity participation plans | 121,705,830 | 2014 | 3.52 |
| Conversion rights / warrants granted in connection with bonds | 380,000,000 | 2014 | 10.98 |
| Total | 501,705,830 | | 14.49 |

Capital band, conversion capital and reserve capital

As of 31 December 2023, UBS Group AG had not introduced any capital band, any conversion capital or any reserve capital.

- › Refer to "Ordinary share capital" in this section for more information about a proposal for the shareholders to approve the introduction of conversion capital at the 2024 AGM

Changes in capital

In accordance with IFRS Accounting Standards, Group equity attributable to shareholders was USD 86.1bn as of 31 December 2023 (2022: USD 56.9bn; 2021: USD 60.7bn). The equity of UBS Group AG shareholders was represented by 3,462,087,722 issued shares as of 31 December 2023 (31 December 2022: 3,524,635,722; 31 December 2021: 3,702,422,995 shares).

- › Refer to "Statement of changes in equity" in the "Consolidated financial statements" section of this report for more information about changes in shareholders' equity over the last three years

Ownership

Ownership of UBS Group AG shares is widely spread. The tables in this section provide information about the distribution of UBS Group AG shareholders by category and geographic location. This information relates only to shareholders registered in the UBS share register and cannot be assumed to be representative of UBS Group AG's entire investor base or the actual beneficial ownership. Only shareholders registered in the UBS share register as "shareholders with voting rights" are entitled to exercise voting rights.

- › Refer to "Shareholders' participation rights" in this section for more information

As of 31 December 2023, 1,319,163,728 UBS Group AG shares were registered in the UBS share register and carried voting rights, 115,991,129 shares were registered in the UBS share register without voting rights, and 2,026,932,865 shares were not registered in the UBS share register. As of the same date, all such shares were fully paid up and eligible for dividends. There are no preferential rights for shareholders, and no other classes of shares have been issued by UBS Group AG.

Shareholders, legal entities and nominees: type and geographical distribution

| As of 31 December 2023 | Shareholders registered | | | | | | | |
|---|-------------------------|--------------|----------------|------------|------------|------------|----------------|--------------|
| | Individual shareholders | | Legal entities | | Nominees | | Total | |
| | Number | % | Number | % | Number | % | Number | % |
| Individual shareholders | 248,076 | 98.0 | | | | | | |
| Legal entities | 4,777 | 1.9 | | | | | | |
| Nominees, fiduciaries | 167 | 0.1 | | | | | | |
| Total shares registered | 253,020 | 100.0 | | | | | | |
| Shares not registered | | | | | | | | |
| Total | 253,020 | 100.0 | | | | | | |
| | Individual shareholders | | Legal entities | | Nominees | | Total | |
| | Number | % | Number | % | Number | % | Number | % |
| Americas | 1,849 | 0.7 | 112 | 0.0 | 77 | 0.0 | 2,038 | 0.8 |
| <i>of which: USA</i> | 1,313 | 0.5 | 66 | 0.0 | 72 | 0.0 | 1,451 | 0.6 |
| Asia Pacific | 6,043 | 2.4 | 87 | 0.0 | 10 | 0.0 | 6,140 | 2.4 |
| Europe, Middle East and Africa | 14,792 | 5.8 | 264 | 0.1 | 44 | 0.0 | 15,100 | 6.0 |
| <i>of which: Germany</i> | 4,586 | 1.8 | 40 | 0.0 | 4 | 0.0 | 4,630 | 1.8 |
| <i>of which: UK</i> | 5,501 | 2.2 | 8 | 0.0 | 6 | 0.0 | 5,515 | 2.2 |
| <i>of which: rest of Europe</i> | 4,274 | 1.7 | 209 | 0.1 | 32 | 0.0 | 4,515 | 1.8 |
| <i>of which: Middle East and Africa</i> | 431 | 0.2 | 7 | 0.0 | 2 | 0.0 | 440 | 0.2 |
| Switzerland | 225,392 | 89.1 | 4,314 | 1.7 | 36 | 0.0 | 229,742 | 90.8 |
| Total shares registered | | | | | | | | |
| Shares not registered | | | | | | | | |
| Total | 248,076 | 98.0 | 4,777 | 1.9 | 167 | 0.1 | 253,020 | 100.0 |

At year-end 2023, UBS owned 253,233,437 UBS Group AG shares, which corresponded to 7.31% of the total share capital of UBS Group AG. At the same time, UBS had acquisition positions relating to 273,216,729 voting rights of UBS Group AG and disposal positions relating to 211,212,648 such rights, corresponding to 7.89% and 6.10% of the total voting rights of UBS Group AG, respectively. Of the disposal positions, 196,620,932 related to voting rights on shares deliverable in respect of employee awards. The calculation methodology for the acquisition and disposal positions is based on the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading, which states that all future potential share delivery obligations, irrespective of the contingent nature of the delivery, must be considered.

Employee share ownership

Employee share ownership is encouraged and made possible in a variety of ways. Our Equity Plus Plan is a voluntary plan that provides eligible employees with the opportunity to purchase UBS Group AG shares at market value and receive, at no additional cost, one notional UBS Group AG share for every three shares purchased. Additional shares vest after a maximum of three years, provided the employee remains employed by UBS and has retained the purchased shares throughout the holding period. The Equity Ownership Plan (the EOP) is a mandatory deferral plan for all employees that are subject to deferral requirements (regulatory-driven or total compensation greater than USD / CHF 300,000) but do not receive LTIP awards. EOP recipients receive a portion of their deferred performance award in notional shares (or notional funds for employees in Investment Areas within Asset Management). GEB members and most Managing Directors reporting to the GEB and their direct reports at MD level¹ receive the equity-based Long-Term Incentive Plan (the LTIP) instead of the EOP. Both the EOP and LTIP include employment conditions and malus conditions that allow the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause. Underlining our emphasis on sustainable performance and risk management, and to support delivering on our ambitious integration goals and business / financial targets, LTIP awards will only vest if predetermined performance conditions are met.

On 31 December 2023, UBS employees held at least 7.4% of UBS shares outstanding (including approximately 5.36% in unvested deferred notional shares from our compensation programs). These figures are based on known shareholding information from employee participation plans, personal holdings with UBS and selected individual retirement plans. At the end of 2023, at least 25.2% of all employees held UBS shares through the firm's employee share participation plans.

› Refer to the "Compensation" section of this report for more information

¹ Excluding all Managing Directors in Asset Management Investment Areas who will continue to receive the Fund Ownership Plan instead of LTIP.

Trading restrictions in UBS shares

UBS employees with regular access to unpublished price-sensitive information about the firm are subject to specific restrictions in respect to UBS financial instruments, including, but not limited to, pre-clearance requirements and regular blackout periods. Such UBS employees are not permitted to trade UBS financial instruments in the period starting from the close of business in New York on the seventh business day of the final month of the financial quarter of UBS Group AG and ending on the day of the publication of the quarterly financial results.

Shareholders, legal entities and nominees: type and geographical distribution (continued)

| As of 31 December 2023 | Shares registered | |
|-------------------------|----------------------|--------------|
| | Number | % |
| Individual shareholders | 374,815,823 | 10.8 |
| Legal entities | 480,301,558 | 13.9 |
| Nominees, fiduciaries | 580,037,476 | 16.8 |
| Total shares registered | 1,435,154,857 | 41.5 |
| Shares not registered | 2,026,932,865 | 58.5 |
| Total | 3,462,087,722 | 100.0 |

| | Individual shareholders | | Legal entities | | Nominees | | Total | |
|---|-------------------------|-------------|--------------------|-------------|--------------------|-------------|----------------------|--------------|
| | Number of shares | % | Number of shares | % | Number of shares | % | Number of shares | % |
| Americas | 2,067,728 | 0.1 | 57,732,878 | 1.7 | 348,096,597 | 10.1 | 407,897,203 | 11.8 |
| <i>of which: USA</i> | <i>799,567</i> | <i>0.0</i> | <i>49,919,559</i> | <i>1.4</i> | <i>347,889,103</i> | <i>10.0</i> | <i>398,608,229</i> | <i>11.5</i> |
| Asia Pacific | 17,531,252 | 0.5 | 8,396,840 | 0.2 | 5,581,441 | 0.2 | 31,509,533 | 0.9 |
| Europe, Middle East and Africa | 39,304,594 | 1.1 | 26,433,295 | 0.8 | 218,929,280 | 6.3 | 284,667,169 | 8.2 |
| <i>of which: Germany</i> | <i>11,236,871</i> | <i>0.3</i> | <i>2,126,558</i> | <i>0.1</i> | <i>8,451,911</i> | <i>0.2</i> | <i>21,815,340</i> | <i>0.6</i> |
| <i>of which: UK</i> | <i>16,913,865</i> | <i>0.5</i> | <i>152,510</i> | <i>0.0</i> | <i>186,227,060</i> | <i>5.4</i> | <i>203,293,435</i> | <i>5.9</i> |
| <i>of which: rest of Europe</i> | <i>9,862,166</i> | <i>0.3</i> | <i>23,861,879</i> | <i>0.7</i> | <i>24,095,431</i> | <i>0.7</i> | <i>57,819,476</i> | <i>1.7</i> |
| <i>of which: Middle East and Africa</i> | <i>1,291,692</i> | <i>0.0</i> | <i>292,348</i> | <i>0.0</i> | <i>154,878</i> | <i>0.0</i> | <i>1,738,918</i> | <i>0.1</i> |
| Switzerland | 315,912,249 | 9.1 | 387,738,545 | 11.2 | 7,430,158 | 0.2 | 711,080,952 | 20.5 |
| Total shares registered | 374,815,823 | 10.8 | 480,301,558 | 13.9 | 580,037,476 | 16.8 | 1,435,154,857 | 41.5 |
| Shares not registered | 0 | | 0 | | 0 | | 2,026,932,865 | 58.5 |
| Total | 374,815,823 | 10.8 | 480,301,558 | 13.9 | 580,037,476 | 16.8 | 3,462,087,722 | 100.0 |

Shares and participation certificates

UBS Group AG has a single class of shares, which are registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations). Each registered share has a nominal value of CHF 0.10 and carries one vote, subject to the restrictions set out under "Transferability, voting rights and nominee registration" below.

We have no participation certificates outstanding.

UBS Group AG shares are listed on the SIX Swiss Exchange and also on the NYSE as global registered shares. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

➔ Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information

Distributions to shareholders

The decision to pay a dividend and the amount of any dividend depend on a variety of factors, including our profits, cash flow generation and capital ratios.

At the 2024 AGM, the BoD is proposing to shareholders for approval a dividend of USD 0.70 per share for the 2023 financial year. Shareholders whose shares are held through SIX SIS AG will receive dividends in Swiss francs, based on an exchange rate published on the day prior to the ex-dividend date. Shareholders holding shares through The Depository Trust Company in New York or Computershare will be paid dividends in US dollars.

In compliance with Swiss tax law, 50% of the dividend will be paid out of retained earnings and the balance will be paid out of the capital contribution reserve. Dividends paid out of capital contribution reserves are not subject to Swiss withholding tax. The portion of the dividend paid out of retained earnings will be subject to a 35% Swiss withholding tax. For US federal income tax purposes, we expect that the dividend will be paid out of current or accumulated earnings and profits.

Provided that the proposed dividend distribution out of retained earnings and out of the capital contribution reserve will be approved at the AGM on 24 April 2024, the payment of USD 0.70 (or the Swiss franc equivalent) per share will be made on 3 May 2024 to holders of shares on the record date 2 May 2024. The shares will be traded ex-dividend as of 30 April 2024 and, accordingly, the last day on which the shares may be traded with entitlement to receive the dividend will be 29 April 2024.

In January 2023, the BoD announced a new two-year share repurchase program. At the 2023 AGM, the shareholders authorized the BoD to repurchase shares for cancellation purposes in an aggregate value of up to USD 6bn until the 2025 AGM. Any shares repurchased under the program are intended to be canceled by way of capital reduction, which will be subject to shareholder approval at one or several subsequent AGMs. In the interim period, the acquisition and holding of such shares are not subject to the 10% threshold for UBS Group AG's own shares within the meaning of Art. 659 para 2 of the Swiss Code of Obligations.

Looking ahead, the 2022 share repurchase program will be concluded at the end of its two-year term by end of March 2024, and the repurchased shares are intended to be canceled by means of a capital reduction, pending approval by the shareholders at a future AGM. In 2024, we plan to repurchase up to USD 1bn of our shares commencing after the completion of the merger of UBS AG and Credit Suisse AG under the new 2023 share repurchase program approved by the shareholders at the 2023 AGM.

- › Refer to “UBS shares” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the share repurchase programs

Transferability, voting rights and nominee registration

We do not apply any restrictions or limitations on the transferability of UBS Group AG shares. Voting rights may be exercised without any restrictions by shareholders entered into the UBS share register if they expressly render a declaration of beneficial ownership according to the provisions of the AoA.

We have special provisions for the registration of nominees. Nominees are entered in the UBS share register with voting rights up to a total of 5% of all issued UBS Group AG shares if they agree to disclose, upon our request, beneficial owners holding 0.3% or more of all issued UBS Group AG shares. An exception to the 5% voting limit rule is in place for securities clearing organizations, such as The Depository Trust Company in New York.

- › Refer to “Shareholders’ participation rights” in this section for more information

Convertible bonds and options

As of 31 December 2023, there were no conditional capital securities or convertible bonds outstanding requiring the issuance of new shares. However, as of the same date, AT1 instruments issued by UBS Group AG in an aggregate principal amount of USD 3.5bn were outstanding, and such instruments have terms that provide for an equity conversion feature (instead of the existing write-down feature) as soon as UBS Group AG has a minimum amount of conversion capital in place.

- › Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about our outstanding capital instruments

As of 31 December 2023, there were no employee options or stock appreciation rights outstanding. Option-based compensation plans are sourced by issuing new shares out of UBS Group AG’s conditional capital. As of 31 December 2023, UBS Group AG had USD 12,170,583 in conditional share capital available for the issuance of new shares for this purpose.

- › Refer to “Conditional share capital” in this section for more information
- › Refer to “Note 28 Employee benefits: variable compensation” in the “Consolidated financial statements” section of this report for more information about outstanding options and stock appreciation rights

Shareholders’ participation rights

We are committed to shareholder participation in decision-making processes. Our online voting platform offers registered shareholders a convenient log-in and online voting process. Registered shareholders are sent personal invitations to the general meetings. Together with the invitation materials, they receive a personal one-time password and a QR code to easily log into the online voting platform, where they can enter their voting instructions or order an admission card for the general meeting.

Shareholders who choose not to receive the comprehensive invitation materials are informed of upcoming general meetings by a short letter containing a personal one-time password, a QR code for online voting and a reference to ubs.com/aggm, where all information for the upcoming meeting is available.

General meetings offer shareholders the opportunity to raise questions for the BoD, the GEB and internal and external auditors.

Voting rights, restrictions and representation

We place no restrictions on share ownership and voting rights. However, pursuant to general principles formulated by the BoD, nominees, which normally represent a large number of individual shareholders and may hold an unlimited number of shares, have voting rights limited to a maximum of 5% of all issued UBS Group AG shares if they agree to disclose, upon our request, beneficial owners holding 0.3% or more of all issued UBS Group AG shares. This 5% limit has been implemented to avoid large shareholders being entered in the UBS share register via nominee companies so as to exercise influence without directly registering their shares with UBS. An exception to the 5% voting limit rule is in place for securities clearing organizations, such as The Depository Trust Company in New York.

Shareholders can exercise voting rights conferred by shares only if they are registered in our share register with voting rights. To register, shareholders must confirm that they have acquired UBS Group AG shares in their own name and for their own account.

All shareholders registered with voting rights are entitled to participate in general meetings. If they do not wish to attend in person, they may issue instructions to support, reject or abstain for each individual item on the meeting agenda, either by giving instructions to an independent proxy in accordance with article 14 of the AoA or by granting a written power of attorney to a third person of their choice (which does not need to be a shareholder) to vote on their behalf. Alternatively, registered shareholders may issue their voting instructions to the independent proxy electronically through our online voting platform. Nominee companies normally submit the proxy material to the beneficial owners and forward the collected votes to the independent proxy.

› Refer to article 14 of the AoA, available at ubs.com/governance, for more information about the issuing of instructions to independent voting right representatives

Statutory quorums

Motions are decided at a general meeting by a majority of the votes represented, excluding blank and invalid ballots. For the approval of certain specific issues, the Swiss Code of Obligations requires a positive vote from a two-thirds majority of the votes represented at the given general meeting and from a majority of the nominal value of shares represented thereat. Such issues include creating shares with privileged voting rights, introducing restrictions on the transferability of registered shares, creating conditional capital or introducing a capital band or reserve capital and restricting or excluding shareholders' preemptive rights.

The AoA also require a two-thirds majority of votes represented for approval of any change to their provisions regarding the number of BoD members, any decision to remove one-quarter or more of the BoD members and any modification to the provision establishing this qualified quorum.

Votes and elections are generally conducted electronically to ascertain the exact number of votes represented. Voting by a show of hands is possible if a clear majority is predictable. Shareholders representing at least 3% of the votes represented may request that a vote or election be carried out electronically or by written ballot. To allow shareholders to clearly express their views on all individual topics, each agenda item is separately put to a vote and BoD members are elected on a person-by-person basis.

Convocation of general meetings of shareholders

The AGM must be held within six months of the close of the financial year (i.e., 31 December). In 2024, the AGM will take place on 24 April.

Extraordinary general meetings (EGMs) may be convened whenever the BoD or the auditors consider it necessary. Shareholders individually or jointly representing at least 5% of the share capital may at any time, including during an AGM, require, by way of a written statement, that an EGM be convened to address a specific issue they put forward.

A personal invitation, including a detailed agenda, is made available to every registered shareholder at least 20 days ahead of each scheduled general meeting. The items on the agenda are also published in the Swiss Official Gazette of Commerce, as well as at ubs.com/aggm.

Placing of items on the agenda

Pursuant to the AoA, shareholders individually or jointly representing shares with an aggregate minimum nominal value of USD 62,500 may submit requests for items to be placed on the agenda for consideration at the next general meeting of shareholders or for motions relating to agenda items to be included in the notice to convene the general meeting.

In January of each year, the invitation to submit such agenda items or motions relating to agenda items is published in the Swiss Official Gazette of Commerce and at ubs.com/aggm. Requests for motions relating to agenda items and items to be placed on the agenda must include the actual motions to be put forward, together with a short explanation. Such requests must be submitted to the BoD no later than the deadline published by UBS Group AG, including a statement from the depository bank confirming the number of shares held by the requesting shareholder(s) and that these shares are blocked from sale until the end of the general meeting of shareholders. The BoD formulates opinions on such requests from shareholders, which are published together with the motions from the BoD.

Registrations in the UBS share register

The UBS share register, where around 254,000 UBS Group AG shareholders are directly registered as of 28 March 2024, is an internal, non-public register subject to statutory confidentiality, secrecy, privacy and data protection regulations protecting registered shareholders. In general, third parties and shareholders have no inspection rights with regard to data related to other shareholders. Disclosure of such data is permitted only in specific and limited instances. In line with the Swiss Federal Act on Data Protection, the disclosure of personal data as defined thereunder is only allowed with the consent of the registered shareholder and in cases where there is an overriding private or public interest or if explicitly provided for by Swiss law. The Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading contains specific reporting duties, such as in relation to significant shareholders (refer to "Significant shareholders" in this section for more information). Disclosure may also be required or requested by a court of a competent jurisdiction, by any regulatory body that regulates the conduct of UBS Group AG or by other statutory provisions.

The general rules for entry into our Swiss share register with voting rights are described in article 5 of our AoA. The same rules apply to our US transfer agent that operates the US share register for all UBS Group AG shares in a custodian account in the US, where some 234,000 US shareholders are indirectly registered via nominee companies as of 28 March 2024. In order to determine the voting rights of each shareholder, our share register generally closes two business days prior to a general meeting. Our independent proxy agent processes voting instructions from shareholders as long as technically possible, generally also until two business days before a general meeting. Such technical closure of our share register facilitates the determination of the actual voting rights of every shareholder that issued a voting instruction. Irrespective of this technical closure, shares that are registered in our share register are never immobilized and such closure does not affect the tradability of such shares at any time, irrespective of any issued voting instructions.

› Refer to article 5 of our AoA, available at ubs.com/governance, for more information about the general rules for entry into the UBS share register

Board of Directors

The Board of Directors of UBS Group AG (the BoD), led by the Chairman, consists of between 6 and 12 members, as per our AoA.

The BoD decides on the strategy of the Group, upon recommendation by the Group Chief Executive Officer (the Group CEO), and is responsible for the overall direction, supervision and control of the Group and its management. It is also responsible for supervising compliance with applicable laws, rules and regulations. The BoD exercises oversight over UBS Group AG and its subsidiaries, and is responsible for establishing a clear Group governance framework to provide effective steering and supervision of the Group, taking into account the material risks to which UBS Group AG and its subsidiaries are exposed. The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It approves all financial statements and appoints and removes all GEB members.

Members of the Board of Directors

At the AGM on 5 April 2023, Colm Kelleher, was re-elected as Chairman of the Board and Lukas Gähwiler, Jeremy Anderson, Claudia Böckstiegel, William C. Dudley, Patrick Firmenich, Fred Hu, Mark Hughes, Nathalie Rachou, Julie G. Richardson, Dieter Wemmer and Jeanette Wong were re-elected as members of the BoD. At that same AGM, Julie G. Richardson, Dieter Wemmer and Jeanette Wong were re-elected as members of the Compensation Committee. ADB Altorfer Duss & Beilstein AG was re-elected as independent proxy agent. Following their election, the BoD appointed Lukas Gähwiler as Vice Chairman and Jeremy Anderson as Senior Independent Director of UBS Group AG. On 12 January 2024, the BoD announced that Dieter Wemmer would not stand for re-election at the forthcoming AGM, after serving on the BoD for eight years, and that Gail Kelly would be nominated for election to the BoD at the same AGM. She served as the Group CEO and Managing Director for two banks in Australia, St. George Bank (2002 to 2007) followed by Westpac Banking Corporation (2008 to 2015). Gail Kelly acted as Senior Global Advisor for UBS from 2016 to 2023.

Article 31 of our AoA limits the number of mandates that members of the BoD may hold outside UBS Group to four mandates in listed companies and five additional mandates in non-listed companies. Mandates in companies that are controlled by us or that control us are not subject to this limitation. In addition, members of the BoD may hold no more than 10 mandates at UBS's request and 10 mandates in associations, charitable organizations, foundations, trusts, and employee welfare foundations without commercial purpose. As of 31 December 2023, no member of the BoD reached any of these thresholds.

The following biographies provide information about the BoD members who were in office after the 2023 AGM and the Group Company Secretary. In addition to information on mandates, the biographies include information on memberships or other activities or functions, as required by the SIX Swiss Exchange Corporate Governance Directive.

No member of the BoD currently carries out operational management tasks within the Group. All members of the BoD are therefore non-executive members. Except for Lukas Gähwiler, no member of the BoD has carried out operational management tasks within the Group over the past three years.

As a result of the acquisition of the Credit Suisse Group in 2023, to ensure compliance with our governance principles and to facilitate a smooth integration into UBS, Lukas Gähwiler was appointed chairman of the board of Credit Suisse AG, Jeremy Anderson was appointed vice chairman of that board and Mark Hughes a member of it.



Colm Kelleher

Chairman of the Board of Directors and non-executive member of the Board since 2022

- Chairperson of the Corporate Culture and Responsibility Committee since 2022
- Chairperson of the Governance and Nominating Committee since 2022

Nationality: Irish | **Year of birth:** 1957

Colm Kelleher was elected Chairman of UBS in April 2022. He served as President of Morgan Stanley until retiring from that firm in 2019, overseeing both the Institutional Securities Business and Wealth Management. Before that, he was Co-President and then President of Morgan Stanley Institutional Securities. During the global financial crisis, he held the position of CFO and Co-Head Corporate Strategy from 2007 to 2009. Mr. Kelleher is a well-respected leader in the financial services sector. His 30-year career with Morgan Stanley attests to his solid leadership experience in banking and excellent relationships around the world. He has a deep understanding of the global banking landscape and broad banking experience across all the geographic regions and major business areas in which UBS operates.

Professional experience

| | |
|-------------|---|
| 2016 – 2019 | President, Morgan Stanley, responsible for Institutional Securities and Wealth Management |
| 2011 – 2016 | CEO of Morgan Stanley International, Morgan Stanley |
| 2013 – 2015 | President, Institutional Securities, Morgan Stanley |
| 2010 – 2012 | Co-President, Institutional Securities, Morgan Stanley |
| 2007 – 2009 | CFO and Co-Head Corporate Strategy, Morgan Stanley |
| 2006 – 2007 | Head Global Capital Markets, Morgan Stanley |
| 2004 – 2006 | Co-Head Fixed Income, Europe, Morgan Stanley |
| 1989 – 2004 | Various roles, Morgan Stanley |

Education

- Master's degree, modern history, the University of Oxford
- Fellow of the Institute of Chartered Accountants in England and Wales

Listed company boards

- Member of the Board of Norfolk Southern Corporation (chair of the risk and finance committee)

Other activities and functions

- Chairman of the Board of Directors of UBS AG
- Member of the Board of Directors of the Bretton Woods Committee
- Member of the Board of the Swiss Finance Council
- Member of the International Monetary Conference
- Member of the Board of the Bank Policy Institute
- Member of the Board of Americans for Oxford
- Visiting Professor of Banking and Finance, Loughborough Business School
- Member of the European Financial Services Round Table
- Member of the European Banking Group
- Member of the International Advisory Council of the China Securities Regulatory Commission
- Member of the Chief Executive's Advisory Council (Hong Kong)

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal

Leadership experience

- CEO, Chairman



Lukas Gähwiler

Vice Chairman and non-executive member of the Board since 2022

- Member of the Governance and Nominating Committee since 2023
- Member of the Risk Committee since 2023

Nationality: Swiss | **Year of birth:** 1965

Lukas Gähwiler brings a wealth of industry experience and an in-depth understanding of UBS to the Board. He served as Chairman of the Board of UBS Switzerland AG for five years and was a member of the Group Executive Board of UBS and President UBS Switzerland from 2010 to 2016, responsible for the private clients, wealth management, corporate and institutional clients, investment banking, and asset management businesses in UBS's home market. Before joining UBS, Mr. Gähwiler worked for Credit Suisse for over twenty years, his last role being Chief Credit Officer, Global Private and Corporate Banking. In addition to his leadership and industry experience across all parts of the banking business, his strong connections and network, particularly in Switzerland, are instrumental for the firm.

Professional experience

- 2017 – 2022 Chairman of the Board of Directors of UBS Switzerland AG
- 2010 – 2016 Member of the Group Executive Board, UBS and President UBS Switzerland
- 2003 – 2010 Chief Credit Officer, Global Private and Corporate Banking, Credit Suisse
- 2002 – 2003 Head Credit Risk Management, Corporate Clients Switzerland, Credit Suisse
- 1998 – 2001 Chief of Staff to CEO, Private and Corporate Clients, Credit Suisse
- 1990 – 1998 Various senior front office roles in Corporate Clients in Switzerland and North America, Credit Suisse
- 1981 – 1986 Client Advisor Retail and Wealth Management, St.Galler Kantonalbank

Education

- Advanced Management Program, Harvard Business School
- MBA program, International Bankers School, New York
- Bachelor's degree, business administration, University of Applied Sciences, St. Gallen

Non-listed company boards

- Vice Chairman of the Board of Directors of Pilatus Aircraft Ltd
- Member of the Board of Directors of Ringier AG

Other activities and functions

- Chairman of the Board of Directors of Credit Suisse AG
- Vice Chairman of the Board of Directors of UBS AG
- Member of the Board and Board Committee of economiesuisse
- Chairman of the Employers Association of Banks in Switzerland
- Member of the Board of Directors of the Swiss Employers Association
- Member of the Board of Directors and the Board of Directors Committee of the Swiss Bankers Association
- Member of the Board of the Swiss Finance Council
- Member of the Board of Trustees of Avenir Suisse

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Finance, audit, accounting
- Risk management, compliance and legal
- Human resources management, including compensation

Leadership experience

- CEO, Chairman



Jeremy Anderson

Senior Independent Director since 2020 and non-executive member of the Board since 2018

- Member of the Governance and Nominating Committee since 2019
- Chairperson of the Audit Committee since 2018

Nationality: British | **Year of birth:** 1958

Jeremy Anderson is a financial services veteran, with more than 30 years' experience working in the banking and insurance sector in an advisory capacity, covering a broad range of topics, including strategy, audit and risk management, technology-enabled transformation, mergers, and bank restructuring. Before retiring from KPMG in 2017, he was its Chairman of Global Financial Services. Mr. Anderson is also an IT expert, having started out as a software developer in the early 1980s, before working in IT consulting and developing a broad knowledge of systems integration and IT outsourcing services, as well as software development. He cemented his reputation as a tech specialist by becoming a founding sponsor of KPMG's Global Fintech Network in 2014.

Professional experience

- 2010 – 2017 Chairman of Global Financial Services, KPMG International
- 2008 – 2011 Head of Clients and Markets KPMG Europe, KPMG International
- 2006 – 2011 Head of Financial Services KPMG Europe, KPMG International
- 2004 – 2006 Head of Financial Services KPMG UK, KPMG International
- 2002 – 2004 Member of the Group Management Board and Head of UK operations, Atos Origin SA
- 1985 – 2002 KPMG consulting UK, KPMG
- 1980 – 1985 Software developer, Triad Computing Systems

Education

- Bachelor's degree, economics, University College London

Listed company boards

- Member of the Board of Prudential plc (chair of the risk committee)

Other activities and functions

- Vice Chairman of the Board of Directors of Credit Suisse AG
- Member of the Board of Directors of UBS AG
- Trustee of the UK's Productivity Leadership Group

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Finance, audit, accounting
- Risk management, compliance and legal
- Technology, cybersecurity

Leadership experience

- Executive board leadership



Claudia Böckstiegel

Non-executive member of the Board since 2021

- Member of the Corporate Culture and Responsibility Committee since 2022

Nationality: Swiss and German | **Year of birth:** 1964

Claudia Böckstiegel has been General Counsel and a member of the Enlarged Executive Committee of Roche Holding AG since 2020. She started her professional career as an attorney in private practice in Germany, then joined the Swiss pharmaceutical company Roche in Germany in 2001 and subsequently held various global management positions in the legal sector in Switzerland. Ms. Böckstiegel brings a wealth of know-how in a highly regulated sector. Her responsibilities at Roche Holding AG include a broad range of additional topics, such as safety, health and environment, patents, audit and risk advisory, compliance, and sustainability.

Professional experience

| | |
|-------------|--|
| 2020 – date | General Counsel and member of the Enlarged Executive Committee, Roche Holding AG |
| 2016 – 2020 | Head of Legal Diagnostics, F. Hoffmann-La Roche Ltd, Basel, Switzerland, Roche Group |
| 2010 – 2016 | Head Legal Business, Roche Diagnostics International Ltd, Rotkreuz, Switzerland, Roche Group |
| 2005 – 2010 | Head Legal Business, Roche Diagnostics GmbH, Mannheim, Germany, Roche Group |
| 2001 – 2005 | Legal Counsel, Roche Diagnostics GmbH, Mannheim, Germany, Roche Group |
| 1995 – 2001 | Attorney (Partner), Philipp & Littig, Mannheim, Germany |
| 1992 – 1995 | Attorney (Associate), Dr. Hermann Büttner, Karlsruhe, Germany |

Education

- Master's degree, law, Universities of Mannheim and Heidelberg
- Master of Laws (LL.M.), Georgetown University, Washington, DC

Listed company boards

- Member of the Enlarged Executive Committee of Roche Holding AG

Other activities and functions

- Member of the Board of Directors of UBS AG

Key competencies

- Finance, audit, accounting
- Risk management, compliance and legal
- Regulatory authority, central bank
- Environmental, social and governance (ESG)

Leadership experience

- Executive board leadership



William C. Dudley

Non-executive member of the Board since 2019

- Member of the Corporate Culture and Responsibility Committee since 2019
- Member of the Risk Committee since 2019

Nationality: American (US) | **Year of birth:** 1953

William C. Dudley served as the President and CEO of the Federal Reserve Bank of New York for nine years. He demonstrated exceptional leadership in monetary policy and as a top regulator, including during the years of the global financial crisis. During that period, his additional area of focus included cultural behavior and social and governance topics in the financial services industry. He also served as the Vice Chairman and a permanent member of the Federal Open Market Committee. Mr. Dudley brings a wealth of experience in banking and research thanks to his former management positions at Goldman Sachs Group and Morgan Guaranty Trust.

Professional experience

| | |
|-------------|---|
| 2009 – 2018 | President and CEO, Federal Reserve Bank of New York |
| 2007 – 2009 | Executive Vice President and Head Markets Group, Federal Reserve Bank of New York |
| 2006 | Senior advisor (part-time), Goldman Sachs Group |
| 2002 – 2005 | Partner and Director US Economic Research Group, Goldman Sachs Group |
| 1996 – 2002 | Managing Director and Director US Economic Research Group, Goldman Sachs Group |
| 1983 – 1996 | Economist at Goldman Sachs Group, Morgan Guaranty Trust Company, and Board of Governors of the Federal Reserve System |

Education

- Bachelor of Arts, New College of Florida
- Doctorate, economics, University of California, Berkeley

Non-listed company boards

- Member of the Board of Treliant LLC
- Member of the Advisory Board of Suade Labs

Other activities and functions

- Member of the Board of Directors of UBS AG
- Senior Advisor to the Griswold Center for Economic Policy Studies, Princeton University
- Member of the Group of Thirty
- Member of the Council on Foreign Relations
- Chairman of the Bretton Woods Committee Board of Directors
- Member of the Board of the Council for Economic Education

Key competencies

- Investment banking, capital markets
- Risk management, compliance and legal
- Regulatory authority, central bank
- Environmental, social and governance (ESG)

Leadership experience

- CEO, Chairman



Patrick Firmenich

Non-executive member of the Board since 2021

- Member of the Audit Committee since 2021
- Member of the Corporate Culture and Responsibility Committee since 2021

Nationality: Swiss | **Year of birth:** 1962

Patrick Firmenich was Chairman of the Board of Firmenich International SA, a privately owned fragrances and flavorings company, from 2016 to 2023 and its CEO for 12 years. In 2023, he became Vice Chairman of dsm firmenich, a listed company. He has demonstrated his entrepreneurial leadership by significantly advancing the Firmenich group's global position through organic and in-organic growth and succeeded in transforming the organization to continuously respond to client needs and the market environment. He developed an ambitious sustainability strategy for the group to lead the industry in health, safety and environmental performance. Before joining Firmenich, he held several positions in the legal and banking sectors, including working as an international investment banking analyst.

Professional experience

- 2016 – 2023 Chairman of the Board of Firmenich International SA
- 2014 – 2016 Vice Chairman of the Board, Firmenich International SA
- 2002 – 2014 CEO, Firmenich SA, Geneva
- 2001 – 2002 Corporate Vice President, Special Operations, Firmenich SA, Geneva
- 1997 – 2001 Vice President Fine Fragrance worldwide and Président Directeur Général, Firmenich & Cie, Paris, and Firmenich Inc, New York
- 1993 – 1997 Vice President Fine Fragrance North America, Firmenich Inc, New York
- 1990 – 1993 Account Manager, Firmenich & Cie, Paris
- 1988 – 1989 Analyst, International Investment Banking, Credit Suisse First Boston
- 1988 Production administrator, Firmenich SA de CV, Mexico
- 1984 – 1986 Attorney, Business Law, Patry, Junet, Simon & Le Fort, Geneva

Education

- Master's degree, law, University of Geneva, admitted to the bar in Geneva
- MBA, INSEAD Fontainebleau

Listed company boards

- Vice Chairman of the Board of dsm firmenich (chair of the nomination committee)

Other activities and functions

- Member of the Board of Directors of UBS AG
- Member of the Board of Directors of INSEAD and INSEAD World Foundation
- Member of the Advisory Council of the Swiss Board Institute

Key competencies

- Finance, audit, accounting
- Risk management, compliance and legal
- Human resources management, including compensation
- Environmental, social and governance (ESG)

Leadership experience

- CEO, Chairman



Fred Hu

Non-executive member of the Board since 2018

- Member of the Governance and Nominating Committee since 2020

Nationality: Chinese | **Year of birth:** 1963

Fred Hu has been the Chairman and CEO of Primavera Capital Group, an Asia-based private investment firm focused on emerging technology and innovative industries, since founding it in 2010. Prior to that, he was a partner and Chairman for Greater China at Goldman Sachs. Mr. Hu has a profound understanding of China's economy and rapidly developing financial system, and a vast amount of experience advising and investing in leading firms in the tech, consumer and health-care sectors in China and globally. He has worked at the IMF and advised the Chinese government on economic policy.

Professional experience

- 2010 – date Founder, Chairman and CEO, Primavera Capital Group, China
- 2008 – 2010 Partner and Chairman of Greater China, Goldman Sachs
- 2004 – 2008 Partner and Co-Head, Investment Banking, China, Goldman Sachs
- 2003 – 2004 Managing Director and Co-Head, Investment Banking, China, Goldman Sachs
- 2000 – 2003 Managing Director and Chief Economist and Strategist, Greater China, Goldman Sachs

Education

- Master's degree, engineering science, Tsinghua University
- Master's degree and doctorate, economics, Harvard University

Listed company boards

- Non-executive Chairman of the Board of Yum China Holdings (chair of the nomination and governance committee)
- Member of the Board of ICBC (chair of the nomination committee)

Non-listed company boards

- Chairman of Primavera Capital Ltd

Other activities and functions

- Member of the Board of Directors of UBS AG
- Trustee of the China Medical Board
- Co-Chairman of the Nature Conservancy Asia Pacific Council
- Member of the Board of Trustees, the Institute for Advanced Study
- Director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd

Key competencies

- Investment banking, capital markets
- Risk management, compliance and legal
- Technology, cybersecurity
- Regulatory authority, central bank

Leadership experience

- CEO, Chairman



Mark Hughes

Non-executive member of the Board since 2020

- Chairperson of the Risk Committee since 2020
- Member of the Corporate Culture and Responsibility Committee since 2020

Nationality: Canadian, British and American (US) | **Year of birth:** 1958

Mark Hughes is a highly experienced professional in the financial services sector, having spent more than 35 years working for RBC (the Royal Bank of Canada) in Canada, the US and the UK. In his final role as Group Chief Risk Officer of RBC, he was responsible for the strategic management of risk on an enterprise-wide basis and oversaw all risk functions. During his career, Mr. Hughes has also held senior management positions in the front office and key operational roles. Currently, he is a visiting lecturer at Leeds University and is chair of the Global Risk Institute, bringing an enormous amount of experience as a risk specialist to the Board of Directors of UBS.

Professional experience

- 2014 – 2018 Group Chief Risk Officer and member Group Executive Committee, RBC
- 2013 Deputy Chief Risk Officer, RBC
- 2008 – 2013 COO, RBC Capital Markets, RBC
- 2001 – 2008 Head of Global Credit, RBC
- 1999 – 2001 Head of Debt Products, RBC
- 1998 – 1999 Senior Vice President and General Manager USA, RBC
- 1997 – 1998 Senior Vice President Financial Services, RBC
- 1982 – 1996 Various positions, RBC

Education

- Bachelor of Laws (LL.B.), University of Leeds
- MBA, finance, University of Manchester

Other activities and functions

- Member of the Board of Directors of UBS AG
- Member of the Board of Directors of UBS Americas Holding LLC
- Member of the Board of Directors of Credit Suisse AG
- Chair of the Board of Directors of the Global Risk Institute
- Senior advisor to McKinsey & Company

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Risk management, compliance and legal
- Technology, cybersecurity

Leadership experience

- Executive board leadership



Nathalie Rachou

Non-executive member of the Board since 2020

- Member of the Governance and Nominating Committee since 2022
- Member of the Risk Committee since 2020

Nationality: French | **Year of birth:** 1957

Nathalie Rachou is a seasoned expert in financial services, having held a number of banking positions, such as CEO of Prime Brokerage and head of a business line in Capital Markets at Crédit Agricole Indosuez in the UK and in France. In 1999, she founded a London-based asset management company that merged with a French asset manager and continued as a senior adviser until 2020. Alongside these roles, Ms. Rachou brings extensive experience from serving as a board member of Société Générale for 12 years and is currently on the boards of two other listed companies, including the pan-European bourse, Euronext N.V.

Professional experience

- 2015 – 2020 Senior Advisor, Clartan Associés (formerly Rouvier Associés), France
- 1999 – 2014 Founding partner and CEO, Topiary Finance Ltd, UK
- 1996 – 1999 Head of Global Foreign Exchange and Currency Options, Crédit Agricole Indosuez (formerly Banque Indosuez), UK
- 1991 – 1996 Corporate Secretary and Secretary to the Board of Directors, Crédit Agricole Indosuez, France
- 1986 – 1991 COO, Carr Futures, France (owned by Banque Indosuez), Crédit Agricole Indosuez, France
- 1983 – 1986 Head of Asset and Liability Management & Market Risks, Crédit Agricole Indosuez, France
- 1978 – 1982 Position in Forex Exchange Sales, Crédit Agricole Indosuez, France and UK

Education

- Master's degree, management, HEC Paris
- MBA, INSEAD Fontainebleau

Listed company boards

- Member of the Board of Euronext N.V. (chair of the remuneration committee)
- Member of the Board of Veolia Environnement SA (chair of the audit committee)

Non-listed company boards

- Member of the Board of the African Financial Institutions Investment Platform

Other activities and functions

- Member of the Board of Directors of UBS AG
- Member of the Board of Directors of Fondation Léopold Bellan

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal



Julie G. Richardson

Non-executive member of the Board since 2017

- Chairperson of the Compensation Committee since 2019
- Member of the Risk Committee since 2017

Nationality: American (US) | **Year of birth:** 1963

Julie G. Richardson spent more than 25 years on Wall Street as a senior investment banker with a focus on telecom, media and technology. She began her career at Merrill Lynch, before moving to JPMorgan Chase, where she headed the telecommunications, media and technology investment banking group. Later, she moved into private equity, as head of the New York office of Providence Equity Partners. Throughout her career, Ms. Richardson has spent significant time with both incumbent and new technology companies, including being a board member of a digital knowledge management company, a leading cloud monitoring firm and a cyber insurance company.

Professional experience

- 2012 – 2014 Senior advisor, Providence Equity Partners, New York
- 2003 – 2012 Partner and Head of the New York office, Providence Equity Partners, New York
- 1998 – 2003 Vice Chairman of the Investment Banking division of JPMorgan Chase & Co. and Head of its Global Telecommunications, Media and Technology group
- 1986 – 1998 Various positions at Merrill Lynch, final position: Managing Director Media and Communications Investment Banking

Education

- Bachelor's degree, business administration, University of Wisconsin–Madison

Listed company boards

- Member of the Board of Yext (chair of the audit committee)
- Member of the Board of Datadog (chair of the audit committee)

Non-listed company boards

- Member of the Board of Fivetran
- Member of the Board of Coalition, Inc.
- Member of the Board of Checkout.com (stepped down in January 2024)

Other activities and functions

- Member of the Board of Directors of UBS AG

Key competencies

- Investment banking, capital markets
- Risk management, compliance and legal
- Human resources management, including compensation
- Technology, cybersecurity



Dieter Wemmer

Non-executive member of the Board since 2016

- Member of the Audit Committee since 2019
- Member of the Compensation Committee since 2018

Nationality: Swiss and German | **Year of birth:** 1957

Dieter Wemmer began his highly successful career in the insurance sector with the Zurich Group in 1986, retiring in 2017 as CFO of Allianz. As a long-serving CFO of two large multi-national companies in the financial services sector, he has deep experience across a broad range of highly relevant topics. Mr. Wemmer brings to the BoD knowledge covering accounting, finance and audit, including capital markets, investments and risk management, as well as asset management. His know-how includes hands-on experience in mergers and acquisitions, and management of large organizations with a focus on strategy.

Professional experience

- 2013 – 2017 CFO, Allianz SE
- 2012 – 2013 Member of the Board of Management, responsible for the insurance business in France, Benelux, Italy, Greece and Turkey and for the "Global Property & Casualty" Center of Competence, Allianz SE
- 2007 – 2011 CFO, Zurich Insurance Group
- 2010 – 2011 Regional Chairman of Europe, Zurich Insurance Group
- 2004 – 2007 CEO of the Europe General Insurance business and member of Zurich's Group Executive Committee, Zurich Insurance Group
- 2003 – 2004 COO of Europe General Insurance, Zurich Insurance Group
- 1999 – 2003 Head of Mergers and Acquisitions, Zurich Insurance Group
- 1997 – 1999 Head of Financial Controlling, Zurich Insurance Group

Education

- Master's degree and doctorate, mathematics, University of Cologne

Listed company boards

- Member of the Board of Ørsted A/S (chair of the audit and risk committee)

Non-listed company boards

- Chairman of Marco Capital Holdings Limited, Malta and subsidiaries

Other activities and functions

- Member of the Board of Directors of UBS AG

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal

Leadership experience

- Executive board leadership



Jeanette Wong

Non-executive member of the Board since 2019

- Member of the Compensation Committee since 2020
- Member of the Audit Committee since 2019

Nationality: Singaporean | **Year of birth:** 1960

Jeanette Wong has spent more than 30 years working in the financial sector in Singapore. She retired from DBS Group in 2019, where she was Group Executive responsible for the institutional banking business, a post that encompassed corporate banking, global transaction services, strategic advisory, and mergers and acquisitions. Prior to that, she held the position of CFO at DBS Bank. During a 16-year career with JPMorgan, Ms. Wong helped build up its Asia FX, Fixed Income and emerging markets business. She brings extensive experience from serving as a member of the board of directors of two high-value listed companies.

Professional experience

- 2008 – 2019 Group Executive institutional banking business, DBS Bank, Singapore
- 2003 – 2008 CFO, DBS Bank, Singapore
- 2003 Chief Administration Officer, DBS Bank, Singapore
- 1997 – 2002 Country Manager Singapore, JPMorgan, Singapore
- 1986 – 1997 Various roles in Global Markets and Emerging Markets Sales and Trading business, Asia, JPMorgan, Singapore
- 1984 – 1986 Manager, Private Banking, Citibank, Singapore
- 1982 – 1984 Manager, Corporate Banking, Paribas, Singapore

Education

- Bachelor's degree, business administration, the National University of Singapore
- MBA, University of Chicago

Listed company boards

- Member of the Board of Prudential plc
- Member of the Board of Singapore Airlines Limited

Non-listed company boards

- Member of the Board of GIC Pte Ltd
- Member of the Board of Jurong Town Corporation
- Member of the Board of PSA International
- Member of the Board of Pavilion Capital Holdings Pte Ltd

Other activities and functions

- Member of the Board of Directors of UBS AG
- Chairman of the CareShield Life Council
- Member of the Securities Industry Council
- Member of the Board of Trustees of the National University of Singapore

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Environmental, social and governance (ESG)

Leadership experience

- Executive board leadership



Markus Baumann

Group Company Secretary since 2017

Nationality: Swiss | **Year of birth:** 1963

Markus Baumann joined UBS in 1979 as a banking apprentice and has now been with the firm for more than 40 years. He has held a broad range of leadership roles across the Group in Switzerland, the US and Japan, including COO EMEA for Asset Management and COO of Group Internal Audit. Since 2015, he has supported the Chairmen of the Board of Directors as Group Company Secretary and Chief of Staff.

Professional experience

- 2017 – date Group Company Secretary of UBS Group AG and Company Secretary of UBS AG
- 2015 – 2016 Chief of Staff to the Chairman of the Board of Directors, UBS
- 2006 – 2015 COO, Group Internal Audit, UBS
- 2005 – 2006 Head Global Reporting & Controlling, Global Asset Management, UBS
- 2002 – 2004 Head Management Support CEO EMEA, Global Asset Management, UBS
- 1998 – 2002 COO EMEA, Global Asset Management, UBS
- 1979 – 1997 Various positions, Union Bank of Switzerland

Education

- Swiss Federal Diploma as a Business Analyst
- MBA, INSEAD Fontainebleau

Other activities and functions

- Chairman of the Board of Directors of the Savoy Baur en Ville, Zurich

Elections and terms of office

Shareholders annually elect each member of the BoD individually, as well as the Chairman and the members of the Compensation Committee, based on proposals from the BoD.

As set out in the Organization Regulations, BoD members are normally expected to serve for at least three years. BoD members are limited to serving for a maximum of 10 consecutive terms of office; in exceptional circumstances, the BoD may extend that limit.

› Refer to “Skills, expertise and training of the Board of Directors” in this section for more information

Organizational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, a Senior Independent Director, the BoD committee members (other than the Compensation Committee members, who are elected by the shareholders) and the respective committee Chairpersons. At the same meeting, the BoD appoints the Group Company Secretary, who, pursuant to the Organization Regulations, acts as secretary to the BoD and its committees.

Pursuant to the AoA and the Organization Regulations, the BoD meets as often as business requires, but it must meet at least six times a year. The presence of either the Chairman, one of the Vice Chairmen or the Senior Independent Director, as well as the majority of the members of the BoD, is required to pass valid BoD resolutions. In 2023, a majority of meetings were held in person. During 2023, a total of 33 BoD meetings were held, 14 of which were attended by GEB members. The average participation in the BoD meetings was 99%. In addition to the BoD meetings attended by GEB members, the Group CEO regularly attended some of the meetings of the BoD without the participation of other GEB members. The meetings had an average duration of 87 minutes.

The acquisition of the Credit Suisse Group led to a significant increase in the number of ad hoc calls and meetings. In the period leading up to the announcement, to support the BoD’s decision making, and afterwards, to provide oversight for the integration of Credit Suisse, 28 extra meetings or calls were held. In the second half of the year, the respective tasks were folded back into the standard meeting cycle. In 2023 the BoD held a total of 61 meetings, which lasted for approximately 100 hours.

The BoD held a two-day strategy workshop, which focused on the integration of Credit Suisse, included updates from each business division and region and focused on the planning for the first 90 days after the legal close of UBS’s acquisition of the Credit Suisse Group.

Board of Directors

| Members in 2023 | Meeting attendance without GEB ¹ | | Meeting attendance with GEB ² | | Key responsibilities include: |
|-------------------------|---|------|--|------|--|
| | | | | | |
| Colm Kelleher, Chairman | 19/19 | 100% | 14/14 | 100% | The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on the Group’s strategy and the necessary financial and human resources, upon recommendation of the Group CEO, and sets the Group’s values and standards to ensure that the Group’s obligations to shareholders and other stakeholders are met. › Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance , for more information |
| Lukas Gähwiler | 19/19 | 100% | 14/14 | 100% | |
| Jeremy Anderson | 19/19 | 100% | 14/14 | 100% | |
| Claudia Böckstiegel | 19/19 | 100% | 14/14 | 100% | |
| William C. Dudley | 19/19 | 100% | 14/14 | 100% | |
| Patrick Firmenich | 19/19 | 100% | 14/14 | 100% | |
| Fred Hu | 18/19 | 95% | 14/14 | 100% | |
| Mark Hughes | 19/19 | 100% | 14/14 | 100% | |
| Nathalie Rachou | 19/19 | 100% | 14/14 | 100% | |
| Julie G. Richardson | 19/19 | 100% | 14/14 | 100% | |
| Dieter Wemmer | 19/19 | 100% | 14/14 | 100% | |
| Jeanette Wong | 19/19 | 100% | 13/14 | 93% | |

¹ Additionally, nine calls and meetings took place in 2023. ² Additionally, nine calls and meetings took place in 2023.

At the BoD meetings, each committee Chairperson provides the BoD with an update on current activities of his or her committee and important committee issues. We also continued with the coordination and exchange of information between UBS Group AG and its significant group entities. Joint meetings between the BoD of UBS Group AG and the boards of directors of the significant group entities, as well as between the respective chairs of the risk and audit committees, have been held. As in prior years, an annual workshop for non-executive board members of all significant group entities was held and included representatives from the Credit Suisse legal entities.

Performance assessment

In spring 2024, the BoD self-assessment was conducted in-house, with an in-depth questionnaire, and it confirmed that the BoD operated efficiently and effectively. Every third year, an external assessment of the effectiveness of the BoD is performed. The most recent external review was conducted in 2022 and concluded that the BoD and its committees operate effectively, in line with best practices, and meet the highest standards also in comparison with leading international peers. The next external review will take place in 2025.

BoD committees

The committees listed below assist the BoD in fulfilling its responsibilities. These committees and their charters are described in our Organization Regulations, available at ubs.com/governance. The committees meet as often as their business requires, but no less than four times a year in the case of the Audit Committee, the Risk Committee and the Compensation Committee, and no less than twice a year in the case of the Corporate Culture and Responsibility Committee (the CCRC) and the Governance and Nominating Committee. Topics of common interest or affecting more than one committee are discussed at joint committee meetings.

During 2023, a total of 10 joint committee meetings were held. The Audit Committee met four times with the Risk Committee and three times with the CCRC. The Risk Committee met twice with the CCRC and once with the Compensation Committee.

Audit Committee

Throughout 2023, the Audit Committee consisted of the same four independent BoD members. All Audit Committee members have accounting or related financial management expertise and, in compliance with the rules established pursuant to the 2002 US Sarbanes–Oxley Act, at least one member qualifies as a financial expert. The NYSE standards on corporate governance and Rule 10A-3 under the US Securities Exchange Act set more stringent independence requirements for members of audit committees than for the other members of the BoD. Throughout 2023, all members of the Audit Committee satisfied these requirements, in that they did not receive, directly or indirectly, any consulting, advisory or compensatory fees from any member of the Group other than in their capacity as a BoD member, did not hold, directly or indirectly, UBS Group AG shares in excess of 5% of the outstanding capital and did not serve on the audit committees of more than two other public companies.

During 2023, the Audit Committee held 14 committee meetings, with a participation rate of 100%. The meetings had an average duration of approximately 120 minutes. Additional attendees included the Group CFO, the Group Controller, the Chief Accounting Officer, the Head Group Internal Audit (GIA) and the external auditors. The Chairman of the BoD, the Vice Chairman and the Group CEO attended most meetings. The Chairperson and the committee continued to maintain regular contact with core supervisory authorities.

Audit Committee

| Members in 2023 | Meeting attendance | | Key responsibilities include: |
|-------------------------------|--------------------|------|---|
| Jeremy Anderson (Chairperson) | 14/14 | 100% | The function of the Audit Committee is to support the BoD in fulfilling its oversight duty relating to financial reporting and internal controls over financial reporting, the effectiveness of the external and internal audit functions, and the effectiveness of whistleblowing procedures. Management is responsible for the preparation, presentation and integrity of the financial statements, while the external auditors are responsible for auditing financial statements. The Audit Committee's responsibility is one of oversight and review. |
| Patrick Firmenich | 14/14 | 100% | |
| Dieter Wemmer | 14/14 | 100% | |
| Jeanette Wong | 14/14 | 100% | |

› Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information

Compensation Committee

Throughout 2023, the Compensation Committee consisted of the same three independent members. In addition to the key responsibilities indicated in the table below, the Compensation Committee reviews the compensation disclosures included in this report.

During 2023, the Compensation Committee held eight meetings, with a participation rate of 96%. The meetings had an average duration of approximately 95 minutes. All meetings in 2023 were held in the presence of the Chairman, the respective Group CEOs and external advisors. In 2023, the Chairperson met regularly with core supervisory authorities.

- › Refer to “Compensation for the Board of Directors” in the “Compensation” section of this report for more information about the Compensation Committee’s decision-making procedures

Compensation Committee

| Members in 2023 | Meeting attendance ¹ | | Key responsibilities include: |
|-----------------------------------|---------------------------------|------|---|
| Julie G. Richardson (Chairperson) | 8/8 | 100% | The Compensation Committee is responsible for: (i) supporting the BoD in its duties to set guidelines on compensation and benefits; (ii) approving the total compensation for the Chairman and the non-independent BoD members; (iii) proposing, upon proposal of the Chairman, financial and non-financial performance targets and objectives for the Group CEO for approval by the BoD and reviewing, upon the proposal of the Group CEO, the performance framework for the other GEB members; (iv) proposing, upon proposal of the Chairman, the Group CEO’s performance assessment for approval by the BoD, as well as informing the BoD of the performance assessments of all GEB members, including the Group CEO; (v) proposing, upon proposal of the Chairman, the total compensation for the Group CEO for approval by the BoD; and (vi) proposing, upon proposal of the Group CEO, the individual total compensation for the other GEB members for approval by the BoD. › Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance , for more information |
| Dieter Wemmer | 8/8 | 100% | |
| Jeanette Wong | 7/8 | 88% | |

¹ Additionally, the Compensation Committee held three ad hoc calls.

Corporate Culture and Responsibility Committee

Throughout 2023, the CCRC consisted of the same five independent BoD members. The Chairman chaired the committee. Additional attendees included the Group CEO, the Group Chief Risk Officer, the GEB Lead for Sustainability and Impact, the Group General Counsel and the Chief Sustainability Officer. During 2023, five meetings were held, with a participation rate of 100%. The average duration of each of the meetings was approximately 75 minutes.

Corporate Culture and Responsibility Committee

| Members in 2023 | Meeting attendance | | Key responsibilities include: |
|-----------------------------|--------------------|------|--|
| Colm Kelleher (Chairperson) | 5/5 | 100% | The CCRC supports the BoD in its duties to safeguard and advance the Group’s reputation for responsible and sustainable conduct. Its function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. The CCRC’s function also encompasses the monitoring of the current state and implementation of the programs and initiatives within the Group pertaining to corporate culture and corporate responsibility, including sustainability. › Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance , for more information |
| Claudia Böckstiegel | 5/5 | 100% | |
| William C. Dudley | 5/5 | 100% | |
| Patrick Firmenich | 5/5 | 100% | |
| Mark Hughes | 5/5 | 100% | |

Governance and Nominating Committee

Before the 2023 AGM, the Governance and Nominating Committee, chaired by the Chairman, consisted of four independent members and, after the AGM, the Vice Chairman joined the committee. During 2023, six meetings were held, with a participation rate of 100%. The average duration of each of the meetings was approximately 30 minutes. The Group CEO attended meetings as appropriate.

Governance and Nominating Committee

| Members in 2023 | Meeting attendance ¹ | | Key responsibilities include: |
|-----------------------------|---------------------------------|------|---|
| Colm Kelleher (Chairperson) | 6/6 | 100% | The function of the Governance and Nominating Committee is to support the BoD in fulfilling its duty to establish best practices in corporate governance across the Group, including conducting a BoD assessment, establishing and maintaining a process for appointing new BoD and GEB members, as well as for the annual performance assessment of the BoD. ➤ Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance , for more information |
| Lukas Gähwiler ² | 4/4 | 100% | |
| Jeremy Anderson | 6/6 | 100% | |
| Fred Hu | 6/6 | 100% | |
| Nathalie Rachou | 6/6 | 100% | |

¹ Additionally, the Governance and Nominating Committee held one ad hoc call. ² Lukas Gähwiler became a member of this committee after the 2023 AGM; indicated are his attended and total meetings.

Risk Committee

In 2023, the Risk Committee consisted of four independent members before the AGM. After the AGM, the Vice Chairman joined the committee. During 2023, the Risk Committee held 10 committee meetings, with a participation rate of 100%. The average duration of each of the meetings was approximately 130 minutes. The Chairman of the BoD, the Vice Chairman, the Group CEO, the Group CFO, the Group Chief Risk Officer, the Group Chief Operations and Technology Officer, the Group Treasurer, the Group Chief Compliance and Governance Officer, the Group General Counsel, the Head GIA, and the external auditors attended the meetings as required. In 2023, the Chairperson and the full committee met with core supervisory authorities.

Risk Committee

| Members in 2023 | Meeting attendance ¹ | | Key responsibilities include: |
|-----------------------------|---------------------------------|------|---|
| Mark Hughes (Chairperson) | 10/10 | 100% | The function of the Risk Committee is to oversee and support the BoD in fulfilling its duty to set and supervise an appropriate risk management and control framework in the areas of: (i) financial and non-financial risks; (ii) balance sheet, treasury and capital management, including funding, liquidity and equity attribution. ➤ Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance , for more information |
| Lukas Gähwiler ² | 8/8 | 100% | |
| William C. Dudley | 10/10 | 100% | |
| Nathalie Rachou | 10/10 | 100% | |
| Julie G. Richardson | 10/10 | 100% | |

¹ Additionally, the Risk Committee held two ad hoc calls. ² Lukas Gähwiler became a member of this committee after the 2023 AGM; indicated are his attended and total meetings.

Ad hoc committees

The Special Committee and the Strategy Committee are two ad hoc committees, which have a standing composition and hold meetings as and when required.

In 2023, the Special Committee was chaired by Jeremy Anderson, with Colm Kelleher, Lukas Gähwiler, Claudia Böckstiegel, Nathalie Rachou and Julie G. Richardson as its members. Its primary purpose is to oversee activities related to key litigation and investigation matters, review management's respective proposals and provide to the BoD recommendations for decisions. Additional attendees included the Group CEO and the Group General Counsel. During 2023, three meetings of the Special Committee were held.

In 2023, the Strategy Committee was chaired by Colm Kelleher, with William C. Dudley, Fred Hu, Julie Richardson and Dieter Wemmer as its members. Lukas Gähwiler became a member of this committee after the 2023 AGM. The primary purpose of this committee is to support management and the BoD with regard to the assessment of strategic considerations and to prepare decisions on behalf of the BoD. During 2023, two meetings of the Strategy Committee were held early in the year in relation to the acquisition of the Credit Suisse Group. The Group CEO and other members of the GEB and management participated in these meetings as required.

Roles and responsibilities of the Chairman of the Board of Directors

At the 2023 AGM, Colm Kelleher was re-elected as the full-time Chairman of the BoD. The Chairman coordinates tasks within the BoD, calls BoD meetings and sets the meeting agendas. He presides over all general meetings of shareholders, chairs the Governance and Nominating Committee, as well as the CCRC, and works with the committee Chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman undertakes responsibility for UBS's reputation, and is responsible for effective communication with shareholders and other stakeholders, including government officials, regulators and public organizations. This is in addition to establishing and maintaining close working relationships with the Group CEO and other GEB members, and providing advice and support when appropriate.

› Refer to "Employees" in the "How we create value for our stakeholders" section of this report for information about our Pillars, Principles and Behaviors

In 2023, the Chairman met regularly with core supervisory authorities of all major locations where UBS is active. Meetings with important supervisory authorities were scheduled on an ad hoc or needs-driven basis.

Roles and responsibilities of the Vice Chairmen and the Senior Independent Director

The BoD appoints one or more Vice Chairmen and a Senior Independent Director. If the BoD appoints more than one Vice Chairman, at least one of them must be independent. Both the Vice Chairman and the Senior Independent Director support the Chairman with regard to his responsibilities and authorities and provide him with advice. In conjunction with the Chairman and the Governance and Nominating Committee, they facilitate good Group-wide corporate governance, as well as balanced leadership and control within the Group, the BoD and the committees.

Lukas Gähwiler was appointed as Vice Chairman following the 2022 AGM. Jeremy Anderson was re-appointed the Senior Independent Director and has held that post since 2020. The Vice Chairman is required to lead meetings of the BoD in the temporary absence of the Chairman. Together with the Governance and Nominating Committee, either the Senior Independent Director or the Vice Chairman is tasked with the ongoing monitoring and the annual evaluation of the Chairman. The Vice Chairman also represents UBS on behalf of the Chairman in meetings with internal or external stakeholders. In particular, Lukas Gähwiler represents UBS across a broad range of associations and industry bodies in Switzerland.

The Senior Independent Director enables and supports communication and the flow of information among the independent BoD members. At least twice a year, he organizes and leads a meeting of the independent BoD members without the participation of the Chairman. In 2023, two independent BoD meetings were held with an average participation rate of 95% and an average duration of approximately 105 minutes. The Senior Independent Director also relays to the Chairman any issues or concerns raised by the independent BoD members and acts as a point of contact for shareholders and stakeholders seeking discussions with an independent BoD member.

Important business connections of independent members of the Board of Directors

As a global financial services provider and a major Swiss bank, we enter into business relationships with many large companies, including some in which our BoD members have management or independent board responsibilities. The Governance and Nominating Committee determines in each instance whether the nature of the Group's business relationship with such a company might compromise our BoD members' capacity to express independent judgment.

Our Organization Regulations require three-quarters of the BoD members to be independent. For this purpose, independence is determined in accordance with FINMA Circular 2017/1 "Corporate governance – banks" and the NYSE rules.

In 2023, our BoD met the standards of the Organization Regulations for the percentage of directors who are considered independent under the criteria described above. No current BoD member has either an employment contract or a significant business connection to UBS or any of its subsidiaries. No BoD member currently carries out operational management tasks within the Group. Except for the Vice Chairman, no BoD member has carried out operational management tasks within the Group over the past three years.

All relationships and transactions with UBS Group AG's independent BoD members are conducted in the ordinary course of business and are on the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. All relationships and transactions with BoD members' associated companies are conducted at arm's length.

› Refer to "Note 31 Related parties" in the "Consolidated financial statements" section of this report for more information

Checks and balances: the Board of Directors and the Group Executive Board

We operate under a strict dual board structure, as mandated by Swiss banking law. The separation of responsibilities between the BoD and the GEB is clearly defined in the Organization Regulations. The BoD decides on the strategy of the Group, upon recommendations by the Group CEO, and exercises ultimate supervision over management; whereas the GEB, headed by the Group CEO, has executive management responsibility. The functions of Chairman and Group CEO are assigned to two different people, leading to a separation of powers. This structure establishes checks and balances and preserves the institutional independence of the BoD from the executive management of the Group, for which responsibility is delegated to the GEB. No member of one board may simultaneously be a member of the other.

Supervision and control of the GEB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the AoA and the Organization Regulations.

Skills, expertise and training of the Board of Directors

The BoD is well-diversified and composed of members with a broad spectrum of skills, educational backgrounds, experience, and expertise from a range of sectors that reflect the nature and scope of the firm's business. The Governance and Nominating Committee maintains a competencies and experience matrix to identify gaps in the competencies and experiences considered most relevant to the BoD, taking into consideration the firm's business exposure, risk profile, strategy and geographic reach.

In recent years, the composition of the BoD has been systematically shaped along the identified requirements. The appointment of a new Chairman and Vice Chairman in 2022, as well as the nomination of Gail Kelly in January 2024, were important elements in this continuous process. We maintain and update a list of potential candidates for UBS Group AG.

Key competencies

- banking (wealth management, asset management, personal and corporate banking) and insurance
- investment banking, capital markets
- finance, audit, accounting
- risk management, compliance and legal
- human resources management, including compensation
- technology, cybersecurity
- regulatory authority, central bank
- environmental, social and governance (ESG)

Leadership experience

- experience as a CEO or chairperson
- executive board leadership experience (e.g., as CFO, chief risk officer or COO of a listed company)

The Governance and Nominating Committee reviews these categories and ratings annually to confirm that the BoD continues to possess the most relevant experience and competencies to perform its duties.

With regard to the composition of the BoD after the 2023 AGM, the BoD members thereof identified all of the target competencies as being their key competencies. Particularly strong levels of experience and expertise existed in these areas:

- financial services
- risk management, compliance and legal
- finance, audit, accounting

Furthermore, 10 of the 12 BoD members have held or currently hold chairperson, CEO or other executive board-level leadership positions.

Moreover, we consider the continuous education of our BoD members to be an important priority and support their attendance to various training sessions. In addition to a comprehensive induction program for new BoD members, continuous training and topical deep dives are part of the BoD agenda.

Cybersecurity governance

Cybersecurity as one of the inherently highest and most rapidly evolving non-financial risks is a key focus for the BoD. It is primarily covered by the Risk Committee through a combination of (i) regular reporting as part of the monthly risk reports and quarterly technology risk updates, and (ii) dedicated deep-dives on specific cybersecurity topics, including summaries and assessments of actual cybersecurity incidents in the industry, assessments of the firm's security posture and related continuous improvement measures. In addition, the BoD members receive periodic updates from the Group Chief Information Security Office on key cybersecurity threats and incidents across the globe and industries, and the Risk Committee regularly organizes education and training sessions, including cyber exercises, for all BoD members.

- › Refer to "Risk governance" in the "Risk management and control" section of this report for information about our risk governance framework
- › Refer to "Non-financial risk" in the "Risk management and control" section of this report for information about cybersecurity

Terms of office¹



| | |
|---|-----------|
| 2 | <3 years |
| 8 | 3–6 years |
| 2 | 7–9 years |
| 0 | >9 years |

Geographic diversity²



| | |
|-----|-------------------|
| 33% | Switzerland |
| 25% | Europe and the UK |
| 25% | USA / Canada |
| 17% | Asia |

Gender³



| | |
|-----|--------|
| 67% | male |
| 33% | female |

Competencies and experience⁴

Key competencies



Leadership experience



¹ Terms of office until the 2024 AGM. ² In the case of dual-nationals, the domicile applies. ³ In accordance with the 30% gender quota of the revised Swiss Corporate Law. ⁴ The number of BoD members identifying a key competency as one of his / her key competencies; each member identified up to four key competencies (although not every sub-area of the respective competency might be applicable), plus one leadership experience. ⁵ Wealth management, asset management, and personal and corporate banking. ⁶ Environmental, social and governance. ⁷ For example, a CFO, chief risk officer or COO of a listed company.

Succession planning

Succession planning is one of the key responsibilities of both the BoD and the GEB. Across all divisions and regions, an inclusive talent development and succession planning process is in place that aims to foster the personal development and Group-wide mobility of our employees. Although the recruiting process for BoD and GEB members takes into account a broad spectrum of factors, such as skills, backgrounds, experience and expertise, our approach with regard to diversity considerations does not constitute a diversity policy within the meaning of the EU Directive on Non-Financial Reporting, and Swiss law does not require UBS to maintain such a policy.

In 2022, the GEB launched several strategic initiatives with the close involvement of the BoD and with the aim of further strengthening internal succession planning at UBS. This included the early identification of talents and their systematic development, including international and cross-divisional rotations. The succession plans for the GEB and the management layers below it are managed under the lead of the Group CEO and are reviewed and approved by the BoD. Moreover in 2023, to cater to the challenges posed by the acquisition of the Credit Suisse Group, the composition of the GEB was complemented with new members.

For the BoD, the Chairman leads a systematic succession planning process as illustrated in the chart below. Our strategy and the business environment constitute the main drivers in our succession planning process for new BoD members, as they define the key competencies required on the BoD. Taking the diversity and the tenure of the existing BoD into account, the Governance and Nominating Committee defines the recruiting profile for the search. Both external and internal sources contribute to identifying suitable candidates. The Chairman and the members of the Governance and Nominating Committee meet with potential candidates and, with the support of the full BoD, nominations are submitted to the AGM for approval. New BoD members follow an in-depth onboarding process designed to enable them to integrate efficiently and become effective in their new role. Due to this succession planning process, the composition of the BoD is in line with the demanding requirements of a leading global financial services firm.

The smooth and effective succession at the GEB level and the appointments of internal talent as new GEB members demonstrates the strength of the succession planning at UBS. The BoD and the GEB remain committed to the continuous focus on developing a high-quality bench of succession candidates at all levels in the organization.



Information and control instruments with regard to the Group Executive Board

The BoD is kept informed of the GEB's activities in various ways, including regular meetings between the Chairman, the Group CEO and GEB members. The Group CEO and other GEB members also participate in BoD meetings to update its members on all significant issues. The BoD receives regular comprehensive reports covering financial, capital, funding, liquidity, regulatory, compliance and legal developments, as well as performance against plan and forecasts for the remainder of the year. For important developments, BoD members are also updated by the GEB in between meetings. In addition, the Chairman receives the meeting material and minutes of the GEB meetings.

BoD members may request from other BoD or GEB members any information about matters concerning the Group that they require in order to fulfill their duties. When these requests are raised outside BoD meetings, such requests must go through the Group Company Secretary and be addressed to the Chairman.

The BoD is supported in discharging its governance responsibilities by GIA, which independently assesses whether risk management, control and governance processes are designed and operating sustainably and effectively.

The Head GIA reports directly to the Chairman. In addition, GIA has a functional reporting line to the Audit Committee in accordance with its responsibilities as set forth in our Organization Regulations. The Audit Committee assesses the independence and performance of GIA and the effectiveness of both the Head GIA and GIA as an organization, approves GIA's annual audit plan and objectives and monitors GIA's discharge of these objectives. The committee is also in regular contact with the Head GIA.

GIA issues quarterly reports that provide an overview of significant audit results and key issues, as well as themes and trends, based on results of individual audits, continuous risk assessment and issue assurance. The reports are provided to the Chairman, the members of the Audit and the Risk Committees, the GEB and other stakeholders. The Head GIA regularly updates the Chairman and the Audit Committee on GIA's activities, processes, audit plan execution, resourcing requirements and other important developments. GIA issues an annual Activity Report, which is provided to the Chairman and the Audit Committee to support their assessment of GIA's effectiveness.

- › Refer to "Group Internal Audit" in this section for more information
- › Refer to "Internal risk reporting" in the "Risk management and control" section of this report for information about reporting to the BoD

Group Executive Board

The BoD delegates the management of the business to the Group Executive Board (the GEB).

Responsibilities, authorities and organizational principles of the Group Executive Board

As of 31 December 2023, the GEB, under the leadership of the Group CEO, consisted of 16 members. It has executive management responsibility for the steering of the Group and its business, develops the strategies of the Group, business divisions and Group functions, and implements the BoD-approved strategies. The GEB is also the risk council of the Group, with overall responsibility for establishing and supervising the implementation of risk management and control principles, as well as for managing the risk profile of the Group, as determined by the BoD and the Risk Committee.

In 2023, the GEB held a total of 57 meetings.

- › Refer to the **Organization Regulations of UBS Group AG**, available at ubs.com/governance, for more information about the authorities of the Group Executive Board

Changes to the Group Executive Board

On 29 March 2023, the BoD named Sergio P. Ermotti as its new Group CEO, effective 5 April 2023. The BoD made the decision in light of UBS's new priorities following its planned acquisition of the Credit Suisse Group. Sergio P. Ermotti had been the Group CEO from 2011 to 2020. Ralph Hamers, who had succeeded Sergio P. Ermotti in 2020, agreed to step down and remained at UBS during a transition period to ensure a successful closure of the transaction and a smooth handover. At the time of his re-appointment as Group CEO, Sergio P. Ermotti was Chairman of Swiss Re and remained in that post until his resignation therefrom on 30 April 2023 to facilitate an orderly transition at Swiss Re.

On 24 April 2023, UBS announced that Christian Bluhm had agreed to remain in his role as Group Chief Risk Officer and member of the GEB for the foreseeable future, considering the planned acquisition of the Credit Suisse Group, therefore delaying the handover to Damian Vogel that was originally planned for 1 May 2023.

On 9 May 2023, UBS Group AG announced a new operating model and changes to the GEB: CEO of Credit Suisse Group AG, Ulrich Körner, would join the GEB and Todd Tuckner would succeed Sarah Youngwood as Group CFO; both appointments came into effect at the close of the transaction on 12 June 2023. With immediate effect on 9 May 2023, Beatriz Martin Jimenez was named Head Non-core and Legacy and President UBS Europe, Middle East and Africa, Michelle Bereaux was named Group Integration Officer, and Stefan Seiler was appointed Head Group Human Resources & Group Corporate Services.

On 24 January 2024, UBS announced that Suni Harford would step down, and Aleksandar Ivanovic was appointed President Asset Management effective 1 March 2024. It was also announced that Beatriz Martin Jimenez would take on the responsibility as GEB Lead for Sustainability and Impact from Suni Harford, effective 1 March 2024.

As a result of the acquisition of the Credit Suisse Group in 2023, and to ensure compliance with our governance principles and to facilitate a smooth integration into UBS, in June 2023, Michelle Bereaux and Stefan Seiler were elected as members of the board of Credit Suisse AG.

The biographies below provide information about the GEB members in office as of 31 December 2023. The biographies of Ralph Hamers and Sarah Youngwood can be found on pages 187 and 192 of the UBS Group AG Annual Report 2022, available under "Annual reporting" at ubs.com/investors. In addition to information on mandates, the biographies include memberships and other activities or functions, as required by the SIX Swiss Exchange Corporate Governance Directive.

In line with Swiss law, article 36 of our AoA limits the number of mandates that GEB members may hold outside UBS Group to one mandate in a listed company and five additional mandates in non-listed companies. Mandates in companies that are controlled by UBS or that control UBS are not subject to this limitation. In addition, GEB members may not hold more than 10 mandates at one time at the request of the company and more than eight mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations without commercial purpose. On 31 December 2023, no member of the GEB reached the aforementioned thresholds.

Responsibilities and authorities of the Asset and Liability Committee

The Asset and Liability Committee of UBS Group AG (the GALCO) is responsible for managing assets and liabilities in line with the strategy, risk appetite, regulatory commitments and the interests of shareholders and other stakeholders. The GALCO proposes the framework for capital management, capital allocation, and liquidity and funding risk, and proposes limits and indicators for the Group to the BoD for approval. It oversees the balance sheet management of the Group, its business divisions and Group functions. In 2023, the GALCO held 10 meetings.

Management contracts

We have not entered into management contracts with any companies or natural persons that do not belong to the Group.



Sergio P. Ermotti

Group Chief Executive Officer, member of the GEB from 2011 to 2020 and since April 2023

Nationality: Swiss | **Year of birth:** 1960

Sergio P. Ermotti has been Group CEO of UBS Group AG and President of the Executive Board of UBS AG since April 2023. He was also the Group CEO from 2011 to 2020. He re-joined UBS from Swiss Re, where he was Chairman of the Board of Directors until April 2023. Prior to joining UBS in 2011, he was at UniCredit Group, where from 2007 to 2010 he served as Group Deputy Chief Executive Officer and Head of Corporate & Investment Banking and Private Banking, prior to that he served as Head of the Markets & Investment Banking Division. Between 1987 and 2004, he held various positions at Merrill Lynch & Co. in the areas of equity derivatives and capital markets. He became Co-Head of Global Equity Markets and a member of the Executive Management Committee for Global Markets & Investment Banking in 2001.

Professional experience

| | |
|-------------|---|
| 2023 – date | Group CEO, UBS Group AG, and President of the Executive Board, UBS AG |
| 2021 – 2023 | Chairman of the Board of Directors, Swiss Re |
| 2020 – 2021 | Member of the Board of Directors, Swiss Re |
| 2011 – 2020 | Group Chief Executive Officer, UBS |
| 2011 – 2011 | Chairman and CEO UBS Group Europe, Middle East and Africa, and member of the Group Executive Board, UBS |
| 2007 – 2010 | Group Deputy Chief Executive Officer and Head Corporate & Investment Banking and Private Banking, UniCredit |
| 2005 – 2007 | Head Markets & Investment Banking Division, UniCredit |
| 1987 – 2004 | Various senior management positions, Merrill Lynch & Co |

Education

- Swiss-certified banking expert
- Advanced Management Programme, the University of Oxford

Listed company boards

- Member of the Board of Ermenegildo Zegna N.V. (Lead Non-Executive Director)

Non-listed company boards

- Member of the Board of Società Editrice del Corriere del Ticino SA

Other activities and functions

- President of the Executive Board of UBS AG
- Member of the Board of Innosuisse, the Swiss Innovation Agency
- Member of Institut International D'Etudes Bancaires
- Member of the WEF International Business Council and Governor of the Financial Services / Banking Community
- Member of the MAS International Advisory Panel
- Member of the Board of the Institute of International Finance
- Member of the Board of the Swiss-American Chamber of Commerce



Michelle Beraux

Group Integration Officer, member of the GEB since May 2023

Nationality: British and Trinidadian & Tobagonian | **Year of birth:** 1964

Michelle Beraux was appointed Group Integration Officer in May 2023 and is responsible for the development and execution of our integration strategy, working closely with all GEB members and integration workstream leads. Ms. Beraux has been at UBS for more than 25 years and has held various leadership roles across the firm. She has served as both COO and Head HR for our Investment Bank, has successfully led multiple firm-wide cost and transformation projects, and, most recently, served as COO and UK Country Head of Asset Management. She brings both a wealth of transformation experience and a strong legal, HR, investment banking and asset management background to lead our integration efforts.

Professional experience

| | |
|-----------------|---|
| May 2023 – date | Group Integration Officer, UBS Group AG and UBS AG |
| 2021 – 2023 | Country Head UBS Asset Management UK and CEO Asset Management UK Ltd |
| 2020 – 2023 | COO, UBS Asset Management |
| 2018 – 2020 | Head of Group Efficiency and Cost Management, UBS Business Solutions AG |
| 2015 – 2018 | Non-Executive Director and Chairman Remuneration Committee, UBS Limited |
| 2011 – 2014 | Global Head Human Resources, UBS Investment Bank |
| 2011 – 2011 | Global Strategic Projects at CEO Management Office, UBS Investment Bank |
| 2009 – 2010 | Chief of Staff and Joint Global COO, UBS Investment Bank |

Education

- Law, the University of Cambridge
- Politics, Economics and Law, the University of Buckingham

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Board of Directors of Credit Suisse AG



Christian Bluhm

Group Chief Risk Officer, member of the GEB since 2016

Nationality: Swiss and German | **Year of birth:** 1969

Christian Bluhm has been Group Chief Risk Officer since 2016. He held several positions in academia before starting his banking career in 1999 with Deutsche Bank in credit risk management, and subsequently working for Hypovereinsbank and Credit Suisse in the same area. Before joining UBS, he used his expertise and skills as Chief Risk & Financial Officer at FMS Wertmanagement. Mr. Bluhm is responsible for the development of the Group's risk management and control framework for various risk categories and implementation of its independent control frameworks.

Professional experience

| | |
|-------------|--|
| 2016 – date | Group Chief Risk Officer, UBS Group AG, and Chief Risk Officer, UBS AG |
| 2012 – 2015 | Spokesman of the Executive Board, FMS Wertmanagement |
| 2010 – 2015 | Chief Risk & Financial Officer, FMS Wertmanagement |
| 2004 – 2009 | Managing Director, Credit Risk Management (Switzerland and Private Banking worldwide), Credit Suisse |
| 2008 – 2009 | Head Credit Risk Management Analytics & Instruments, Credit Suisse |
| 2004 – 2008 | Head of Credit Portfolio Management, Credit Suisse |
| 2001 – 2004 | Head Structured Finance Analytics, Group Credit Portfolio Management, Hypovereinsbank |

Education

- Master's degree, mathematics and informatics, and doctorate, mathematics, University of Erlangen-Nuremberg

Non-listed company boards

- Chairman of the Board of Christian Bluhm Photography AG

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Foundation Board International Financial Risk Institute



Mike Dargan

Group Chief Operations and Technology Officer, member of the GEB since 2021

Nationality: British | **Year of birth:** 1977

Mike Dargan was appointed Group Chief Operations and Technology Officer in May 2023 and is responsible for delivering digital platforms, technology services, infrastructure, and operations, including cyber and information security. Previously, he was Group Chief Digital and Information Officer (CDIO), after leading our Group Technology function since joining UBS in 2016. In addition to this remit, he was also GEB sponsor for our digital assets strategy and a sponsor of artificial intelligence and our agile transformation, which were integrated into his area of responsibility in 2023. Prior to joining UBS, he held various senior roles in technology, corporate strategy and investment banking at Standard Chartered Bank, Merrill Lynch, and Oliver Wyman.

Professional experience

| | |
|-----------------|--|
| May 2023 – date | Group Chief Operations and Technology Officer, UBS Group AG, and Chief Operations and Technology Officer, UBS AG |
| 2021 – 2023 | Group CDIO, UBS Group AG, and CDIO, UBS AG |
| 2021 – date | President of the Executive Board, UBS Business Solutions AG |
| 2016 – 2021 | Head Group Technology, UBS |
| 2015 – 2016 | CIO for Corporate and Institutional Banking, Standard Chartered Bank |
| 2014 – 2015 | Global Group Technology and Operations Head for Global Markets, Wealth Management, Private Banking and Securities Services, Group Technology and Operations Engineering, Standard Chartered Bank |
| 2013 – 2014 | CIO for Financial Markets, Standard Chartered Bank |
| 2009 – 2013 | Global Head of Strategy and Corporate M&A, Global Markets, Standard Chartered Bank |
| 2005 – 2009 | Head Corporate Strategy & M&A, EMEA and Pacific Rim, Merrill Lynch |

Education

- Master's degree, politics, philosophy and economics, St. John's College, the University of Oxford

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Board of Directors and President of the Executive Board of UBS Business Solutions AG
- Member of the Board of UBS Optimus Foundation



Suni Harford

President Asset Management, member of the GEB since 2019 (until 29 February 2024)

Nationality: American (US) | **Year of birth:** 1962

Suni Harford was appointed President Asset Management in 2019 and stepped down in February 2024. She was the Chair of UBS Optimus Foundation from 2019 to 2024. Ms. Harford was the UBS GEB Lead for Sustainability and Impact from 2021 to 2024. She started her Wall Street career at Merrill Lynch & Co., in investment banking, before embarking on a 24-year career at Citigroup Inc., the last nine years of which she was the Regional Head of Markets for North America. Ms. Harford joined UBS in 2017, bringing with her a broad experience from across the industry, including in research, client coverage and risk management, and successfully led UBS Asset Management's integrated investments capabilities, driving performance for its clients.

Professional experience

| | |
|------------------|---|
| 2019 – Feb. 2024 | President Asset Management, UBS Group AG and UBS AG |
| 2017 – 2019 | Head of Investments, Asset Management, UBS |
| 2008 – 2017 | Regional Head of Markets for North Americas, Citigroup Inc. |
| 2004 – 2008 | Global Head of Fixed Income Research, Citigroup Inc. |

Education

- Bachelor's degree, physics and mathematics, Denison University, Ohio
- MBA, Tuck School of Business, Dartmouth College, New Hampshire

Other activities and functions

- Member of the Executive Board of UBS AG
- Chairman of the Board of Directors of UBS Asset Management AG
- Chair of the Board of UBS Optimus Foundation
- Member of the Board of Directors of the Bob Woodruff Foundation



Naureen Hassan

President UBS Americas, member of the GEB since October 2022

Nationality: American (US) | **Year of birth:** 1971

Naureen Hassan was appointed President UBS Americas and CEO of UBS Americas Holding LLC in 2022. She joined UBS from the Federal Reserve Bank of New York, where she was COO and First Vice President. After starting her career at McKinsey & Company, Ms. Hassan held various business transformation, strategy and operational leadership roles at Charles Schwab Corporation and was a member of that company's Executive Committee. Subsequently, as Chief Digital Officer at Morgan Stanley Wealth Management, she led the digital strategy and executed digital transformation of the wealth management business to grow the business, improve client experience and increase financial advisor effectiveness and efficiency.

Professional experience

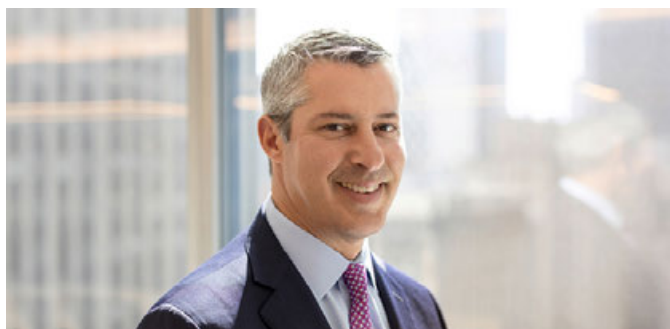
| | |
|-------------|---|
| 2022 – date | President UBS Americas, UBS Group AG and UBS AG, and CEO, UBS Americas Holding LLC |
| 2021 – 2022 | First Vice President and COO, Federal Reserve Bank of New York |
| 2016 – 2020 | Chief Digital Officer, Wealth Management, Morgan Stanley |
| 2014 – 2016 | Executive Vice President, Investor Services, Charles Schwab Corporation |
| 2012 – 2014 | Senior Vice President, Advisor Services Client Experience & Strategic Integration, Charles Schwab Corporation |
| 2010 – 2012 | COO and Board Director, Charles Schwab Bank |
| 2003 – 2010 | Various senior positions, Charles Schwab Corporation |

Education

- Bachelor's degree, economics, Princeton University
- Master's degree, business administration, Stanford University Graduate School of Business

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Board and CEO of UBS Americas Holding LLC
- Member of the Board of the Securities Industry and Financial Markets Association (stepped down in January 2024)
- Member of the Board of Governors of FINRA (as of February 2024)
- Member of the Board of Ownership Works
- Member of the Board of the American Swiss Foundation
- Member of the Board and Executive Committee of The Partnership for New York City



Robert Karofsky

President Investment Bank, member of the GEB since 2018

Nationality: American (US) | **Year of birth:** 1967

Robert Karofsky was appointed Co-President of the Investment Bank in 2018 and reshaped that division, realigning efforts around clients' evolving needs, focusing resources on opportunities for profitable growth and reinvesting in UBS's digital transformation. He became sole President of the Investment Bank in 2021 and was President UBS Securities LLC from 2015 to 2021. Before joining UBS, he acquired know-how in investment banking as an analyst and trader, working for various financial institutions such as Morgan Stanley, Deutsche Bank and AllianceBernstein. He then became Global Head of Equities at UBS, responsible for driving UBS's growth strategy for equities globally.

Professional experience

| | |
|-------------|--|
| 2021 – date | President Investment Bank, UBS Group AG and UBS AG |
| 2018 – 2021 | Co-President Investment Bank, UBS |
| 2015 – 2021 | President UBS Securities LLC, UBS |
| 2014 – 2018 | Global Head Equities, UBS |
| 2011 – 2014 | Global Head of Equity Trading, AllianceBernstein |
| 2008 – 2010 | Co-Head of Global Equities, Deutsche Bank |
| 2005 – 2008 | Head of North American Equities, Deutsche Bank |

Education

- Bachelor's degree, economics, Hobart and William Smith Colleges, New York
- MBA, finance and statistics, University of Chicago's Booth School of Business

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Board of UBS Americas Holding LLC
- Member of the Board of UBS Optimus Foundation



Sabine Keller-Busse

President Personal & Corporate Banking and President UBS Switzerland, member of the GEB since 2016

Nationality: Swiss and German | **Year of birth:** 1965

Sabine Keller-Busse was appointed President Personal & Corporate Banking and President UBS Switzerland in 2021, heading the leading universal bank in Switzerland. In her previous role as Group COO, she oversaw global functions such as technology, operations, human resources and corporate services. She has been pivotal in driving business alignment, and digital and cultural transformation, while also facilitating business growth as President UBS Europe, Middle East and Africa. Ms. Keller-Busse also brings in-depth experience regarding financial market infrastructure, having served on the Board of SIX Group for nine years.

Professional experience

| | |
|-------------|--|
| 2021 – date | President Personal & Corporate Banking and President UBS Switzerland, UBS Group AG |
| 2021 – date | President of the Executive Board, UBS Switzerland AG |
| 2019 – 2021 | President UBS Europe, Middle East and Africa, UBS |
| 2018 – 2021 | Group COO of UBS and President of the Executive Board, UBS Business Solutions AG |
| 2016 – 2021 | Member of the Executive Board of UBS AG |
| 2014 – 2017 | Group Head Human Resources, UBS |
| 2010 – 2014 | COO UBS Switzerland, UBS |

Education

- Master's degree, economic sciences, University of St. Gallen
- Ph.D., economic sciences (Dr. oec.), University of St. Gallen

Listed company boards

- Member of the Board of Zurich Insurance Group

Other activities and functions

- President of the Executive Board of UBS Switzerland AG
- Chairwoman of the Foundation Board of the UBS Pension Fund
- Member of the Foundation Council of the UBS International Center of Economics in Society
- Member of the Board and Board Committee of Zurich Chamber of Commerce
- Member of the Board of the University Hospital Zurich Foundation
- Member of the Board of Trustees of the Swiss Entrepreneurs Foundation



Iqbal Khan

President Global Wealth Management, member of the GEB since 2019

Nationality: Swiss | **Year of birth:** 1976

Iqbal Khan has been President Global Wealth Management since October 2022 and was President UBS Europe, Middle East and Africa from 2021 to 2023. From 2019 until September 2022, he was Co-President Global Wealth Management. Mr. Khan joined Ernst & Young in 2001, holding numerous leadership positions and becoming a very young executive and a partner of the firm's Swiss arm; when leaving Ernst & Young, he was lead auditor of UBS. In 2013, he moved to Credit Suisse, holding senior leadership positions as CFO Private Banking & Wealth Management and later CEO International Wealth Management.

Professional experience

| | |
|-----------------|--|
| 2022 – date | President Global Wealth Management, UBS Group AG and UBS AG |
| 2021 – May 2023 | President UBS Europe, Middle East and Africa, UBS |
| 2019 – 2022 | Co-President Global Wealth Management, UBS |
| 2015 – 2019 | CEO International Wealth Management, Credit Suisse |
| 2013 – 2015 | CFO Private Banking & Wealth Management, Credit Suisse |
| 2011 – 2013 | Managing Partner Assurance and Advisory Services – Financial Services, Ernst & Young |
| 2009 – 2011 | Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking, Ernst & Young |
| 2001 – 2009 | Various positions in Ernst & Young |

Education

- Swiss Certified Public Accountant
- Advanced Master of International Business Law degree (LL.M.), University of Zurich

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Board of UBS Optimus Foundation



Edmund Koh

President UBS Asia Pacific, member of the GEB since 2019

Nationality: Singaporean | **Year of birth:** 1960

Edmund Koh has been President UBS Asia Pacific since 2019. He is a financial sector veteran, with more than 30 years in senior roles in financial services, including as Head Wealth Management Asia Pacific, Country Head Singapore and Head Wealth Management South-East Asia and Asia Pacific Hub for UBS. He joined UBS from Taiwan-based Ta Chong Bank, where he served as President and Director. Before working for DBS Bank in Singapore, Mr. Koh was CEO for Prudential Assurance and Alverdine Pte Ltd, both companies based in Singapore.

Professional experience

| | |
|-------------|--|
| 2019 – date | President UBS Asia Pacific, UBS Group AG and UBS AG |
| 2016 – 2018 | Head Wealth Management Asia Pacific, UBS |
| 2012 – 2018 | Country Head Singapore, UBS |
| 2012 – 2015 | Head Wealth Management South-East Asia and Asia Pacific Hub, UBS |
| 2008 – 2012 | President and Director, Ta Chong Bank, Taiwan |
| 2001 – 2008 | Managing Director and Regional Head, Consumer Banking Group, DBS Bank, Singapore |

Education

- Bachelor's degree, psychology, University of Toronto

Non-listed company boards

- Member of the Board of Trustees of the Wealth Management Institute, Singapore
- Member of the Board of Next50 Limited, Singapore
- Member of the Board of Medico Suites (S) Pte Ltd, Singapore
- Member of the Board of Curbside Pte Ltd, Singapore
- Member of the Board of the Philanthropy Asia Alliance Ltd, Singapore

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of a sub-committee of the Singapore Ministry of Finance's Committee on the Future Economy
- Member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore
- Council member of the Asian Bureau of Finance and Economic Research, Singapore
- Member of the Board of Trustee of the Cultural Matching Fund, Singapore
- Member of University of Toronto's International Leadership Council for Asia



Ulrich Körner

CEO of Credit Suisse AG, member of the GEB since June 2023

Nationality: Swiss and German | **Year of birth:** 1962

Ulrich Körner was appointed CEO of Credit Suisse AG in June 2023, when the Credit Suisse Group AG was acquired by UBS Group AG. Prior to the acquisition, he was CEO of Credit Suisse Group AG. Before that he was CEO Asset Management at Credit Suisse Group AG. From 2009 to 2020, he held various leadership positions, such as President Asset Management, President UBS Europe, Middle East and Africa, and Group COO, at UBS Group AG and was a member of the Group Executive Board. With his knowledge of both organizations, Mr. Körner will be responsible for ensuring Credit Suisse's operational continuity and client focus while supporting the integration process.

Professional experience

| | |
|------------------|--|
| June 2023 – date | CEO of Credit Suisse AG, UBS Group AG |
| 2022 – June 2023 | Group CEO of Credit Suisse Group AG, Credit Suisse |
| 2021 – 2022 | CEO Asset Management, Credit Suisse |
| 2019 – 2020 | Senior Advisor to the Group CEO, UBS |
| 2009 – 2020 | Member of the Group Executive Board, UBS |
| 2015 – 2019 | President Asset Management and President UBS Europe, Middle East and Africa, UBS |
| 2014 – 2015 | CEO Global Asset Management, UBS |
| 2011 – 2015 | CEO UBS Group Europe, Middle East and Africa, UBS |
| 2009 – 2013 | Group COO, UBS |
| 2002 – 2009 | Various senior management positions, Credit Suisse |

Education

- Master's degree, economics, University of St. Gallen
- Doctorate, economics, University of St. Gallen

Listed company boards

- Vice President of the Board of Lyceum Alpinum Zuoz AG



Barbara Levi

Group General Counsel, member of the GEB since 2021

Nationality: Italian | **Year of birth:** 1971

Barbara Levi has been Group General Counsel since 2021. A qualified attorney-at-law, she has been admitted to the Supreme Court of the United States, the New York State bar and the bar of Milan, Italy, and has worked in several law firms in New York and Milan. Ms. Levi began her corporate career with Novartis Group in 2004 and worked there for 16 years, holding a number of senior legal roles across Europe. Before joining UBS, she served as Chief Legal Officer & External Affairs at Rio Tinto Group and, before that, as General Counsel. In both roles, she was a member of that company's executive committee.

Professional experience

| | |
|-------------|--|
| 2021 – date | Group General Counsel, UBS Group AG, and General Counsel, UBS AG |
| 2021 | Chief Legal Officer & External Affairs, Rio Tinto Group |
| 2020 – 2021 | Group General Counsel, Rio Tinto Group |
| 2019 | Group Legal Head, M&A and Strategic Transactions, Novartis |
| 2016 – 2019 | Global General Counsel, Sandoz International GmbH, Novartis |
| 2014 – 2016 | Global Legal Head, Product Strategy & Commercialization, Novartis |
| 2013 – 2014 | Global Legal Head, TechOps, Primary Care and Established Medicines, Novartis |
| 2009 – 2013 | Head of Legal & Compliance, Region Asia-Pacific, Middle East, and African Countries, Region Group Emerging Markets, Novartis |

Education

- Law degree, University of Milan
- Master of Laws (LL.M.), banking, corporate and finance law, Fordham University School of Law, New York

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Board of Directors of the European General Counsel Association
- Member of the Legal Committee of the Swiss-American Chamber of Commerce



Beatriz Martin Jimenez

Head Non-core and Legacy and President UBS Europe, Middle East and Africa, member of the GEB since May 2023

Nationality: Spanish | **Year of birth:** 1973

Beatriz Martin Jimenez became Head Non-core and Legacy, as well as President UBS Europe, Middle East and Africa of UBS Group AG, in May 2023. She has also been the UBS Chief Executive for the UK since 2019. Her previous UBS roles included Group Treasurer for UBS Group AG, Chief Transformation Officer for UBS Group AG, COO for UBS Investment Bank, and Chief of Staff to the CEO for UBS Investment Bank. Before joining UBS in 2012, Ms. Martin held various roles in fixed income sales and trading at Morgan Stanley and Deutsche Bank. With her experience in markets, Ms. Martin has a deep understanding of the industry and has built an extensive network and credentials globally, in addition to her restructuring experience, as well as a thorough knowledge of our Investment Bank.

Professional experience

| | |
|------------------|--|
| 2023 – date | Head Non-core and Legacy and President UBS Europe, Middle East and Africa, UBS Group AG and UBS AG |
| 2020 – June 2023 | Group Treasurer, UBS Group AG |
| 2019 – date | UK Chief Executive, UBS AG London Branch |
| 2022 – 2023 | Chief Transformation Officer, UBS Group AG |
| 2015 – 2020 | COO, UBS Investment Bank |
| 2015 – 2019 | UK COO, UBS AG London Branch and UBS Limited |
| 2012 – 2015 | Chief of Staff to CEO, UBS Investment Bank |
| 1996 – 2012 | Various positions in Global Markets, Morgan Stanley and Deutsche Bank |

Education

- Masters in Business Administration, Universidad Autónoma de Madrid, Madrid
- Erasmus Exchange programme, Hochschule für Bankwirtschaft, Frankfurt

Non-listed company boards

- Member of the Leadership Council, TheCityUK, London (stepped down in February 2024)

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Supervisory Board of UBS Europe SE
- Member of the Advisory Board of the Frankfurt School of Finance & Management



Markus Ronner

Group Chief Compliance and Governance Officer, member of the GEB since 2018

Nationality: Swiss | **Year of birth:** 1965

Markus Ronner has been Group Chief Compliance and Governance Officer since 2018. He has been with UBS for more than 40 years and held various positions across the firm, including manager of the Group-wide too-big-to-fail program, COO Wealth Management & Swiss Bank, Head Products and Services of Wealth Management & Swiss Bank, COO Asset Management, and Head Group Internal Audit. In his current position, he is responsible at the Group level for the control of all non-financial risks, governmental and regulatory affairs, and investigations and governance matters. From 2022 until October 2023, he served as Chairman of UBS Switzerland AG, the leading Swiss universal bank.

Professional experience

| | |
|------------------|---|
| 2018 – date | Group Chief Compliance and Governance Officer, UBS Group AG, and Chief Compliance and Governance Officer UBS AG |
| 2022 – Oct. 2023 | Chairman of UBS Switzerland AG |
| 2012 – 2018 | Head Group Regulatory and Governance, UBS |
| 2011 – 2013 | Manager Group-wide too-big-to-fail program, UBS |
| 2010 – 2011 | COO Wealth Management & Swiss Bank, UBS |
| 2009 – 2010 | Head Products and Services of Wealth Management & Swiss Bank, UBS |
| 2007 – 2009 | COO Asset Management, UBS |
| 2001 – 2007 | Head Group Internal Audit, UBS |

Education

- Swiss Banking Diploma

Other activities and functions

- Member of the Executive Board of UBS AG



Stefan Seiler

Head Group Human Resources & Group Corporate Services, member of the GEB since May 2023

Nationality: Swiss | **Year of birth:** 1974

Stefan Seiler has been Head Group Human Resources & Group Corporate Services of UBS Group AG and UBS AG since May 2023. He leads the combined Group Human Resources and Corporate Services function, ensuring effective and efficient alignment of our people, real estate and vendor management strategies. He started his career at the Swiss Military Academy at ETH Zurich and, after working for Credit Suisse from 2002 to 2006, he returned to the Swiss Military Academy as Department Head of Leadership and Communication. Mr. Seiler joined UBS in 2011 and became Group Head HR in 2018 after gaining experience as Head HR for Switzerland and Group Functions, as well as Global Head Talent and Recruiting. During his career, he has lived in Switzerland, the UK, the US and Singapore.

Professional experience

| | |
|-----------------|--|
| May 2023 – date | Head Group Human Resources & Group Corporate Services, UBS Group AG and Head Human Resources & Corporate Services, UBS AG |
| 2018 – 2023 | Group Head Human Resources, UBS |
| 2016 – 2018 | Global Head Talent & Recruiting, UBS |
| 2014 – 2016 | Head HR UBS Switzerland and Global Head HR Group Control & CEO Functions, UBS |
| 2012 – 2016 | Head HR UBS Switzerland, UBS |
| 2011 – 2012 | Global Head HR Corporate Center, UBS |
| 2010 – 2011 | Visiting Professor, Nanyang Business School, Singapore |
| 2006 – 2011 | Department Head of Leadership and Communication, Swiss Military Academy, ETH Zurich |
| 2002 – 2006 | Assessment specialist, HR Transformation Manager and Global Lead for Human Capital Management Implementation Group Functions, Credit Suisse, Zurich and New York |

Education

- Master of Science (lic. Phil.), Educational Psychology, University of Fribourg
- PhD in Educational Psychology, University of Fribourg

Other activities and functions

- Member of the Executive Board of UBS AG
- Member of the Foundation Board of the UBS Swiss Pension Fund
- Member of the Board of Directors of Credit Suisse AG
- Member of the UBS Center for Economics in Society at the University of Zurich Foundation Council
- Chairman of the Foundation Board of the Swiss Finance Institute
- Member of the IMD Foundation Board
- Adjunct Professor for Leadership and Strategic Human Resource Management, Nanyang Technological University (NTU), Singapore



Todd Tuckner

Group Chief Financial Officer, member of the GEB since May 2023

Nationality: American (US) | **Year of birth:** 1965

Todd Tuckner was appointed to the GEB of UBS Group AG in May 2023 and became Group CFO after the acquisition of the Credit Suisse Group in June 2023. He was previously CFO and Head Business Performance and Risk Management for our Global Wealth Management business. Mr. Tuckner joined UBS in 2004 after working for KPMG for 17 years and has since held various leadership roles across the Group Finance function. He brings both an in-depth knowledge of UBS and experience across multiple areas of finance, including tax, controlling, accounting, reporting, risk management and business advisory.

Professional experience

| | |
|------------------|--|
| June 2023 – date | Group CFO, UBS Group AG and CFO, UBS AG |
| 2020 – 2023 | CFO and Head Business Performance and Risk Management, Global Wealth Management, UBS |
| 2016 – 2021 | Group Controller and Chief Accounting Officer, UBS |
| 2012 – 2019 | Group Finance COO, UBS |
| 2009 – 2012 | Group Head Tax & Accounting Policy, UBS |
| 2004 – 2009 | Group Head Tax – Americas, UBS |
| 1987 – 2004 | Various management positions, KPMG LLP, New York |

Education

- Bachelor's degree, economics, Princeton University
- MBA, accounting, New York University

Other activities and functions

- Member of the Executive Board of UBS AG

Change of control and defense measures

Our Articles of Association (the AoA) do not provide any measures for delaying, deferring or preventing a change of control.

Duty to make an offer

Pursuant to the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015, anyone who has acquired (whether directly, indirectly or in concert with third parties) more than 33⅓% of all voting rights of a company listed in Switzerland, whether such rights are exercisable or not, is required to submit a takeover offer for all listed shares outstanding. We have not elected to change or opt out of this rule.

Clauses on change of control

Neither the terms regulating the BoD members' mandate nor any employment contracts with GEB members or employees holding key functions within the Group contain change of control clauses.

All employment contracts with GEB members stipulate a notice period of six months. During the notice period, GEB members are entitled to their salaries and the continuation of existing employment benefits and may be eligible to be considered for a discretionary performance award based on their contribution during their tenure.

In case of a change of control, we may, at our discretion, accelerate the vesting of and / or relax applicable forfeiture provisions of employees' awards.

- › Refer to the "Compensation" section of this report for more information

Auditors

Audit is an integral part of corporate governance. While safeguarding their independence, the external auditors closely coordinate their work with Group Internal Audit (GIA). The Audit Committee and, ultimately, the BoD supervises the effectiveness of audit work.

- › Refer to "Board of Directors" in this section for more information about the Audit Committee

External independent auditors

The 2023 Annual General Meeting (the AGM) re-elected Ernst & Young Ltd (EY) as auditors for the Group for the 2023 financial year. The audit of the Group encompasses the consolidated results of Credit Suisse AG and its subsidiaries from the date of its acquisition on 12 June 2023. EY assumes virtually all auditing functions according to laws, regulatory requests and the AoA. Robert Jacob is the EY partner in charge of the overall coordination of the UBS Group financial and regulatory audits and the co-signing partner of the financial audit. In 2020, Maurice McCormick became the lead audit partner for the financial statement audit and has an incumbency limit of five years. In 2021, Hannes Smit became the Lead Auditor to the Swiss Financial Market Supervisory Authority (FINMA) with an incumbency limit of seven years. Daniel Martin has been the co-signing partner for the FINMA audit since 2019, with an incumbency limit of seven years.

PricewaterhouseCoopers AG served as auditors for Credit Suisse entities for the 2023 financial year. Following the election of auditors at the 2024 AGM, UBS Group intends to cause EY to be appointed as the auditors of Credit Suisse AG and its subsidiaries for the 2024 financial year.

During 2023, the Audit Committee held 14 meetings with the external auditors.

Review of UBS Group AG audit engagement

Mazars has been appointed as auditors of UBS Europe SE, an indirect subsidiary of UBS Group AG, as EU rules require to rotate its external auditors in the 2024 financial year. In connection with this required change, and in consideration of governance best practices, the BoD considered whether it would propose to shareholders a rotation of the Group auditor concurrent with the change at UBS Europe SE. Under the direction of the Audit Committee, UBS conducted a formal review of the Group audit engagement including soliciting proposals from potential auditors. In early 2022, based on the results of this assessment, the BoD decided to retain EY as the Group's external auditors.

Audit effectiveness assessment

The Audit Committee assesses the performance, effectiveness and independence of the external auditors on an annual basis. The assessment is generally based on interviews with senior management and survey feedback from stakeholders across the Group. Assessment criteria include quality of service delivery, quality and competence of the audit team, value added as part of the audit, insightfulness, and the overall relationship with EY. Based on its own analysis and the assessment results, including feedback received as part of the review of the Group audit engagement described above, the Audit Committee concluded that EY's audit has been effective.

Fees paid to external independent auditors

UBS Group AG and its subsidiaries (for 2023 including UBS AG and Credit Suisse AG) paid the following fees (including expenses) to their external independent auditors.

| USD m | For the year ended | |
|--|--------------------|-----------------------|
| | 31.12.23 | 31.12.22 ¹ |
| Audit | | |
| Global audit fees | 82 | 49 |
| Additional services classified as audit (services required by law or statute, including work of a non-recurring nature mandated by regulators) | 5 | 7 |
| Total audit | 87 | 56 |
| Non-audit | | |
| Audit-related fees | 11 | 11 |
| <i>of which: assurance and attestation services</i> | 6 | 6 |
| <i>of which: control and performance reports</i> | 5 | 5 |
| <i>of which: consultation concerning financial accounting and reporting standards</i> | 0 | 0 |
| Tax fees | 3 | 2 |
| All other fees | 6 | 1 |
| Total non-audit | 20 | 14 |

¹ As published in the Annual Report 2022 for UBS Group AG prior to the acquisition of the Credit Suisse Group.

Special auditors for potential capital increases

At the AGM on 8 April 2021, BDO AG was reappointed as special auditors for a three-year term of office. Special auditors provide audit opinions in connection with potential capital increases independently from other auditors.

Services performed and fees

The Audit Committee oversees all services provided to UBS by the external auditors. For services requiring the approval from the Audit Committee, a preapproval may be granted either for a specific mandate or in the form of a blanket preapproval authorizing a limited and well-defined type and scope of services. The fees (including expenses) paid to EY are set forth in the table above. In addition, EY received USD 31m in 2023 (USD 35m in 2022) for services performed on behalf of our investment funds, many of which have independent fund boards or trustees.

Audit work includes all services necessary to perform the audit for the Group in accordance with applicable laws and generally accepted auditing standards, as well as other assurance services that conventionally only the auditor can provide. These include statutory and regulatory audits, attestation services and the review of documents to be filed with regulatory bodies. The additional services classified as audit in 2023 included several engagements for which EY was mandated at the request of FINMA.

Audit-related work consists of assurance and related services traditionally performed by auditors, such as attestation services related to financial reporting, internal control reviews and performance standard reviews, as well as consultation concerning financial accounting and reporting standards.

Tax work involves services performed by professional staff in EY's tax division and includes tax compliance and tax consultation with respect to our own affairs.

"Other" services are permitted services, which include technical IT security control reviews and assessments.

Group Internal Audit

GIA performs the internal auditing role for the Group. It is an independent function that provides expertise and insights to confirm controls are functioning correctly and highlight where UBS needs to better manage current and emerging risks. In 2023, after the acquisition of the Credit Suisse Group, GIA operated with an average headcount of 1,009 full-time equivalent employees, including Credit Suisse employees.

GIA supports the BoD in discharging its governance responsibilities by taking a dynamic approach to audit, issue assurance and risk assessment, drawing attention to key risks in order to drive action to prevent unexpected loss or damage to the firm's reputation. To support the achievement of UBS's objectives, GIA independently, objectively and systematically assesses the:

- (i) soundness of the Group's risk and control culture;
- (ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and
- (iii) design, operating effectiveness and sustainability of:
 - processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy;
 - governance processes;
 - risk management, including whether risks are appropriately identified and managed;
 - internal controls, specifically whether they are commensurate with the risks taken;
 - remediation activities; and
 - processes to comply with legal and regulatory requirements, internal policies, and the Group's constitutional documents and contracts.

Audit reports that include significant issues are provided to the Group CEO, relevant GEB members and other responsible management. The Chairman, the Audit Committee and the Risk Committee of the BoD are regularly informed of such issues.

In addition, GIA provides independent assurance on the effective and sustainable remediation of control deficiencies within its mandate, taking a prudent and conservative risk-based approach and assessing at the issue level whether the root cause and the potential exposure for the firm have been holistically and sustainably addressed. GIA also cooperates closely with risk control functions and internal and external legal advisors on investigations into major control issues.

To ensure GIA's independence from management, the Head GIA reports to the Chairman of the BoD and to the Audit Committee, which assesses annually whether GIA has sufficient resources to perform its function, as well as its independence and performance. In the Audit Committee's assessment, GIA is sufficiently resourced to fulfill its mandate and complete its auditing objectives. GIA's role, position, responsibilities and accountability are set out in our Organization Regulations and the Charter for GIA, available at ubs.com/governance. GIA has unrestricted access to all accounts, books, records, systems, property and personnel, and must be provided with all information and data that it needs to fulfill its auditing responsibilities. GIA also conducts special audits at the request of the Audit Committee, or other BoD members, committees or the Group CEO in consultation with the Audit Committee.

GIA enhances the efficiency of its work through coordination and close cooperation with the external auditors.

Information policy

We provide regular information to our shareholders and to the wider financial community.

Financial reports for UBS Group AG are expected to be published on the following dates:

| | |
|---------------------|-----------------|
| First quarter 2024 | 7 May 2024 |
| Second quarter 2024 | 31 July 2024 |
| Third quarter 2024 | 30 October 2024 |

The annual general meetings of the shareholders of UBS Group AG will take place on the following dates:

| | |
|------|---------------|
| 2024 | 24 April 2024 |
| 2025 | 11 April 2025 |

› Refer to the corporate calendar available at ubs.com/investors for the dates of the publication of financial reports and other key dates, including the dates of the publication of UBS AG's financial reports

We meet with institutional investors worldwide throughout the year and regularly hold results presentations, attend and present at investor conferences, and, from time to time, host investor days. When appropriate, investor meetings are hosted by senior management and are attended by members of our Investor Relations team. We use various technologies, such as webcasting, audio links and cross-location videoconferencing, to widen our audience and maintain contact with shareholders globally.

We make our publications available to all shareholders simultaneously to provide them with equal access to our financial information.

Our annual and quarterly publications are available in a fully digital and .pdf format at ubs.com/investors, under “Financial information.” We no longer provide printed copies of our Annual Report and our Compensation Report in any language.

- › Refer to ubs.com/investors for a complete set of published reporting documents and a selection of senior management industry conference presentations
- › Refer to the “Information sources” section of this report for more information
- › Refer to “Corporate information” and “Contacts” of this report for more information

Financial disclosure principles

We fully support transparency and consistent and informative disclosure. We aim to communicate our strategy and results in a manner that enables stakeholders to gain a good understanding of how our Group operates, what our growth prospects are, and the risks that our businesses and our strategy entail. We assess feedback from analysts and investors on a regular basis and, where appropriate, reflect this in our disclosures. To continue achieving these goals, we apply the following principles in our financial reporting and disclosure:

- *transparency* that enhances the understanding of economic drivers and builds trust and credibility;
- *consistency* within each reporting period and between reporting periods;
- *simplicity* that allows readers to gain a good understanding of the performance of our businesses;
- *relevance*, by focusing not only on what is required by regulation or statute but also on what is relevant to our stakeholders; and
- *best practice* that leads to improved standards.

We regard the continuous improvement of our disclosures as an ongoing commitment.

Financial reporting policies

We report our Group’s results for each financial quarter, including a breakdown of results by business division and disclosures or key developments relating to risk management and control, capital, liquidity and funding management. Each quarter, we publish quarterly financial reports for UBS Group AG, on the same day as the earnings releases.

The consolidated financial statements of UBS Group AG and UBS AG are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

- › Refer to “Note 1 Summary of material accounting policies” in the “Consolidated financial statements” section of this report for more information about the basis of accounting

We are committed to maintaining the transparency of our reported results and allowing analysts and investors to make meaningful comparisons with prior periods. If there is a major reorganization of our business divisions or if changes to accounting standards or interpretations lead to a material change in the Group’s reported results, our results are restated for previous periods as required by applicable accounting standards. These restatements show how our results would have been reported on the new basis and provide clear explanations of all relevant changes.

US disclosure requirements

As a foreign private issuer, we must file reports and other information, including certain financial reports, with the US Securities and Exchange Commission (the SEC) under the US federal securities laws.

An evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a–15e) under the US Securities Exchange Act of 1934 has been carried out, under the supervision of management, including the Group CEO, the Group CFO and the Group Controller and Chief Accounting Officer. Based on that evaluation, the Group CEO and the Group CFO concluded that our disclosure controls and procedures were effective as of 31 December 2023. No significant changes have been made to our internal controls or to other factors that could significantly affect these controls subsequent to the date of their evaluation. Management has excluded Credit Suisse, which UBS acquired in 2023, from the scope of its assessment of internal control over financial reporting, as permitted by SEC guidance for acquired businesses.

- › Refer to the “Consolidated financial statements” section of this report for more information

Compensation

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Compensation



Julie G. Richardson
Chairperson of the
Compensation Committee
of the Board of Directors

Dear Shareholders,

The Board of Directors (the BoD) and I wish to thank you for your support once again at last year's Annual General Meeting (the AGM) and for sharing your views on our compensation practices over the past year.

Throughout 2023, the BoD Compensation Committee continued to oversee the compensation process, aiming to ensure that reward reflects performance, risk-taking is appropriate and employees' interests are aligned with those of our stakeholders. As the Chairperson of the Compensation Committee, I am pleased to present our Compensation Report for 2023.

A cornerstone year in terms of integrating Credit Suisse while achieving underlying profitability

2023 was one of the most defining years in the firm's long history with the acquisition of the Credit Suisse Group. Our accomplishments and achievements in 2023 were extensive. Our strategy, focused on delivering outstanding client services, sustainable profitability, financial strength and sound risk management, supported the successful navigation through a period of significant change and uncertainty. The acquisition of the Credit Suisse Group further expands our market leading client franchise and creates significant value for our shareholders.

- We were called on to acquire the Credit Suisse Group and have subsequently stabilized their client franchise, risk management and operations. We have further grown our combined franchise through new client acquisition and share-of-wallet gains, as well as the continued success of our client retention and client win-back strategy. Clients have entrusted us with USD 77bn of net new assets since the closing of the acquisition and have relied on our advice in a challenging geopolitical environment. We have made significant progress with the integration, strengthening our position as a leading global wealth manager, including completing the acquisition within three months, making key management appointments and taking steps toward an integrated and unified bank.
- While focused on the intense work of integrating Credit Suisse, we achieved underlying profitability at Group level despite the challenging macroeconomic environment marked by global concerns about interest rates and economic growth. We stayed close to our clients, helping them to navigate uncertainties and maintaining their trust in our products and offerings.
- We have formulated our strategy and integration goals for the next three years and indicated what an even stronger UBS can sustainably deliver in the long term. While there is much to be done, we have set out the course to successfully deliver on our integration plans and have assembled the resources and talent to make that happen.

We are optimistic about our future as we build an even stronger version of the UBS that was called upon to stabilize the Swiss financial system in March 2023 and one that all of our key stakeholders can be proud of.

› Refer to the "Acquisition and integration of Credit Suisse" section of this report for further details about our integration efforts

Executing an integrated one firm approach to performance, promotion and compensation

- We executed an integrated year-end process with all employees subject to one unified system leveraging the long-standing UBS approach to performance, promotion and compensation. This is a significant milestone for our combined firm, and is aimed at accelerating our cultural journey.
- In terms of aligning the cultures of the two firms, our performance management approach – with its focus on impact and outcomes, consideration of both objectives and behaviors (reflecting both the what and the how), emphasis on sustainable high performance, and the resulting link to compensation decisions – is paramount to employees understanding what matters most and working together to deliver the firm's strategic and integration objectives.
- In line with our existing commitment to fair pay and diversity, equity and inclusion, we took great care to support fairness and equity across the organization, with a focus on like-for-like outcomes for comparable roles and performance across the Group.
- In light of the ongoing integration of Credit Suisse, we also considered the complexity of the transaction, as well as the need to retain key talent, support pay fairness across the entire organization and stabilize the franchise during the integration period via our compensation decisions. While many of the synergies of the transaction relate to rightsizing the overall headcount of the company, the upside potential of the transaction will not be realized if we cannot also retain the right talent throughout the organization during the transition and thereafter.

Key acquisition-related accomplishments

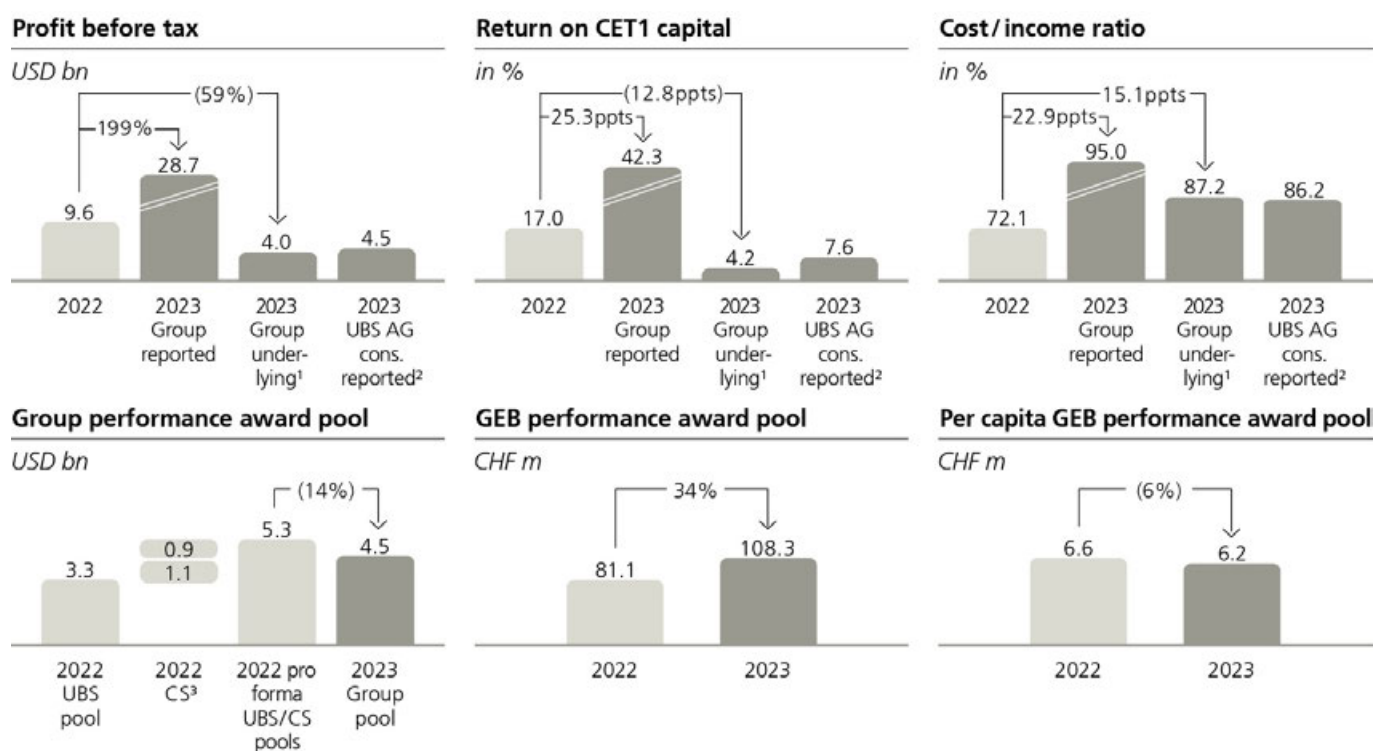
In 2023, we made tremendous progress with the integration of Credit Suisse. Following the announcement of the acquisition of the Credit Suisse Group, we focused on stabilizing the client franchise, managing risks and bringing operational stability to Credit Suisse. Key accomplishments include the following.

- Closing the transaction in three months.
- Delivering an early repayment of the Public Liquidity Backstop and Emergency Liquidity Assistance Plus and returning the Loss Protection Agreement.
- Achieving around USD 4bn in exit rate gross cost savings (compared with full year 2022 for combined UBS and Credit Suisse), as we restructured our operations and continued to optimize our cost base by leveraging synergies between the combined entities.
- Accelerating the wind-down of Non-core and Legacy by reducing risk-weighted assets by USD 12bn since finalizing its perimeter in the second quarter of 2023, releasing over USD 1.5bn of common equity tier 1 (CET1) capital.
- Re-composing and augmenting the Group Executive Board (the GEB) to successfully support the integration.

Financial Performance

Our performance in 2023 reflected the costs from the integration of Credit Suisse, the challenging operating conditions for the financial industry, and the uncertainty and market volatility resulting from continued geopolitical tensions. On a consolidated basis, reported profit before tax was USD 28,739m, including USD 27,748m of negative goodwill related to the acquisition, as well as integration-related expenses of USD 4,478m, and negative goodwill related pull to par accretion and other purchase price allocation effects. On an underlying basis, pre-tax profit for the combined businesses was USD 3,963m.

› Refer to the “Financial and operating performance” section of this report for further details about the Group and business division performance



Commitment to return capital to shareholders

Capital strength is a key pillar of our strategy, and we remain committed to maintaining a balance sheet for all seasons. The year-end CET1 capital ratio was 14.4%, and the CET1 leverage ratio was 4.6%, both in excess of our guidance of ~14% and >4.0%, respectively. For 2023, the Board of Directors plans to propose a dividend to UBS Group AG shareholders of USD 0.70 per share. We remain committed to progressive dividends and are accruing for a mid-teen percentage increase in the dividend per share for the 2024 financial year.

In 2023, we bought back USD 1.3bn of shares before we announced the acquisition, at which point we paused our share repurchases. In 2024, we expect to repurchase up to USD 1bn of shares, commencing after the merger of the UBS AG and Credit Suisse AG legal entities, which is expected before the end of the second quarter of the year. Our ambition is for share repurchases to exceed our pre-acquisition levels by 2026.

2023 Group performance award pool

Over the past years, our performance award pool has consistently reflected our pay-for-performance philosophy and our disciplined approach in managing compensation over business cycles and in alignment to shareholder interests. Accordingly, we carefully assessed the financial results and excluded both the positive and negative one-time financial impacts of the acquisition of the Credit Suisse Group.

The table below provides more information on the key factors we considered for the UBS sub-group and the Credit Suisse sub-group when determining the performance award pool. Overall, it was important to balance like-for-like pay outcomes for comparable roles and performance to support the long-term value creation of the integrated franchise.

2023 Group performance award pool development

| | |
|--------------------------------|--|
| UBS sub-group | <ul style="list-style-type: none">– Reflects our usual pay-for-performance approach beginning with the financial results for the UBS sub-group.– In addition to financial business performance, we regularly consider individual business-related measures, risk and remediation activities as well as competitive market considerations. |
| Credit Suisse sub-group | <ul style="list-style-type: none">– Given the extraordinary circumstances, we were not able to apply our usual process to determine the Credit Suisse pool. We considered other factors, such as the need to retain key talent to support realization of the value of our investment, support pay fairness across the entire organization and stabilize the franchise during the integration period.– We also considered that 2022 compensation for the Credit Suisse Group reflected a significantly reduced variable compensation pool compared with 2021 awards including other variable compensation. |

We further balanced our performance award pool decisions with specific retention awards delivered in both deferred cash and deferred equity. As in most merger situations, these retention awards were a necessary step to support the protection of the client franchise, risk management and operational stability. Furthermore, to support our client win-back strategy and promote client growth, we also introduced a client-acquisition and retention award for certain producers, which is fully deferred and the final value is linked to the retention of client assets. Retention efforts were targeted and limited to certain client roles and critical roles necessary to support operational stability. Overall, the amounts of USD 736m are modest by industry standards for an integration of this magnitude. These awards account for 3% of our total personnel expenses recognized in 2023.

The UBS compensation framework and approach provides competitive pay for performance, further supporting operational stability going forward. Our decisions continue to reflect our diligent approach to considering a balanced allocation of profit between shareholders and employees over the cycle, as well as supporting strong capital returns, including reflecting the appropriate risk awareness in our business decisions.

Based on the factors above, the 2023 group performance award pool was USD 4.5bn, a reduction of 14% compared with the pro forma aggregate 2022 pool of USD 5.3bn for the combined entities (which includes the UBS performance award pool, the Credit Suisse variable incentive compensation pool and other variable compensation awards related to the 2022 performance year).

The GEB pool overall increased by 34% to CHF 108m, which reflected the changes in GEB composition to support the merger, including the addition of four GEB members. The GEB per capita performance award decreased by 6% compared with the previous year.

Separately, we are also grateful for certain members of the BoD who took on additional board roles in significant subsidiary entities. These nominations were critical to providing strong governance and oversight of the newly acquired subsidiaries, particularly prior to the merger of these legal entities with their UBS counterparts. This approach ensures parent company board representation that otherwise would not have existed and promotes governance in line with UBS Group AG's governance principles.

Continuity of our overall compensation framework

Following a comprehensive annual review, we confirmed that our Total Reward Principles and overall compensation framework continue to be aligned with our purpose and remain relevant to the Group's commitment to delivering long-term shareholder value. It is imperative that our pay approach equally recognizes and supports the economic and cultural integration of Credit Suisse to create long-term value for the combined firm.

Overall, the compensation framework for all employees, including the GEB, remains broadly unchanged. With respect to the equity component of our deferred compensation plan, we have historically granted the GEB equity with performance conditions and a payout that varies depending on the performance of the company (the Long-Term Incentive Plan (LTIP)), while other employees have received shares with time vest requirements only (the Equity Ownership Plan (EOP)). During the integration period, we have expanded the group that will receive LTIP (in replacement of EOP) to include Managing Directors (MDs) reporting to the GEB and their direct reports at MD level. This will further align the long-term focus of a broader group of senior leaders with shareholders while supporting appropriate risk taking and awareness.

Going forward, we will continue to monitor market practice and regulatory developments and, as part of our annual review, make any modifications required to ensure our Total Reward Principles and compensation framework remain aligned with the interests of our shareholders.

The 2024 Annual General Meeting

At the 2024 AGM on 24 April, we will seek your support on the following compensation-related items:

- the maximum aggregate amount of compensation for the BoD for the period from the 2024 AGM to the 2025 AGM;
- the retroactive incremental amount of compensation for the BoD for the period from the 2023 AGM to 2024 AGM
- the maximum aggregate amount of fixed compensation for the GEB for 2025;
- the aggregate amount of variable compensation for the GEB for 2023; and
- shareholder endorsement in an advisory vote for this Compensation Report.

On behalf of the Compensation Committee and the BoD, I thank you again for your feedback and we respectfully ask for your continued support at the upcoming AGM.



Julie G. Richardson
Chairperson of the Compensation Committee of the
Board of Directors

2023 key compensation themes

The feedback that we seek from our shareholders about compensation-related topics is very important to us, as we are committed to maintaining a strong link between the interests of our employees and those of our shareholders. We continued engaging with shareholders during 2023 and received overall positive feedback about our compensation framework. The below summarizes key compensation themes for 2023 and provides answers to the questions we most frequently receive from shareholders.

Summary of 2023 key compensation themes / responses to frequently asked questions

How did the failure of the Credit Suisse Group impact deferred compensation of Credit Suisse Group employees?

On 19 March 2023, we announced the acquisition of the Credit Suisse Group. Until that date, the value of the outstanding deferred compensation of Credit Suisse Group employees had already been negatively impacted by the significant decline in the price of Credit Suisse Group shares.

Furthermore, on 23 May 2023, the Federal Department of Finance (the FDF) issued an order canceling or reducing the outstanding unvested variable remuneration for the top levels of management of the Credit Suisse Group. In addition, the Swiss Financial Market Supervisory Authority (FINMA) ordered the cancellation of outstanding contingent capital awards (CCA) in line with the write-down of Credit Suisse additional tier 1 (AT1) debt.

The following charts provide an overview of the total change in the value of Credit Suisse deferred compensation awards in accordance with share price movements and the FDF- and FINMA-canceled amounts.

- Approximately CHF 2.8bn (a decrease of 75% compared with the initial grant value) of deferred compensation was lost by Credit Suisse Group employees. After the cancellations, CHF 947m remained outstanding, including awards that continued to be at risk, subject to the achievement of performance conditions, and subject to malus or clawback provisions.
- Of the CHF 2.8bn mentioned above, approximately CHF 1.4bn (a decrease of 94% compared with the initial grant value) of deferred compensation was lost by Credit Suisse Group employees impacted by the FDF- and FINMA-related cancellations, leaving a remaining value of CHF 87m (including awards that continued to be at risk as described above).

Change in the value of Credit Suisse Group deferred compensation awards

All awards of former Credit Suisse Group employees



Awards in scope of FDF- and FINMA-related cancellations



Notes:

Unless otherwise stated, all data are based on awards outstanding per 18 May 2023.

¹ Based on the 19th March 2023 merger offer share price of CHF 0.76. ² Value of CCA write-down amounts are based on CCA valuation as at 28 February 2023. ³ Includes awards that continued to be at risk, subject to the achievement of performance conditions, and subject to malus or clawback provisions.

Overall, these reductions of CHF 2.8bn in the value of deferred compensation demonstrate the impact of negative business developments, risk events and share price movements.

What is the impact of the Federal Department of Finance order on UBS?

On 11 August 2023, UBS voluntarily terminated the CHF 9bn loss protection agreement (the LPA) and the public liquidity backstop (the PLB) with the Swiss National Bank of up to CHF 100bn, guaranteed by the Swiss government. After reviewing all assets covered by the LPA since the closing of the transaction involving the acquisition of the Credit Suisse Group in June 2023 and taking the appropriate fair value adjustments, UBS concluded that the LPA was no longer required.

All loans under the PLB were fully repaid by the Credit Suisse Group as of the end of May 2023 and Credit Suisse AG fully repaid outstanding Emergency Liquidity Assistance Plus loans on 10 August 2023.

Due to the termination of the LPA and release of the guarantee, the implementation of the UBS-related FDF order was no longer required. Nevertheless, our analysis had confirmed that the key aspects related to the remuneration system requirements under the FDF order were already embedded in our Total Reward Principles and compensation framework. This relates in particular to consideration of both financial and non-financial performance, including risk considerations.

Why is UBS seeking retroactive approval for an incremental Board of Directors compensation amount of CHF 2.2m?

As a result of the integration of Credit Suisse, in 2023 we expanded the roles of certain members of the Board of Directors of UBS Group AG (the BoD) to take on additional responsibilities in the boards of directors of significant subsidiary entities. These nominations were and remain critical to providing strong governance and oversight of the subsidiaries, in a manner consistent and in compliance with UBS Group AG's governance principles, as well as to facilitating the integration of Credit Suisse entities into UBS. As the integration progresses, we will continue to review the composition of the boards of directors of significant entities. Without these appointments, UBS would not have had parent company board representation on these significant subsidiary entities and would have had difficulty maintaining legally required independent roles across all entities.

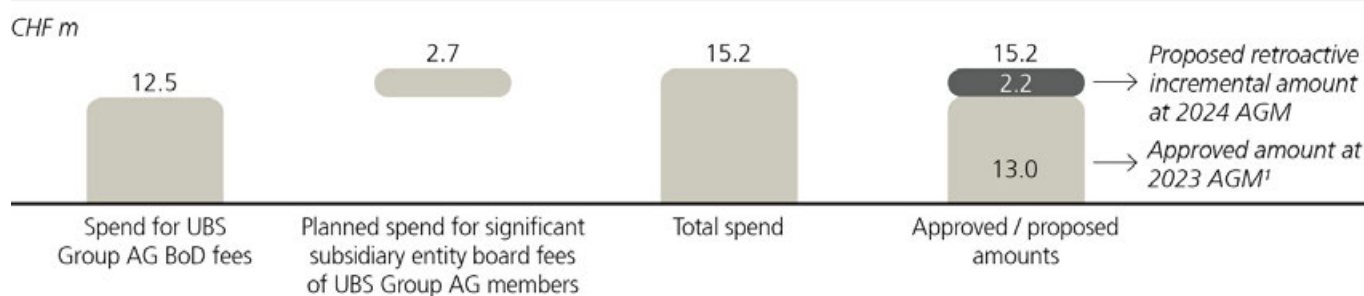
- Lukas Gähwiler was appointed as chairman of Credit Suisse AG.
- Jeremy Anderson was nominated as vice chairman of Credit Suisse AG and chair of the audit committee of Credit Suisse AG and, in addition, appointed as a member of the board of directors of Credit Suisse International (UK).
- Mark Hughes was appointed as a member of the board of directors of Credit Suisse AG, a member of the risk committee of Credit Suisse AG and, effective 1 December 2023, chair of the risk committee of that board. In addition, Mr. Hughes was appointed as a member of the board of directors of UBS Americas Holding LLC.

Considering the significant increase in the scope, responsibility and complexity of their mandate, these three BoD members will be entitled to receive additional board fees aligned with other non-executive directors on the respective subsidiary entity boards.

Neither the acquisition of the Credit Suisse Group nor the appointments to subsidiary board roles were anticipated when the maximum amount for BoD fees of CHF 13m was submitted at the 2023 Annual General Meeting (the AGM). As a result, while the spend for the BoD of UBS Group AG is within the approved amount, at the 2024 AGM we will request that the shareholders approve a retroactive incremental amount of CHF 2.2m for the period from the 2023 AGM to the 2024 AGM to support the additional subsidiary board fees amount that exceeds the original approval at the 2023 AGM. The payment of these subsidiary board fees is therefore subject to shareholder approval.

As a reminder, shareholders of UBS Group AG and Credit Suisse Group AG had approved at their respective 2023 AGM an aggregate amount for board of director compensation of combined total CHF 26m. The estimated total BoD spend in the period from the 2023 AGM to the 2024 AGM is CHF 18.1m, of which CHF 15.2m for the Board of Directors of UBS Group AG (as shown in the chart below) and the remaining amount for the board of directors of Credit Suisse Group AG (pre-merger close) and Credit Suisse AG (post-merger close). As a result, the overall BoD spend is CHF 7.9m lower compared with the combined approved aggregate amount.

Approved UBS Group AG BoD compensation and spend for the period from the 2023 AGM to the 2024 AGM



¹ Does not include the amount of CHF 13m for Credit Suisse Group AG BoD fees approved at Credit Suisse AGM 2023.

How did UBS adjust reported financial results to calculate the Group and GEB performance award pools as well as the LTIP 2020/21 valuation?

The Compensation Committee determined to use UBS sub-group results as the starting point but made adjustments to exclude both the positive and negative one-time financial impacts of the acquisition of the Credit Suisse Group. The specific adjustments include the impact of gains on the transaction, which means the negative goodwill, or gain, of USD 27.7bn had no impact on the Group and GEB performance award pools or the 2020 LTIP achievement level. Other adjustments relate to factors such as integration- and acquisition-related costs, increased CET1 capital requirements, and the exclusion of certain unplanned one-off items that would otherwise not have occurred, including higher litigation costs. These cumulative negative adjustments from reported results reflect the rigorous internal review as well as the judgment of the Compensation Committee. We have applied these adjustments in our considerations of pay and performance across the Group, including for the GEB, and, as a net result, the achievement level of the 2020/21 LTIP is below the maximum of 100%.

What is the impact of the integration on outstanding deferred compensation plans across both entities?

After the acquisition, the outstanding deferred compensation of both UBS and Credit Suisse employees generally continues to vest according to the original plan delivery schedule and subject to applicable performance conditions.

UBS conducted a detailed review of Credit Suisse's deferred compensation plans and aligned the performance metrics to those of UBS deferred compensation plans where applicable. Furthermore, where applicable, share-based plans of Credit Suisse were converted reflecting the merger conversion rate, to align with the Credit Suisse shareholder experience.

This approach underlines our philosophy to align the interests of employees with those of shareholders. Furthermore, it demonstrates a consistent treatment of employees with outstanding deferred compensation awards and ultimately supports operational stability and the economic and cultural integration of Credit Suisse.

What retention activities have supported the integration of Credit Suisse into UBS?

Performance management and reward play an important part in supporting the economic and cultural integration of Credit Suisse into UBS. We have therefore reviewed our Total Reward Principles and confirmed that they remain fully aligned with our purpose and support our strategic objectives. In the short-to-medium term, they also enable UBS to drive the economic and cultural integration of Credit Suisse and the long-term value creation of the combined firm.

Furthermore, we have swiftly implemented an integrated performance and reward year-end process for the combined firm, which supports our sustainable high performance culture and reflects our well-established approach to pay for performance. The compensation decisions for all employees were governed by the same Total Reward Principles. This integrated approach supported a one-firm employee experience and our emphasis on like-for-like outcomes for comparable performance and roles.

To support operational stability, manage risks and protect the client franchise, we have deployed specific additional measures. Retention awards were delivered in both deferred cash and deferred equity awards. Furthermore, to support our client win-back strategy and promote client growth, we also introduced a client acquisition and retention award for certain producers, which is fully deferred and the final value is linked to the retention of client assets. Retention efforts were targeted and limited to certain client roles and critical roles necessary to support operational stability. Overall, the amounts of USD 736m are modest by industry standards for an integration of this magnitude. These retention awards account for 3% of our total personnel expenses recognized in 2023.

In addition, we provided indications of 2023 incentive levels to a number of Credit Suisse employees, primarily in client-facing roles, to emphasize that their compensation going forward would reflect appropriate levels of pay for performance. The UBS compensation framework and approach provides competitive pay for performance, further supporting stability going forward. Beyond financial compensation-related measures, our merger-related activities included non-financial aspects, such as a broad-based communication approach with Credit Suisse employees.

How did UBS support employees during the integration process?

Supporting employee health and well-being remained a priority in 2023. Resources to support holistic well-being included a range of programs, benefits and workplace resources, along with a bespoke eLearning curriculum that aimed to help our employees manage their health, foster well-being, strengthen their resilience and support the sustainability of the organization. In the context of the integration of Credit Suisse, we expanded our offering to include guidelines and instructor-led sessions on managing organizational change, uncertainty and resilience.

In 2023, we announced that existing social plans or support during redundancy at UBS and Credit Suisse had been aligned globally (where applicable) to ensure that all employees were treated equally.

As an example, employees in the Swiss labor market affected by the restructuring are entitled to a program with a key focus on redeployment within UBS, and we have significantly increased the budget for education and training. Outside of the Swiss labor market, we provide severance payments that are governed by location-specific severance policies. At a minimum, we offer severance terms which comply with the applicable local laws. In many locations, we may provide severance packages negotiated with our local social partners that go beyond these minimum legal requirements or offer additional time in order to find a new position. In certain locations, we may also offer redeployment support from our internal recruiters or via external outplacement firms for employees affected by redundancies.

Did UBS change the compensation framework for 2023?

We are convinced that our compensation framework remains best-in-class for our industry. Therefore, it remained broadly unchanged for 2023. The compensation approach reflects a substantial deferral into equity- and debt-based vehicles that support alignment with our shareholders and debtholders. Furthermore, the vesting period over five years remains one of the longest in the industry, providing for long employment and performance conditions.

For 2023, we will award the equity-aligned portion of compensation as part of the Long-Term Incentive Plan (LTIP, as a replacement for the EOP) for the GEB and Managing Directors (MDs) reporting to the GEB and their direct reports at MD level. These senior leaders receive the equity portion of their 2023 performance award in LTIP to support delivering on our ambitious integration goals and business / financial targets. This further mitigates the need for a distinct integration award typical for a transaction of this nature.

What has changed in the 2023 LTIP (awarded in 2024)?

We maintain our overall LTIP with the same two equally weighted performance metrics (reported RoCET1 and relative Total Shareholder Return (rTSR)) over a three-year performance period, while making adjustments to the performance range of the RoCET1 metric.

For the 2023 LTIP award (granted in 2024), the reported RoCET1 metric reflects the impact of the acquisition and our ambitious integration objectives, as well as the communicated financial ambitions over the cycle. As a consequence, we continue to use the reported basis for our RoCET1 metric, as this also considers the underlying business results and integration costs. For the 2023 performance year, we awarded the LTIP at a value of 50% of the maximum, to further align the maximum opportunity with the stretching nature of our financial ambitions.

The maximum reported RoCET1 of 10% corresponds with a 100% payout aligned with our stretch target. In contrast, the minimum reported RoCET1 of 5% corresponds with a 33% payout aligned with sustainable results in the context of the integration. Below the threshold of 5% reported RoCET1, the award is subject to full forfeiture.

The unchanged rTSR performance range of ± 25 percentage points of UBS TSR compared with a peer group index TSR continues to demonstrate our ambition of delivering attractive relative returns to shareholders. The peer group consists of all listed Global Systemically Important Banks, which were independently defined by the Financial Stability Board in 2023, and reflects companies with a comparable risk profile and impact on the global economy.

During the integration period, we have expanded the group that will receive LTIP to include Managing Directors (MDs) reporting to the GEB and their direct reports at MD level. We will continue to review the LTIP design, including the RoCET1 performance range, in consideration of our integration progress and financial ambitions.

What is the achievement level of the LTIP granted in 2021 for 2020 performance?

The deferred portion of the performance award granted in 2021 (for the 2020 financial performance year) to members of the GEB and selected senior management was in part delivered through the LTIP award. The three-year performance period concluded at the end of 2023, with the 2020 LTIP achieving 92.55% of the maximum opportunity (of up to 100%).

As explained above, the Compensation Committee made certain adjustments to the financial results used to determine the 2020 LTIP achievement level. As noted, if the Compensation Committee had not made these adjustments but had applied reported UBS Group AG financial results, the achievement level would have been 100%.

We believe alignment of our senior leadership with our shareholders is important for long-term success. Our LTIP is designed to support alignment of compensation with the execution of our strategy, financial performance and long-term growth.

Performance achievement for the 2020 LTIP awarded in 2021

| Performance metrics | Performance metric outcome | | 2020 LTIP achievement level | | |
|--|----------------------------|---------------------|------------------------------------|---------|--|
| | Threshold | Maximum | Threshold | Maximum | |
| RoCET1 (Weight: 50%) | 6% | 18% | 33% | 100% | <div style="border: 1px solid gray; padding: 5px; width: fit-content;"> Outcome below threshold: full forfeiture </div> <div style="border: 1px solid gray; padding: 5px; width: fit-content; margin-top: 10px;"> Outcome above maximum: achievement capped at 100% </div> |
| | Outcome: 15.3% | | Achievement: 85.1% | | |
| rTSR (Weight: 50%) | -25ppts | +25ppts | 33% | 100% | |
| | | Outcome: +75.36ppts | Achievement: 100% | | |
| Overall 2020 LTIP achievement level | | | Overall achievement: 92.55% | | |

Say-on-pay

Say-on-pay votes at the AGM

In line with the Swiss Code of Obligations, we seek binding shareholder approval for the aggregate compensation awarded to the Group Executive Board (the GEB) and the Board of Directors (the BoD). Prospective approval of the fixed compensation of the BoD and GEB provides the firm and its governing bodies with the certainty needed to operate effectively. Retrospective approval of the GEB's variable compensation aligns their compensation with performance and contribution.

The table below outlines our compensation proposals, including supporting rationales, that we plan to submit to the 2024 Annual General Meeting (the AGM) for binding votes, in line with the Swiss Code of Obligations and our Articles of Association.

These binding votes on compensation and the advisory vote on our Compensation Report reflect our commitment to shareholders having their say on pay.

- › Refer to **"Provisions of the Articles of Association related to compensation"** in the **"Supplemental information"** section of this report for more information

Audited |

Approved GEB fixed compensation and BoD compensation

At the 2022 AGM, the shareholders approved a maximum aggregate fixed compensation amount of CHF 33.0m for GEB members for the 2023 performance year. This budget reflects base salaries, role-based allowances in response to EU Capital Requirements Directive V, and estimated standard contributions to retirement benefit plans, as well as other benefits. The aggregate fixed compensation paid in 2023 to GEB members was below the approved amount for 2023.

At the 2023 AGM, the shareholders approved a maximum aggregate amount of compensation of CHF 13.0m for the members of the BoD for the period from the 2023 AGM to the 2024 AGM. At the 2024 AGM, we will ask shareholders to exceptionally approve a retroactive incremental amount of CHF 2.2m of BoD compensation for the period from the 2023 AGM to the 2024 AGM as outlined below. ▲

- › Refer to **"2023 total compensation for the GEB members"** in the **"Compensation for GEB members"** section of this report
- › Refer to **"Remuneration details and additional information for BoD members"** in the **"Compensation for the Board of Directors"** section of this report

Compensation-related proposals for binding and advisory votes at the 2024 AGM

| Item | Approved at the 2023 AGM | BoD proposals for the 2024 AGM | Rationale |
|---|--|--|--|
| GEB variable compensation | Shareholders approved CHF 81,100,000 for the 2022 financial year ^{1,2,3} (vote "for": 87.1%) | The BoD proposes an aggregate amount of variable compensation of CHF 108,286,300 for the members of the GEB for the 2023 financial year. | In 2023, we added four GEB members to successfully support the integration. The GEB performance award pool takes into account the changes in GEB composition and reflects the significant progress in the integration, including bringing operational stability to Credit Suisse after the announcement of the acquisition. It also reflects that the Group achieved underlying profitability following the closing of the acquisition and maintained the Group's strong capital position. On a per capita basis, the GEB performance award pool decreased by 6%. |
| GEB fixed compensation | Shareholders approved CHF 33,000,000 for the 2024 financial year ^{1,2,3} (vote "for": 89.3%) | The BoD proposes a maximum aggregate amount of fixed compensation of CHF 33,000,000 for the members of the GEB for the 2025 financial year. | The proposed amount is unchanged compared with last year despite the increase in the number of GEB members in 2023. It further reflects unchanged base salaries for the Group CEO and other GEB members. Besides the base salaries, the amount also includes estimated standard contributions to retirement benefit plans, as well as other benefits. The proposed amount provides flexibility in light of potential changes of GEB composition or roles, competitive considerations as well as other factors (e.g., changes in FX rates or benefits). |
| BoD compensation | n. a. | The BoD proposes an incremental amount of compensation of CHF 2,200,000 for the members of the BoD for the period from the 2023 AGM to the 2024 AGM. | As a result of the integration of Credit Suisse, in 2023 we expanded the roles of certain members of the Board of Directors of UBS Group AG to take on additional responsibilities in the boards of directors of significant subsidiary entities. These nominations are critical to providing strong governance and oversight of the subsidiaries, in a manner consistent and in compliance with UBS Group AG's governance principles, as well as to facilitating the integration of Credit Suisse entities into UBS. Neither the acquisition of the Credit Suisse Group nor the appointments to subsidiary board roles were anticipated when the maximum amount for BoD fees of CHF 13m was submitted at the 2023 AGM. As a result, while the spend for the BoD of UBS Group AG is within the approved amount, we propose that shareholders approve a retroactive incremental amount of CHF 2.2m for the period from the 2023 AGM to the 2024 AGM to support the additional subsidiary board fees amount that exceeds the original approval at the 2023 AGM. As a reminder, shareholders of UBS Group AG and Credit Suisse Group AG had approved at their respective 2023 AGM an aggregate amount for board of director compensation of combined total CHF 26m. The estimated total BoD spend in the period from the 2023 AGM to the 2024 AGM is CHF 18.1m, of which CHF 15.2m for the Board of Directors of UBS Group AG and the remaining amount for the board of directors of Credit Suisse Group AG (pre-merger close) and Credit Suisse AG (post-merger close). As a result, the overall BoD spend is CHF 7.9m lower compared with the combined approved aggregate amount. |
| | Shareholders approved CHF 13,000,000 for the period from the 2023 AGM to the 2024 AGM ^{1,2,4} (vote "for": 88.0%) | The BoD proposes a maximum aggregate amount of compensation of CHF 16,500,000 for the members of the BoD for the period from the 2024 AGM to the 2025 AGM. | The proposed amount reflects all BoD fees, including the total compensation of the Chairman and the Vice Chairman role, as well as subsidiary fees of certain UBS Group AG members for their mandates in significant subsidiary entities. The overall amount is higher compared with the previous period which reflects the fees to certain BoD members for their continued critical roles in the board of directors of significant subsidiary entities. It also includes a higher fee for the Chairman to reflect the significantly increased scope, responsibility and complexity following the acquisition of Credit Suisse. The fees for other BoD members including the Vice Chairman remain unchanged. |
| Advisory vote on the Compensation Report | Shareholders approved the UBS Group AG Compensation Report 2022 in an advisory vote (vote "for": 85.6%) | The BoD proposes that the UBS Group AG Compensation Report 2023 be ratified in an advisory vote. | Our Total Reward Principles and overall compensation framework continue to be aligned with our purpose and remain relevant to the Group's commitment to delivering long-term shareholder value. It is imperative that our pay approach equally recognizes and supports the economic and cultural integration of Credit Suisse to create long-term value for the combined firm. Overall, the compensation framework for all employees, including the GEB, remains broadly unchanged and our decisions continue to reflect our diligent approach to considering a balanced allocation of profit between shareholders and employees over the cycle, as well as supporting strong capital returns, including reflecting the appropriate risk awareness in our business decisions. |

¹ Local currencies are converted into Swiss francs at the 2023 performance award currency exchange rates. ² Excludes the portion related to the legally required employer's social security contributions. ³ As stated in "Group Executive Board" in the "Corporate governance" section of this report, 16 GEB members were in office on 31 December 2023 and twelve GEB members were in office on 31 December 2022. ⁴ Twelve BoD members were in office on 31 December 2023 and on 31 December 2022.

Compensation philosophy and governance

Our compensation philosophy

Total Reward Principles

Our Total Reward Principles provide a strong link to our strategic imperatives and encourage employees to live our strong and inclusive culture that is grounded in our three keys to success: our Pillars, Principles and Behaviors. These guiding principles underpin our approach to compensation and define our compensation framework. Following a comprehensive review in 2023, we concluded that our Total Reward Principles and compensation framework are well aligned with our purpose and support our strategic imperatives. This aims to ensure that the interests of our employees are aligned with those of our clients and other stakeholders. In the short-to-medium term, they also enable UBS to drive the economic and cultural integration of Credit Suisse and the long-term value creation of the combined firm.

Therefore, our compensation approach supports our capital strength and risk management and provides for simplification and efficiency. It encourages employees to focus on client centricity, connectivity and sustainable impact in everything we do. Moreover, we reward behaviors that help build and protect the firm's reputation, specifically Accountability with integrity, Collaboration and Innovation. Compensation for each employee is based on individual, team, business division and Group performance, within the context of the markets in which we operate.

Total Reward Principles

Our Total Reward Principles apply to all employees globally but vary in certain locations according to local legal requirements, regulations and practices. The table below provides a summary of our Total Reward Principles.

| | |
|--|---|
| Support our purpose and strategy | Our compensation approach supports the firm's purpose and strategy, fosters engagement among employees and aligns their long-term interests with those of clients and stakeholders. |
| Attract, retain and connect a diverse, talented workforce | We embrace a culture of diversity, equity and inclusiveness. Pay at UBS is fair, reflects equal treatment and is competitive. In this way, our investment in a connected workforce supports the sustainability of the organization. |
| Apply a pay-for-performance approach to promote development and our ways of working | The setting of clear objectives, as well as a thorough evaluation of what was achieved and how it was achieved, combined with effective communication, promotes clarity, accountability and establishes a strong link between pay and performance. This approach emphasizes our Behaviors, which are Accountability with integrity, Collaboration and Innovation. |
| Reinforce sustainable growth and support long-term value creation | Compensation is appropriately balanced between fixed and variable elements and delivered over an adequate period to support our growth ambitions and sustainable performance. |
| Support risk awareness and appropriate risk-taking | Our compensation structure encourages employees to have a focus on risk management and behave consistently with the firm's risk framework and appetite, thereby anticipating and managing risks effectively to protect our capital and reputation. |

Our Total Reward approach

At UBS, we apply a holistic Total Reward approach, generally consisting of fixed compensation (base salary and role-based allowances, if applicable), performance awards, pension contributions and benefits. Our Total Reward approach is structured to support sustainable results and growth ambitions.

For employees whose total compensation exceeds certain levels, performance awards are delivered in a combination of cash, deferred contingent capital awards and deferred share-based awards.

A substantial portion of performance awards is deferred and vests over a five-year period (or longer for certain regulated employees). This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.

› Refer to "Compensation elements for all employees" in the "Group compensation" section of this report for more information



Note: illustrative Longer-term Shorter-term

Compensation governance

Board of Directors and Compensation Committee

The Board of Directors (the BoD) is ultimately responsible for approving the compensation strategy and principles proposed by the Compensation Committee, which determines compensation-related matters in line with the principles set forth in the Articles of Association (the AoA).

As determined in the AoA and the firm's Organization Regulations, the Compensation Committee supports the BoD with its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive performance. The Compensation Committee consists of independent BoD members, who are elected annually by shareholders at the Annual General Meeting (the AGM), and is responsible for governance and oversight of our compensation process and practices. This includes the alignment between pay and performance, and ensuring that the compensation framework supports appropriate risk awareness and management, as well as appropriate risk-taking. In 2023, to additionally support the connection between the Compensation Committee and the Risk Committee, the Compensation Committee Chairperson was also a member of the Risk Committee.

Annually, and on behalf of the BoD, the Compensation Committee:

- reviews our Total Reward Principles;
- approves key features of the compensation framework and plans for the non-independent BoD members and members of the Group Executive Board (the GEB);
- reviews performance award funding throughout the year and proposes, upon proposal of the Group CEO, the final annual Group performance award pool to the BoD for approval;
- upon proposal of the Group CEO, reviews the performance framework for the other GEB members;
- upon proposal of the Group CEO, proposes the performance assessments and the individual total compensation for the other GEB members for approval by the BoD;
- upon proposal of the Chairman, for the Group CEO, proposes the financial and non-financial performance targets and objectives, the performance assessment and the total compensation for approval by the BoD;
- approves the total compensation for the Chairman and the non-independent BoD members;
- upon proposal of the Chairman, proposes the remuneration / fee framework for independent BoD members for approval by the BoD;
- upon proposal of the Chairman and the Group CEO, approves the remuneration / fee frameworks for external supervisory board members of Significant Group Entities and is informed of remuneration / fee frameworks for external supervisory board members of Significant Regional Entities;
- proposes to the BoD for approval the annual compensation report and approves other material public disclosures on UBS compensation matters; and
- proposes to the BoD, for approval by the AGM, the maximum aggregate amounts of BoD compensation and GEB fixed compensation and the aggregate amount of variable compensation for the GEB.

The Compensation Committee is required to meet at least four times each year. All meetings in 2023 were held in the presence of the Chairman, the respective Group CEOs and external advisors. In addition, three ad hoc calls took place, most of which were attended by the Chairman and by external advisors. Individuals, including the Chairman and the Group CEO, are not permitted to attend a meeting or participate in a discussion on their own performance and compensation.

After the meetings, the Chairperson of the Compensation Committee reports to the BoD on the Compensation Committee's activities and discussions and, if necessary, submits proposals for approval by the full BoD. Compensation Committee meeting minutes are also sent to all members of the BoD. On 31 December 2023, the members of the Compensation Committee were Julie G. Richardson (Chairperson), Dieter Wemmer and Jeanette Wong.

› Refer to "Board of Directors" in the "Corporate governance" section of this report for more information

External advisors

The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2023, HCM International Ltd. (HCM) provided independent advice on compensation matters. HCM holds no other mandates with UBS. Additionally, Willis Towers Watson provided the Compensation Committee with data on market trends and pay levels. Various subsidiaries of Willis Towers Watson provide similar information to UBS's human resources department in relation to compensation for employees, including advisory services and secondments to UBS on benefits and year-end compensation activities. Willis Towers Watson holds no other compensation-related mandates with UBS.

The Risk Committee's role in compensation

The Risk Committee, a committee of the BoD, works closely with the Compensation Committee with the goal of ensuring that our compensation framework appropriately reflects risk awareness and management, and supports appropriate risk-taking. It supervises and sets appropriate risk management and risk control principles and is regularly briefed on how risk is factored into the compensation process. It also monitors the involvement of Group Risk Control and Compliance and Operational Risk in compensation and reviews risk-related aspects of the compensation process.

› Refer to ubs.com/governance for more information

Compensation Committee 2023 / 2024 key activities and timeline

| | April | May | July | Sept | Oct ¹ | Nov | Dec ¹ | Jan | Mar |
|---|-------|-----|------|------|------------------|-----|------------------|-----|-----|
| Strategy, policy and governance | | | | | | | | | |
| Total Reward Principles | | | ● | | | | | | |
| Integration-related compensation matters | ● | ● | ● | ● | ● | ● | ● | ● | |
| Sustainability / ESG, pay fairness and diversity, equity & inclusion (DE&I) in the compensation process | | | ● | | | | | ● | |
| Compensation disclosure and stakeholder communication matters | | | ● | | ● | | | | ● |
| AGM reward-related items | | | ● | | | | | ● | |
| Compensation Committee governance | | | ● | | | | | | ● |
| Annual compensation review | | | | | | | | | |
| Accruals and full-year forecast of the performance award pool funding | | | ● | | ● | ● | ● | ● | |
| Performance targets and performance assessment of the Group CEO and GEB members | | | | | | ● | ● | ● | ● |
| Group CEO and GEB members' salaries and individual performance awards | | | | | | | ● | ● | |
| Update on market practice, trends and peer group matters | | | ● | ● | | ● | | | |
| Pay for performance, including governance on certain higher-paid employees, and formulaic compensation arrangements | | ● | ● | ● | ● | ● | | ● | ● |
| Board of Directors remuneration | | ● | ● | ● | | | | ● | |
| Compensation framework | | | | | | | | | |
| Compensation framework and deferred compensation matters | | | ● | ● | ● | | ● | ● | ● |
| Risk and regulatory | | | | | | | | | |
| Risk management in the compensation approach | | | ● | ● | | ● | | ● | |
| Joint meeting with the BoD Risk Committee | | | | ● | | | | | |
| Regulatory activities impacting employees and engagement with regulators | | | ● | ● | ● | | ● | | ● |

¹ The Compensation Committee held two meetings in October and December 2023.

Compensation governance

The table below provides an overview of compensation governance by specific role.

| Recipients | Compensation recommendations proposed by | Approved by |
|---|--|--|
| Chairman of the BoD and Vice Chairman of the BoD | Compensation Committee | Compensation Committee ¹ |
| Other BoD members | Compensation Committee and Chairman of the BoD | BoD ¹ |
| Group CEO | Compensation Committee and Chairman of the BoD | BoD ¹ |
| Other GEB members | Compensation Committee and Group CEO | BoD ¹ |
| Key Risk Takers (KRTs) / senior employees | Respective GEB member and functional management team | Individual compensation for KRTs and senior employees: Group CEO |

¹ Aggregate variable compensation and maximum aggregate amount of fixed compensation for the GEB, as well as maximum aggregate remuneration for the BoD, are subject to shareholder approval.

Environmental, social and governance considerations

Environmental, social and governance objectives in the compensation process

Our compensation determination process considers environmental, social and governance (ESG) objectives in objective setting, performance award pool funding, performance evaluation and individual compensation decisions.

ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. In 2021, we introduced explicit sustainability objectives in the non-financial goal category of the Group CEO and GEB performance scorecards. In 2023, we further enhanced the GEB performance scorecard framework by establishing separate Environmental & Sustainability and People & Governance categories. The objectives in these categories are linked to our sustainability priorities, and their progress is measured via robust quantitative metrics and qualitative criteria. The table below provides an overview of our metrics and progress achieved in 2023, including climate-related goals under the priority "Planet." Sustainability objectives are assessed for each GEB member on an individual basis, directly impacting their respective performance assessments and compensation decisions.

The determination of the Group performance award pool funding also takes into account ESG factors. Aside from financial performance, an assessment of progress is made against objectives linked to our focus areas of Planet, People (including progress made against our diversity aspirations) and Partnerships, alongside other key non-financial considerations. Therefore, ESG is taken into consideration when the Compensation Committee assesses performance and compensation of each GEB member. Additionally, the assessment impacts the overall performance award pool for the Group.

Going forward, we will continue to review and refine the role of ESG considerations in our performance and compensation framework, to ensure they remain aligned to our strategic priorities and the sustainable growth of shareholder value.

- › Refer to "GEB performance assessments" in the "Compensation for GEB members" section of this report for more information about the GEB performance measurement process
- › Refer to "Our focus on sustainability and climate," "Employees" and "Society" in the "How we create value for our stakeholders" section of this report for more information
- › Refer to ubs.com/gri for more information about ESG-related topics

Fair and equitable pay

Pay equity and equal opportunity are fundamental to achieving our purpose. The diversity of our employees in terms of experiences, perspectives and backgrounds is critical to our success. Factors such as gender, race, ethnicity or part-time status should not impact opportunities available to our employees.

Fair and consistent pay practices are designed to ensure that employees are appropriately rewarded for their contribution. We pay for performance, and we take pay equity seriously. We have embedded clear commitments in our global compensation policies and practices. We regularly conduct internal reviews and independent external audits on pay equity, and our statistical analyses show a differential between men and women in similar roles across our major locations of less than 1%.

In 2020, we completed an equal pay analysis in Switzerland, as required by the Swiss Federal Act on Gender Equality. The results confirmed that we are fully compliant with Swiss equal pay standards. Beginning in 2020, UBS was certified (through 2023) by the EQUAL-SALARY Foundation for our HR practices, including compensation, in Switzerland, the US, UK, the Hong Kong SAR and Singapore, covering more than two-thirds of our global employee population. All of our HR policies are global, and we apply the same standards across all locations. Furthermore, we review our approach and policies annually to support our continuous improvement. In 2023, we fully integrated former Credit Suisse Group employees into all of our fair pay practices and continued to monitor and improve our pay equity position in our leading countries.

We also aim to ensure that all employees are paid at least a living wage. We regularly assess employees' salaries against local living wages, using benchmarks defined by the Fair Wage Network. Excluding our US financial advisor staff (as their compensation is primarily based on a formulaic approach), our analysis in 2023 showed that employees' salaries were at or above the respective benchmarks.

Our aspirations and progress

Following the acquisition of the Credit Suisse Group, our exposure increased accordingly, so we reviewed our aspirations. Amendments that arose from this review process were considered by the Group Executive Board and the UBS Group Board of Directors' Corporate Culture and Responsibility Committee. This table reflects the overall outcomes of this process with more detailed information provided in the UBS Group Sustainability Report 2023.

| Our priorities | Our aspirations or targets | Our progress in 2023 |
|-------------------------------------|---|--|
| Planet, people, partnerships | Sustainable investments. ¹ | Increased invested assets in sustainable investments in UBS AG to USD 292.3bn (compared with USD 266bn in 2022). |
| Planet | <p>Following the acquisition of the Credit Suisse Group, we refined the UBS Group lending sector decarbonization targets to reflect the activities of the combined organization and evolving standards and methodologies.²</p> <p>Reduce emissions intensity associated with UBS in-scope lending by 2030 from 2021 levels for:</p> <ul style="list-style-type: none"> – Swiss residential real estate by 45%; – Swiss commercial real estate by 48%; – power generation by 60%; – iron and steel by 27%; and – cement by 24%. <p>Reduce absolute financed emissions associated with UBS in-scope lending by 2030 from 2021 levels for:</p> <ul style="list-style-type: none"> – fossil fuels by 70%. <p>Continue disclosing in-scope ship finance portfolios according to the Poseidon Principles decarbonization trajectories with the aim of aligning therewith.³</p> <p>Aim, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero. This pre-acquisition UBS aspiration will be reassessed in 2024.⁵</p> <p>Minimize our scope 1 and 2 emissions through energy efficiencies and switching to more sustainable energy sources. After which, procuring credible carbon removal credits to neutralize any residual emissions down to zero by 2025.⁶</p> <p>Offset historical emissions back to the year 2000 by sourcing carbon offsets (by year-end 2021) and by offsetting credit delivery and full retirement in registry (by year-end 2025). The scope is UBS Group excluding Credit Suisse.</p> <p>Engage with our greenhouse gas (GHG) key vendors, for 100% of them to declare their emissions and set net zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035.⁷</p> | <p>Calculated progress against pathways for revised targets.⁴</p> <p>Changes in emissions intensity associated with UBS in-scope lending (end of 2022 vs. 2021 baseline):</p> <ul style="list-style-type: none"> – Swiss residential real estate reduced by 6%; – Swiss commercial real estate increased by 2%; – power generation reduced by 13%; – iron and steel reduced by 4%; and – cement reduced by 1%. <p>Changes in absolute financed emissions associated with UBS in-scope lending (end of 2022 vs. 2021 baseline) for:</p> <ul style="list-style-type: none"> – fossil fuels reduced by 29%. <p>In-scope ship finance portfolio remains below the existing International Maritime Organization (IMO 50) decarbonization trajectory.</p> <p>Aligned 2.9% of UBS AG Asset Management's total AuM with net zero.</p> <p>Reduced net GHG footprint for scope 1 and 2 emissions by 21% and energy consumption by 8% (compared with 2022); continued replacing fossil fuel heating systems and monitored delivery of contracted carbon removal credits; achieved 96% renewable electricity coverage in line with RE100 despite challenging market conditions.</p> <p>Continued to follow up on credit delivery and retirement of sourced portfolio.</p> <p>We invited the vendors that accounted for 67% of our annual vendor spend to disclose their environmental performance through CDP's Supply Chain Program, with 70% of the invited vendors completing their disclosures in the CDP platform.</p> <p>65% of GHG key vendors (defined as those vendors that collectively account for more than 50% of our estimated vendor GHG emissions) have declared their emissions on CDP and set net-zero-aligned goals.</p> |
| People (aspirations) | <p>By 2025, 30% of worldwide roles at Director level and above held by women.</p> <p>By 2025, 26% of US roles at Director level and above held by employees from ethnic minority backgrounds.</p> <p>By 2025, 26% of UK roles at Director level and above held by employees from ethnic minority backgrounds.</p> <p>By 2025, 4% of UK roles at Director level and above held by black employees.</p> <p>By 2025, 25% of Americas financial advisor / client advisor roles held by women (UBS Group excluding Credit Suisse).</p> <p>By 2025, 18.8% of US financial advisor / client advisor roles held by employees from racial / ethnic minority backgrounds (UBS Group excluding Credit Suisse).</p> <p>Raise USD 1bn in donations to our client philanthropy foundations and funds and reach 26.5 million beneficiaries by 2025 (cumulative for 2021–2025).</p> | <p>Increased to 29.5% (2022: 27.8%) of worldwide roles at Director level and above held by women.</p> <p>Increased to 25.1% (2022: 20.5%) of US roles at Director level and above held by employees from ethnic minority backgrounds.</p> <p>Increased to 24.3% (2022: 23.4%) of UK roles at Director level and above held by employees from ethnic minority backgrounds.</p> <p>Stable at 2.1% (2022: 2.2%).</p> <p>Increased to 16.8% (2022: 16.6%).</p> <p>Decreased to 12.2% (2022: 12.4%).</p> <p>Achieved a UBS Optimus network of foundations donation volume of USD 328.0m in 2023, totaling USD 763.9m since 2021 (both figures include UBS matching contributions).⁸</p> <p>Reached 7 million beneficiaries in 2023 and 18.5 million beneficiaries across our social impact activities since 2021.</p> |

Partnerships



Continue to position UBS as a leading facilitator of discussion, debate and idea generation.

Delivered a variety of insights, including through interviews with subject-matter experts, individual research reports and comprehensive white papers, via the UBS Sustainability and Impact Institute, including key publications *The Rise of the Impact Economy* and *Rethink, rebuild, reimagine*.

Co-organized, with the Institute of International Finance, the second Wolfsberg Forum for Sustainable Finance.

Drive standards, research and development, and product development.

Co-led financial-sector-specific working group of the Taskforce on Nature-related Financial Disclosures (the TNFD) and supported the launch of the TNFD framework.

Co-chaired the UNEP FI Principles for Responsible Banking Nature working group that developed initial guidance on nature target setting for financial institutions.

¹ As part of the integration of Credit Suisse, UBS has retired the pre-acquisition UBS sustainable investing aspiration of USD 400bn in SI invested assets. ² While we continue to take steps to align our business activities to our targets, it is important to note that progress towards our targets may not be linear and that the realization of our own targets and aspirations is dependent on various factors which are outside of our direct influence. We will continue to adjust our approach in line with external developments and evolving best practices for the financial sector and climate science. Refer to the Supplement to the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for more information about parts of the value chain within sectors covered by metrics and targets. Metrics are based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees, and irrevocable loan commitments. Exclusions from the scope of analysis primarily include financial services, credit card and other exposure to private individuals. ³ As part of our ship finance strategy, ships in scope of Poseidon Principles (PP) are assessed on criteria which aim at aligning portfolios to the PP decarbonization trajectories. The PP are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios to the ambition of the International Maritime Organization (the IMO), including its 2023 Revised GHG Strategy for GHG emissions from international shipping to decrease to net zero by or around 2050 (compared with 2008 levels). ⁴ Refer to the "Environment" section of the UBS Group Sustainability Report 2023, available under "Annual reporting" at ubs.com/investors, for further information. The inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporations disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the baselines for our decarbonization targets are calculated on year-end 2021 lending exposure and 2020 emissions data. Our 2022 emissions actuals are based on year-end 2022 lending exposure and 2021 emissions data. For asset financing (e.g., real estate, shipping) there is no time lag, and exposure and emissions actuals refer to the same year. ⁵ The 20% alignment goal amounted to USD 235bn at the time of pre-acquisition Asset Management's commitment in 2021. By 2030, the weighted average carbon intensity of funds is to be 50% below the carbon intensity of the respective 2019 benchmark. ⁶ Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5–10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance. ⁷ In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions. ⁸ Figures provided for the UBS Optimus network of foundations are based on unaudited management accounts and information available as of January 2024. Audited financial statements for UBS Optimus network of foundations entities are produced and available per local market regulatory guideline.

Cautionary note: We have developed methodologies that we use to set our climate-related targets and identify climate-related risks and which underly the metrics that are disclosed in this report. Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. Our disclosed metrics are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in revisions to our disclosed metrics, our methodologies and related disclosures, which may be substantial, as well as changes to the metrics we disclose.

› Refer to the **UBS Group Sustainability Report 2023**, available under "Annual reporting" at ubs.com/investors, for more information

Build a diverse, equitable and inclusive workplace

Increasing our gender and ethnic diversity is a strategic priority. We want to support and enable more women to build long and satisfying careers with UBS, and we are committed to increasing the representation of women at senior levels. Equally, investing in attracting, supporting and advancing our ethnically diverse employees is a key focus for the firm. We take a multi-pronged approach, examining the process, culture and organization design elements around hiring, promoting and retaining women and ethnic minority background employees at all levels, and senior management are accountable for driving change.

Efforts towards progressing our aspirations are considered in the determination of the annual performance award pool and included in the sustainability objectives under "People and Governance" and "Environmental and Sustainability" for the GEB, as outlined in the table above.

› Refer to the "People and culture make the difference" section of the **UBS Group AG Sustainability Report 2023**, available under "Annual reporting" at ubs.com/investors, for more information about DE&I

Performance award pool funding

Our compensation philosophy focuses on balancing performance with appropriate risk-taking, retaining talented employees and shareholder returns. Our overall performance award pool funding percentage decreases as financial performance increases. In years of strong financial performance, this prevents excessive compensation and results in an increased proportion of profit before performance awards being available for distribution to shareholders or growing the Group's capital. In years where performance declines, the performance award pool will generally decrease; however, the funding percentage may increase.

Our performance award pool funding framework is based on Group and business division performance, including achievements against defined performance measures. For the avoidance of doubt, we have excluded the positive and negative financial impacts generated by the acquisition of the Credit Suisse Group (such as the negative goodwill of USD 27.7bn) from consideration in our performance award pool determination process. In assessing performance, we also consider relative performance versus peers, market competitiveness of our pay position, as well as progress against our strategic and integration objectives, including returns, risk-weighted assets and cost efficiency. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. We further consider the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives including accountability for significant events.

The funding for Group functions is linked to overall Group performance and also reflects factors such as headcount and workforce location. For each functional area, quantitative and qualitative assessments evaluate service quality, risk management and financial achievements.

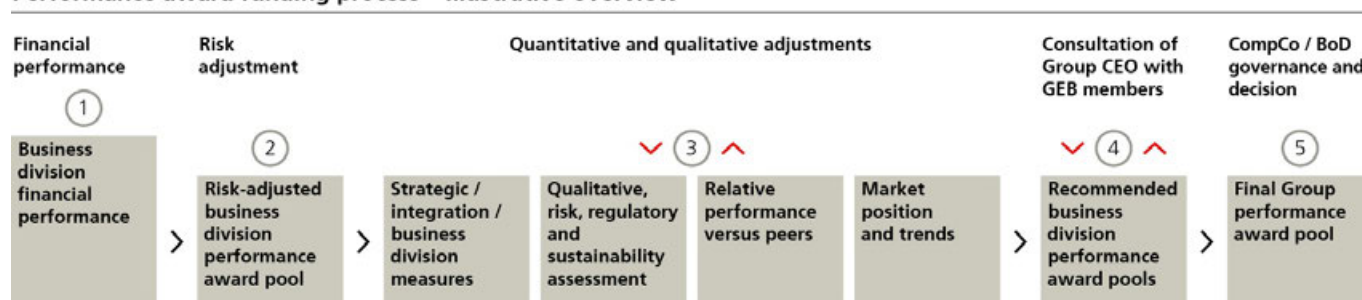
Our decisions regarding the total Group performance award pool also balance consideration of financial performance with a range of factors, including DE&I and other ESG metrics, the impact of litigation, regulatory costs, the effect of changes in financial accounting standards, capital returns and relative total shareholder return.

In 2023, in light of the acquisition of the Credit Suisse Group, we have also considered the complexity of the transaction as well as the need to retain key talent and stabilize the franchise during the integration period. Furthermore, and in line with our existing commitment to fair pay and diversity, equity and inclusion, we took great care to support fairness and equity across the organization, with a focus on like-for-like outcomes for comparable roles and performance across the Group. Overall, this further supports our sustainable high performance culture and reflects our well-established approach to pay for performance. As the integration progresses, we may consider further adjustments in the future to support near-term targets and progress toward the completion of the integration.

Before making its final proposal to the BoD, the Compensation Committee considers the Group CEO's proposals and can apply a positive or negative adjustment to the performance award pool.

- › Refer to "2023 Group performance outcomes" in the "Group compensation" section of this report
- › Refer to the "Group performance" section of this report for more information about our results

Performance award funding process – illustrative overview



| | | |
|---|--|--|
| 1 | Business division financial performance | The starting point for the funding process is the business division financial performance, which may be adjusted for items that are not reflective of the underlying business division performance. |
| 2 | Risk-adjusted business division performance award pool | Predetermined business division-specific funding rates are applied to risk-adjusted performance, which excludes items that are not reflective of the underlying business performance. |
| 3 | Strategic / integration / business division measures | Each division is assessed based on specific measures (e.g., net new fee generating assets, return on attributed equity). In the short-to-medium term, to support the economic and cultural integration of Credit Suisse and the creation of long-term value of the combined firm for our shareholders, our decision making also reflects the progress on and the complexity of the transaction, including the need to retain key talent, support pay fairness across the entire organization, and stabilize the franchise during the integration period. |
| | Qualitative, risk, regulatory and sustainability assessment | Decision-making considers the firm's risk profile and the extent to which operational risks and audit issues have been identified and resolved. Diversity, equity and inclusion and other ESG metrics and the impact of litigation and regulatory costs are also considered. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. |
| | Relative performance versus peers | Performance is assessed relative to our peers, including financial performance, returns and relative total shareholder return. |
| | Market position and trends | Market intelligence, based on external advisors, helps assess the competitiveness of our pay levels and compensation structure. It also provides a prospective view of market trends in terms of absolute compensation levels, compensation framework and industry practice. |
| 4 | Recommended business division performance award pools | The business division performance award pool determination process, based on quantitative and qualitative assessments, results in a proposal from the Group CEO (after consultation with the GEB) to the Compensation Committee for consideration. |
| 5 | Final Group performance award pool | The Compensation Committee considers the proposal in the context of the factors outlined above and verifies that it is in line with our strategy and our Total Reward Principles to create sustainable shareholder value and support our growth ambitions. The Committee may alter the proposal of the Group CEO (upward or downward, including proposing a zero award) before making its final proposal to the BoD. |

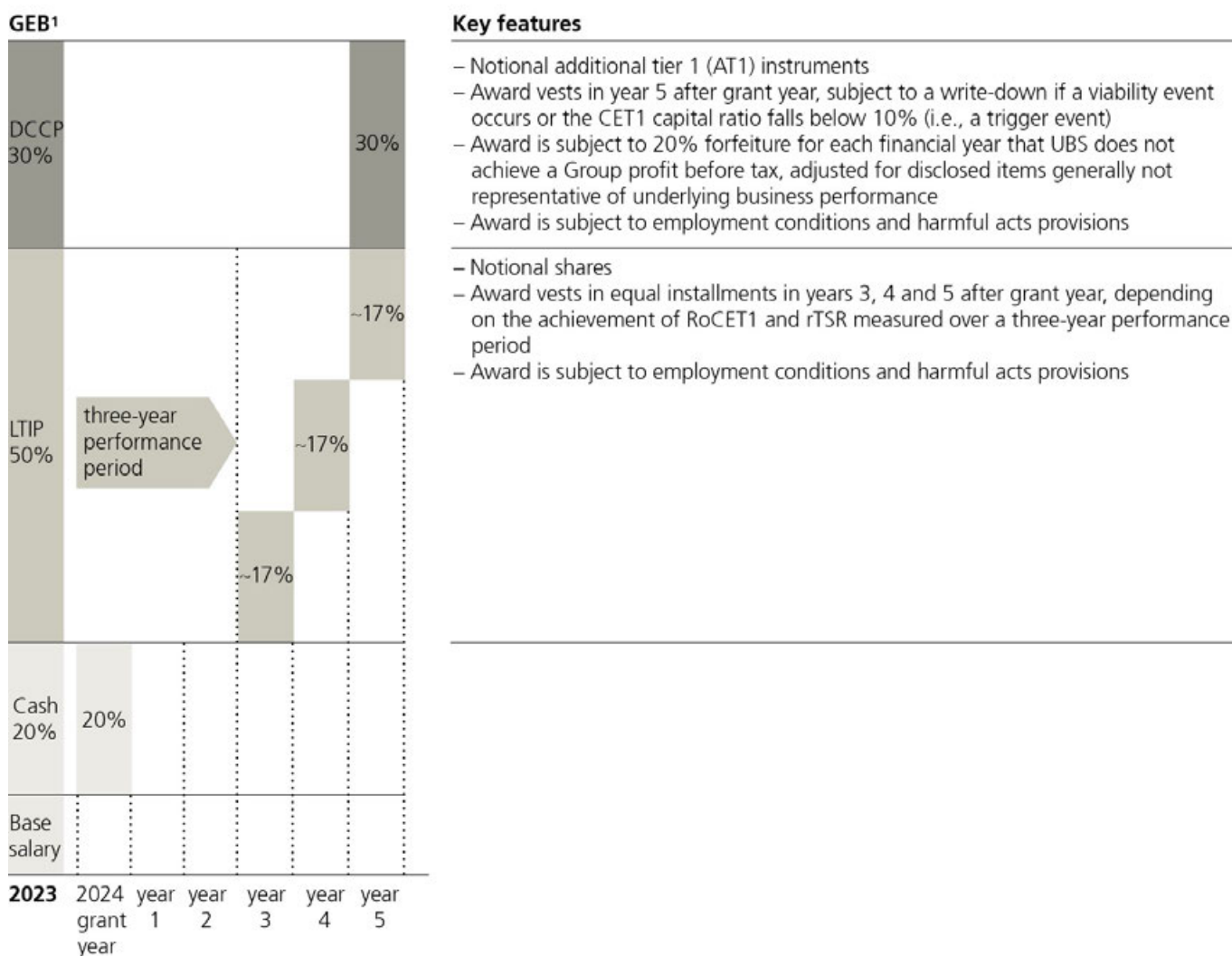
Compensation for GEB members

GEB compensation framework

In 2023, the Compensation Committee reviewed the GEB compensation framework and concluded that it remains well suited to support the alignment of compensation with the execution of our strategy, sustainable performance and the delivery of our integration goals. The chart below illustrates the compensation elements, pay mix and key features for GEB members. Of the annual performance award, 20% is paid in the form of cash and 80% is deferred over a period of five years,¹ with 50% of the annual performance awards granted under the Long-Term Incentive Plan (the LTIP) and 30% under the Deferred Contingent Capital Plan (the DCCP).

› Refer to “Our deferred compensation plans” in the “Group compensation” section of this report for more information

2023 compensation framework for GEB members (illustrative example)



¹ Performance awards to GEB members who are SMF / MRT are subject to additional deferral and vesting requirements.

- › Refer to the “Group Compensation” section of this report for more information
- › Refer to “Regulated staff” in the “Supplemental information” section of this report for more information

Pay-for-performance safeguards for GEB members

| | |
|-------------------------------|--|
| Performance award caps | <ul style="list-style-type: none"> – Cap on the total GEB performance award pool (2.5% of profit before tax)¹ – Caps on individual performance awards (for the Group CEO capped at five times the annual fixed compensation rate and at seven times for the other GEB members). Going forward, the GEB, including the Group CEO, will be subject to a cap of seven times their annual fixed compensation rate. – Cap of 20% of performance award in cash |
| Delivery and deferral | <ul style="list-style-type: none"> – 80% of performance awards are at risk of forfeiture – Long-term deferral over five years (or longer for certain regulated GEB members) – Alignment with shareholders (through the LTIP) and bondholders (through the DCCP) – Final payout of equity-based LTIP award (50% of performance award) subject to absolute and relative performance conditions (three-year performance period) |
| Contract terms | <ul style="list-style-type: none"> – No severance terms – Notice period between six and twelve months |
| Other safeguards | <ul style="list-style-type: none"> – Share ownership requirements – No hedging allowed – GEB variable compensation subject to clawback in line with US regulatory requirements |

¹ The Compensation Committee may consider adjustments to profit for items that are not reflective of underlying performance including integration items.

Effective 2 October 2023, we have implemented a clawback policy for current and former GEB members based on the US Securities and Exchange Commission (SEC) requirement for listed companies on US national securities exchanges / associations. This clawback policy is applied if UBS is required to prepare an accounting restatement of financial statements due to material non-compliance with financial reporting requirements. In that event, UBS would consider recovering the amount of variable compensation that exceeds the amount that would have been determined based on the restated financial statements (the final amount will be determined at the discretion of the Compensation Committee).

GEB share ownership requirements

To align the interests of GEB members with those of our shareholders and to demonstrate personal commitment to the firm, we require all GEB members including the Group CEO to hold a substantial number of UBS shares. GEB members must reach their minimum shareholding requirements within five years from their appointment and retain it throughout their tenure. The total number of UBS shares held by a GEB member consists of any vested or unvested shares, including privately held shares. At the end of 2023, all GEB members met their share ownership requirements, except for those appointed within the last three years, who still have time to build up and meet the required share ownership.

As of 31 December 2023, our GEB members held shares with an aggregate value of approximately USD 388m.

Share ownership requirements

| | | |
|-------------------|-----------------------|--|
| Group CEO | min. 1,000,000 shares | Must be built up within five years from their appointment and retained throughout their tenure |
| Other GEB members | min. 500,000 shares | |

GEB base salary and role-based allowance

Each GEB member receives a fixed base salary, which is reviewed annually by the Compensation Committee. The 2023 annual base salary for the Group CEO role was CHF 2.5m and has remained unchanged since 2011. The other GEB members each received a base salary of CHF 1.5m (or local currency equivalent), also unchanged since 2011.

Regarding the fixed compensation of the former members of the Credit Suisse Executive Board (the ExB), after the acquisition and considering the change in roles of former ExB members, we have reduced their fixed compensation following their contractual notice period to align with UBS fixed compensation levels for below Group Executive Board (GEB) employees. For the former CEO of Credit Suisse Group AG, who became a GEB member after the acquisition, the fixed compensation was also reduced to align with UBS fixed compensation levels for other GEB members.

Over the course of 2023, two GEB members held a UK Senior Management Function (an SMF) role for one of our UK entities and one GEB member was identified as a UK-regulated Material Risk Taker (an MRT). In addition to base salary, a role-based allowance was part of their fixed compensation.

At the Annual General Meeting (the AGM), the shareholders are asked to approve the maximum aggregate amount of fixed compensation for GEB members for the following financial year.

- › Refer to the “Supplemental information” section of this report for more information about MRTs and SMFs
- › Refer to the “Say-on-pay” section of this report for more information about the AGM vote on fixed compensation for the GEB

Caps on the GEB performance award pool

The size of the GEB performance award pool may not exceed 2.5% of the Group's profit before tax. This limits the overall GEB compensation based on the firm's profitability. For 2023, the total GEB performance award pool was CHF 108.3m and below the 2.5% cap, when applying profit before tax on an adjusted basis to exclude both the positive and negative one-time financial impacts of the Credit Suisse acquisition (as explained in the 2023 key compensation themes section of this report). These adjustments from reported results reflect the rigorous internal review as well as the judgment of the Compensation Committee.

In line with the individual compensation caps on the proportion of fixed pay to variable pay for all GEB members (introduced in 2013), the Group CEO's granted performance award (at communicated value) is capped at five times his annual fixed compensation rate. Granted performance awards (at communicated value) of other GEB members are capped at seven times their annual fixed compensation rate. For 2023, performance awards (at communicated value) granted to all GEB members including the Group CEO were, on average, 3.8 times their fixed compensation (in Swiss franc terms, excluding one-time replacement awards, benefits and contributions to retirement plans). Going forward, the GEB, including the Group CEO, will be subject to a cap of seven times their annual fixed compensation rate.

› Refer to "Performance award pool funding" in the "Compensation philosophy and governance" section of this report for more information

GEB employment contracts

GEB members' employment contracts do not include severance terms and are subject to a notice period of between six and twelve months. A GEB member leaving UBS before the end of a performance year may be considered for a performance award. Such awards are subject to approval by the BoD, and ultimately by the shareholders at the AGM.

Benchmarking for GEB members

When recommending performance awards for the Group CEO and the other GEB members, the Compensation Committee reviews the respective total compensation for each role against a financial industry peer group. The peer group is selected based on comparability of their size, business mix, geographic presence and the extent to which they compete with us for talent. The Compensation Committee considers our peers' strategies, practices and pay levels, as well as their regulatory environment; it also periodically reviews other firms' pay levels or practices, including both financial and non-financial sector peers, as applicable. The total compensation for a GEB member's specific role considers the compensation paid by our peers for a comparable role and performance within the context of our organizational profile. The Compensation Committee periodically reviews and approves the peer group composition.

The table below presents the composition of our peer group as approved by the Compensation Committee for the 2023 performance year.

| | |
|-----------------|--------------------|
| Bank of America | HSBC |
| Barclays | JPMorgan Chase |
| BlackRock | Julius Baer |
| BNP Paribas | Morgan Stanley |
| Citigroup | Standard Chartered |
| Deutsche Bank | State Street |
| Goldman Sachs | |

GEB performance assessments

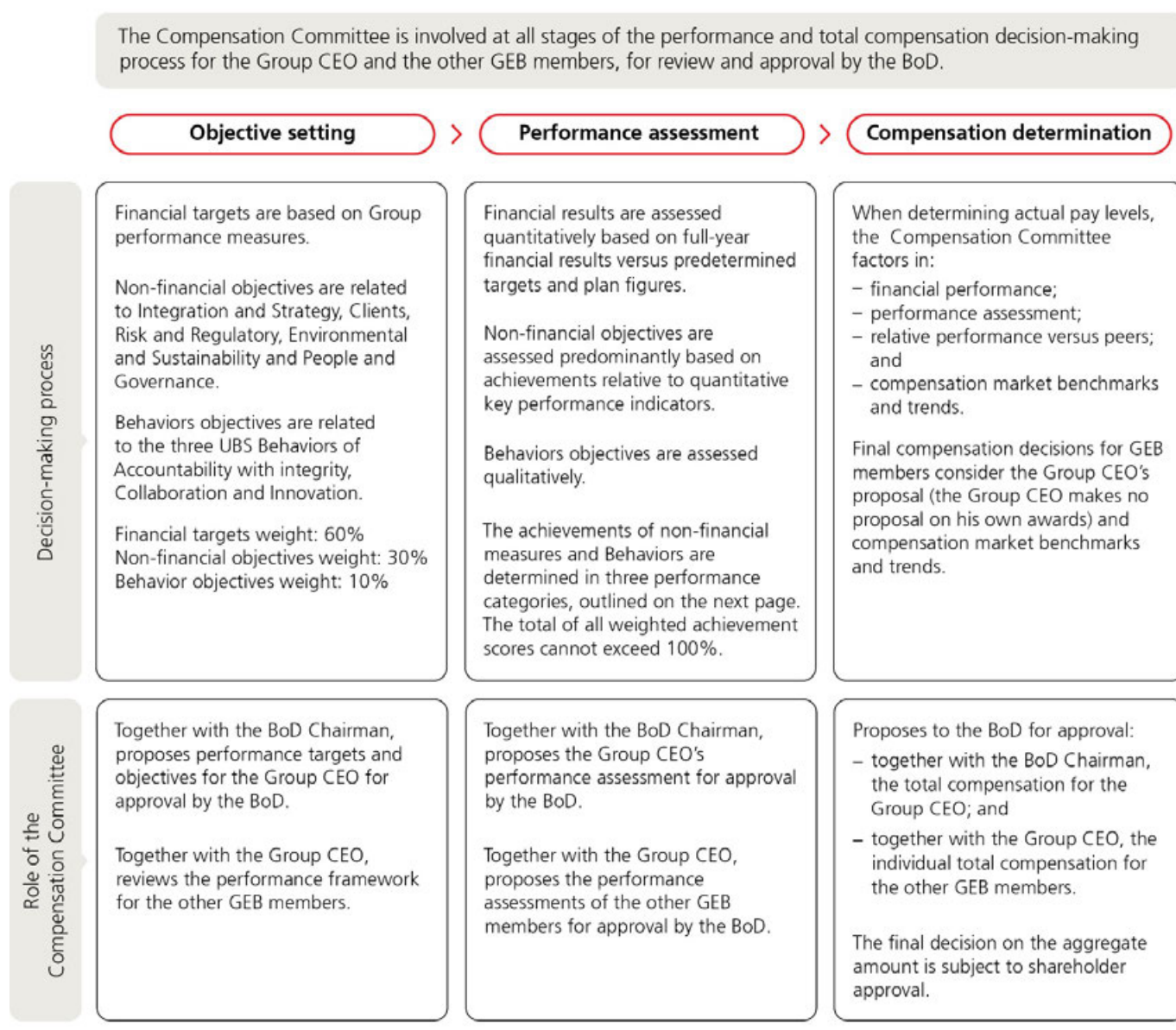
We assess each GEB member's performance against a set of Group financial targets, non-financial objectives and Behaviors. For 2023, we revised the non-financial objectives to increase focus on the integration. Specifically, we updated and consolidated the categories to focus on delivering integration- and strategy-related initiatives, client centricity, risk and regulatory, environmental and sustainability, and people- and governance-related objectives. This approach continues to foster a focus on GEB priorities, including delivering the integration objectives and the success of the Group, and promotes strong individual accountability.

The Compensation Committee exercises its judgment with respect to the performance achieved relative to the prior year, our strategic plan and our competitors, and considers the Group CEO's proposals. The Compensation Committee's proposals are subject to approval by the BoD.

The Compensation Committee, and then the full BoD, follows a similar process for the Group CEO, except that the proposal comes from the Chairman of the BoD.

Overview of the GEB compensation determination process

The compensation for the Group CEO and the other GEB members is governed by a rigorous process under Compensation Committee and BoD oversight. The chart below shows how compensation for all GEB members is determined.



Overview of performance assessment measures

We apply a range of quantitative measures to assess GEB member performance against financial and non-financial objectives, while Behaviors are assessed qualitatively. The table below provides a summary of the main metrics and measures used for 2023.

| | | | |
|-------------------------------------|----------------------------------|--|--|
| Financial measures (60%) | | <ul style="list-style-type: none"> – Group profit before tax – Group cost / income ratio – Group return on CET1 capital | |
| Non-financial measures (30%) | Integration and Strategy | <ul style="list-style-type: none"> – Progress on Group strategic and integration priorities – Delivery on division- / function-specific strategic programs and initiatives | |
| | Clients | <ul style="list-style-type: none"> – Foster delivery of the whole firm to our clients – Promoting collaboration across the combined organization – Delivery on specific key client initiatives | |
| | Risk and Regulatory | <ul style="list-style-type: none"> – Operating within risk appetite – Progress on delivering on risk initiatives and regulatory commitments | |
| | Environmental and Sustainability | – Refer to the “Planet” and “Partnership” sections in the “Our aspirational goals and progress” table in the “Environmental, Social and Governance considerations” section of this report | |
| | People and Governance | <ul style="list-style-type: none"> – Progress toward meeting 2025 ambitions for female representation and for ethnic minority representation (as per ESG disclosure) – People development, mobility, turnover and succession plan metrics – Employee listening / sentiment results and feedback on engagement and culture | |
| Behaviors (10%) | Accountability with integrity | Qualitative assessment against expected Behaviors: | <ul style="list-style-type: none"> – Responsible for what they say and do – Takes ownership and makes things happen – Steps up and acts when something is not right |
| | Collaboration | | <ul style="list-style-type: none"> – Trusts others and helps them to be successful – Delivers One UBS, together with their colleagues – Fosters a diverse, inclusive and equitable work environment |
| | Innovation | | <ul style="list-style-type: none"> – Challenges perspectives and looks at every opportunity to improve – Actively seeks and provides feedback – Learns from every success and failure |

Performance assessment categories

The table below presents the three performance categories for the assessment of the performance against non-financial objectives and Behaviors. The achievement score represents the maximum percentage, and the Compensation Committee may apply downward adjustments.

| Non-financial measures | | |
|------------------------------|------------------------------|-------------------------------|
| Needs focus | Good contribution | Excellent contribution |
| Achievement score: up to 33% | Achievement score: up to 66% | Achievement score: up to 100% |

| Behaviors | | |
|------------------------------|------------------------------|-------------------------------|
| Needs focus | Expected behavior | Exemplary behavior |
| Achievement score: up to 33% | Achievement score: up to 66% | Achievement score: up to 100% |

2023 performance for the Group CEO

The performance award for the Group CEO is based on the achievement of financial performance targets and non-financial objectives and Behaviors, as described earlier in this section.

These objectives were set to reflect the strategic priorities determined by the Chairman and the BoD.

› Refer to “GEB compensation framework” in this section of this report for more information

Performance assessment for the Group CEO

Sergio Ermotti joined UBS on 1 April 2023 and took on accountability as Group CEO on 5 April 2023. The Board of Directors (the BoD) recognizes Mr. Ermotti’s excellent performance in a defining year in UBS’s history and strong progress in delivering on integration priorities. He was instrumental in quickly stabilizing the client franchise, managing risks, and bringing operational stability to Credit Suisse after the announcement of the acquisition. He successfully led the closing of the transaction in three months, the early repayment of the Public Liquidity Backstop and Emergency Liquidity Assistance Plus and the termination of the Loss Protection Agreement. His vision, drive and ambition for this transaction have resulted in an ambitious integration plan. Throughout the year, Mr. Ermotti was an extremely effective ambassador internally and externally for the combined firm and the significant value we can deliver in the future for all our stakeholders.

While the 2023 financial results were impacted by the acquisition of the Credit Suisse Group, we achieved underlying profitability following the closing of the acquisition and maintained the Group’s strong capital position with both the CET1 capital ratio and the CET1 leverage ratio in excess of our guidance. Our capital strength enabled us to buy back USD 1.3bn of shares in 2023 and to propose to the shareholders a dividend of USD 0.70 per share, a 27% increase year-on-year.

The BoD also acknowledges that Mr. Ermotti was a role model in promoting client centricity. He personally remained engaged with clients and focused the organization on serving clients and putting them at the heart of everything we do. This resulted in strong momentum with our clients as evidenced by positive net new money and net new deposits across Global Wealth Management and Personal & Corporate Banking since the closing of the acquisition in 2023.

Further, Mr. Ermotti set a clear tone from the top on risk culture and risk management. He demonstrated a strong oversight on risk remediation items including addressing those resulting from the integration, challenged appropriately and kept the Group focused on adhering to our well-established risk management and control principles.

Mr. Ermotti swiftly and successfully re-composed the Group Executive Board (the GEB) to effectively manage the ambitious integration targets. He also took decisive action to stabilize the organization on the people side and to focus on maintaining operational stability, protecting the client franchise and managing risks. In addition, Mr. Ermotti made it a priority to drive cultural aspects into the combined organization by personally championing the Three Keys culture program. He also continued to successfully progress on the Group’s sustainability strategy with its key focus areas Planet (including net zero commitments), People (including progress on diversity, equity and inclusion ambitions) and Partnerships.

As explained above, the Compensation Committee made certain adjustments to the financial results used to determine the Group CEO performance award for 2023. If the Compensation Committee had not made these adjustments but had applied reported UBS Group AG financial results, i.e., including all acquisition-related effects, the achievement level for the Group PBT and RoCET1 performance measures would have been 100% and the weighted assessment score across all financial performance measures would have been higher. This would not have been representative of the achievements versus the targets defined for the 2023 performance year prior to the acquisition.

The table below illustrates the assessment criteria used to evaluate the achievements of Mr. Ermotti in 2023.

Financial performance

| Weight | Performance measures | 2023 Results | | Achievement ¹ | Weighted assessment | 2023 commentary |
|--------|------------------------|------------------------|--------------------------------|--------------------------|---------------------|--|
| | | UBS Group (underlying) | UBS AG consolidated (reported) | | | |
| 20% | Group PBT | USD 4.0bn | USD 4.5bn | 79% | 16% | – Profit before tax declined and was below target as higher operating expenses more than offset higher revenues, primarily due to the operating loss incurred by Credit Suisse entities. |
| 20% | Group C/I ratio | 87.2% | 86.2% | 92% ² | 18% | – The cost / income ratio increased and was below its performance target as higher operating expenses was only partly offset by an increase in total revenues. |
| 20% | RoCET1 | 4.2% | 7.6% | 78% | 16% | – RoCET1 declined and was below its performance target, reflecting lower net profit due to operating loss incurred by Credit Suisse entities and higher average CET1 capital. |

¹ Achievement score capped at 100% and based on UBS sub-group (reported) results adjusted for integration-related effects (as explained above). ² For the assessment of the cost / income ratio, the percentage change of result versus plan is subtracted from the maximum achievement level (100%).

Performance assessment for the Group CEO (continued)

Non-financial performance and Behaviors

| Weight | Performance measures | Achievement | Weighted assessment | 2023 commentary |
|---|--|------------------------|---------------------|--|
| 30% | Non-financial objectives (Integration and Strategy, Clients, Risk and Regulatory, Environmental and Sustainability, People and Governance) | Excellent contribution | 27% | <p>The evaluation of each non-financial objective considers quantitative metrics that are assessed against internal targets / plan.</p> <ul style="list-style-type: none"> – Stabilized Credit Suisse, completed closure of the transaction in three months, defined a detailed integration plan and developed a comprehensive strategic plan for the next three years. – Delivered early voluntary termination of the Loss Protection Agreement and the Public Liquidity Backstop, repaid the Credit Suisse Emergency Liquidity Assistance Plus loan. – Achieved underlying profitability following closing of the acquisition, maintained a balance sheet for all seasons and strong capital position. – Prioritized personal engagement with clients to support stabilizing the client franchise, building trust and confidence in the combined firm. – Promoted a strong risk management and control culture across the combined organization, remained focused on risk remediation and made progress with the litigation portfolio. – Effectively re-composed the GEB and managed leadership transitions, supported strong Group-wide senior leader succession and talent pipeline. – Championed the Three Keys Culture program to support a successful long-term integration of Credit Suisse. – Made progress on group diversity, equity and inclusion ambitions. <p>See ESG metrics and progress in separate table in this report.</p> |
| 10% | Behaviors (Accountability with integrity, Collaboration, Innovation) | Exemplary behavior | 10% | <p>The assessment of the Behavior objectives is qualitative and has resulted in the following summary assessment.</p> <ul style="list-style-type: none"> – Acted as a role model for the UBS behaviors. Led by example and demonstrated exemplary accountability, decisiveness and determination to achieve strong and sustainable short- and long-term results. – Strengthened collaboration across the combined organization to focus on client needs, stabilize the franchise and progress with the ambitious integration targets. – Continuously challenged the organization to think differently about the business evolution, accelerated the process of moving Artificial Intelligence technology from experimentation to implementation. |
| Total weighted assessment (maximum 100%) | | | 87% | |

The BoD approved the proposal by the Compensation Committee to grant Mr. Ermotti a performance award of CHF 12.25m, resulting in a total compensation for 2023 of CHF 14.1m (excluding benefits and contributions to his retirement benefit plan).

Aligned with the GEB compensation framework, the Group CEO's performance award will be delivered 20% (CHF 2.45m) in cash and the remaining 80% (CHF 9.8m) subject to deferral and forfeiture provisions, as well as meeting performance conditions over the next five years.

2023 total compensation for the GEB members

At the 2024 AGM, shareholders will vote on the aggregate 2023 total variable compensation for the GEB in Swiss francs. The tables below provide the awarded compensation for the Group CEO and the GEB members in Swiss francs and, for reference, the total amounts in US dollars for comparability with financial performance. The individual variable performance awards for each GEB member will only be confirmed upon shareholder approval at the AGM.

- › Refer to “Deferred compensation” in the “Supplemental information” section of this report for more information about the vesting of outstanding awards for GEB members
- › Refer to “Provisions of the Articles of Association related to compensation” in the “Supplemental Information” section of this report for more information

Audited I

Total compensation for GEB members

CHF, except where indicated

| For the year | CHF | | | Total fixed compensation | CHF | | | Total variable compensation | Total fixed and variable compensation ⁶ | USD (for reference) ¹ | | |
|--|-------------|--|-----------------------|--------------------------|-------------------|---|---|-----------------------------|--|----------------------------------|-----------------------------|--|
| | Base salary | Contribution to retirement benefit plans | Benefits ² | | Cash ³ | Performance award under LTIP ⁴ | Performance award under DCCP ⁵ | | | Total fixed compensation | Total variable compensation | Total fixed and variable compensation ⁶ |
| Highest Paid Executive (for 2023 Sergio Ermotti and for 2022 Ralph Hamers excluding replacement awards)⁷ | | | | | | | | | | | | |
| 2023 | 1,875,000 | 186,240 | 84,078 | 2,145,317 | 2,450,000 | 6,125,000 | 3,675,000 | 12,250,000 | 14,395,317 | 2,368,204 | 13,522,709 | 15,890,913 |
| 2022 | 2,500,000 | 242,239 | 198,378 | 2,940,617 | 1,940,000 | 4,850,000 | 2,910,000 | 9,700,000 | 12,640,617 | | | |

Aggregate of all GEB members (excluding replacement awards)^{7,8,9,10,11,12}

| | | | | | | | | | | | | |
|------|------------|-----------|-----------|-------------------|------------|------------|------------|--------------------|--------------------|------------|-------------|-------------|
| 2023 | 28,677,051 | 2,120,421 | 1,238,708 | 32,036,180 | 21,398,036 | 54,305,166 | 32,583,098 | 108,286,300 | 140,322,480 | 35,364,567 | 119,536,663 | 154,901,230 |
| 2022 | 23,318,410 | 1,796,872 | 693,473 | 25,808,756 | 16,220,000 | 40,550,000 | 24,330,000 | 81,100,000 | 106,908,756 | | | |

1 Swiss franc amounts have been translated into US dollars for reference at the 2023 performance award currency exchange rate of CHF / USD 1.10389. 2 All benefits are valued at market price. 3 For GEB members who are also MRTs or SMFs, the cash portion includes blocked shares. 4 LTIP awards for performance year 2023 were awarded at a value of 50.00% of maximum which reflects our best estimate of the value of the award. The maximum number of shares is determined by dividing the awarded amount by the estimated value of the award at grant, divided by CHF 24.435 or USD 27.936, the average closing price of UBS shares over the last ten trading days leading up to and including the award date in February. 5 The amounts reflect the amount of the notional additional tier 1 (AT1) capital instrument excluding future notional interest. 6 Excludes the portion related to the legally required employer's social security contributions for 2023 and 2022, which are estimated at grant at CHF 7,291,554 and CHF 4,675,424, respectively, of which CHF 897,679 and CHF 841,402, respectively, are for the highest-paid GEB member (excluding replacement awards). The legally required employees' social security contributions are included in the amounts shown in the table above, as appropriate. 7 The 2022 total compensation of Sarah Youngwood, the former Group CFO, including both the one-time replacement awards of her compensation forfeited upon joining UBS as well as her compensation for the 2022 performance year, amounts to a total of CHF 13,475,863 (which makes her the highest paid executive for 2022 including replacement awards). 8 As stated in "Group Executive Board" in the "Corporate governance" section of this report, 16 GEB members were in office on 31 December 2023 and twelve GEB members were in office on 31 December 2022. 9 Includes compensation paid under employment contracts during notice periods for GEB members who stepped down during the respective years. 10 Includes compensation for newly appointed GEB members for their time in office as GEB members during the respective years. 11 Base salary may include role-based allowances in line with market practice in response to regulatory requirements. 12 For 2022, the one-time replacement awards of CHF 7,206,683 for Sarah Youngwood and CHF 65,229 for Naureen Hassan are not included in the above table; including these, the 2022 total aggregate compensation of all GEB members is CHF 114,180,668.

Total realized compensation for the Group CEO

The realized compensation for the Group CEO reflects the total amount paid out in the year. It includes the base salary, cash performance award payments, and all deferred performance awards vested in the year. As such, realized pay is the natural culmination of awards granted and approved by shareholders in previous years.

To illustrate the effect of our long-term deferral approach, which has been in place since 2012, we disclose the annual realized compensation of Mr. Ermotti, including a comparison with his total awarded compensation.

Total realized compensation vs awarded compensation for Sergio Ermotti

| CHF | | | | | | Realized | Awarded |
|-------------------|-------------|-------------------------|---|---|--|--|---------|
| For the year | Base salary | Cash award ² | Performance award under equity plans ² | Performance award under DCCP ² | Total realized fixed and variable compensation | Total awarded fixed and variable compensation ³ | |
| 2023 ¹ | 1,875,000 | 0 | 0 | 0 | 1,875,000 | 14,125,000 | |

1 Includes compensation for 9 months as Sergio Ermotti joined UBS in April 2023. 2 Excludes dividend / interest payments. 3 Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Sergio Ermotti but excludes the portion related to the legally required social security contributions paid by UBS.

Group compensation

Compensation elements for all employees

All elements of pay are considered when making our compensation decisions. We regularly review our principles and compensation framework in order to remain competitive and aligned with stakeholders' interests. In 2023, our compensation framework remained broadly unchanged. We will continue to review our approach to salaries and performance awards, considering market developments, our performance and our commitment to deliver sustainable returns to shareholders.

Base salary and role-based allowance

Employees' fixed compensation (e.g., base salary) reflects their level of skill, role and experience, as well as local market practice. Base salaries are usually paid monthly or fortnightly, in line with local market practice. We offer competitive base salaries that reflect location, function and role. Salary increases generally consider promotions, skill set, performance and overall responsibility.

In addition to base salary, and as part of fixed compensation, some employees may receive a role-based allowance. This allowance is a shift in the compensation mix between fixed and variable compensation, not an increase in total compensation. It reflects the market value of a specific role and is fixed, non-forfeitable compensation. Unlike salary, a role-based allowance is paid only if the employee is in a specific role. Similar to previous years, 2023 role-based allowances consisted of a cash portion and, where applicable, a blocked UBS share award.

Pensions and benefits

We provide access to a range of benefit plans, such as retirement benefits and health insurance, aiming to provide financial protection in case of significant life events, and support our employees' well-being and diverse needs. Retirement and other benefits are set in the context of local market practice and regularly reviewed for competitiveness.

Pension plan rules in any one location are generally the same for all employees in similar circumstances, including GEB members and other management. Under the Switzerland Pension Fund rules of UBS legal entities, there are no enhanced or supplementary pension contributions for the GEB. The CEO of Credit Suisse AG, who became a GEB member after the legal close of the acquisition, participates in the Switzerland Pension Fund for Credit Suisse legal entities.

Performance award

Most of our employees are eligible for an annual performance award. The level of this award, where applicable, generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behavior, reflecting their overall contribution to the firm's results. These awards are in line with applicable local employment conditions and at the discretion of the firm.

In addition to the firm's Pillars and Principles, Behaviors related to Accountability with integrity, Collaboration and Innovation are part of the performance management approach. Therefore, when assessing performance, we consider not only what was achieved but also how it was achieved.

Our deferred compensation plans

Underlining our emphasis on sustainable performance and risk management, and our focus on achieving our growth ambitions, we deliver part of our employees' annual variable compensation through deferred compensation plans. We believe that our approach, with a single incentive decision and mandatory deferral framework, is transparent and well suited to implementing our compensation philosophy and delivering sustainable performance. This aligns the interests of our employees and shareholders and appropriately links compensation to longer-term sustainable performance.

Our mandatory deferral approach applies to all employees with regulatory-driven deferral requirements or total compensation greater than USD / CHF 300,000. Certain regulated employees, such as Senior Management Functions (SMFs) and Material Risk Takers (MRTs), are subject to additional requirements (e.g., more stringent deferral requirements and additional blocking periods). In addition, SMFs and MRTs receive 50% of their cash portion in the form of immediately vested shares, which are blocked for 12 months after grant.

The deferred amount increases at higher marginal rates in line with the value of the performance award. The effective deferral rate therefore depends on the amount of the performance award and the amount of total compensation.

We believe our deferral regime has one of the longest vesting periods in the industry. The weighted average deferral period for non-regulated employees is 4.4 years for GEB members, 3.8 years for MDs receiving LTIP and 3.5 years for other employees. Additionally, from time to time, we may utilize alternative deferred compensation arrangements to remain competitive in specific business areas.

To further promote sustainable performance, all of our deferred compensation plans include employment conditions and malus conditions. These enable the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause.

Upon vesting of the notional share awards, we fulfill our share delivery obligations by delivering treasury shares purchased in the market.

- › Refer to “Note 28 Employee benefits: variable compensation” in the “Consolidated financial statements” section of this report for more information
- › Refer to the “Supplemental information” section of this report for more information about MRTs and SMFs

Variable compensation elements by employee category

| Employee category | Deferred compensation elements | | | |
|---|--------------------------------|----------------|----------------|------|
| | Cash | LTIP | EOP | DCCP |
| GEB members and Managing Directors reporting to the GEB and their direct reports at Managing Director level (as applicable) | ✓ | ✓ ¹ | | ✓ |
| Employees subject to mandatory deferral framework | ✓ | | ✓ ¹ | ✓ |

¹ Employees in investment areas within Asset Management typically receive notional funds (Fund Ownership Plan, previously named AM EOP) in lieu of EOP / LTIP to align their compensation more closely with fund performance, industry standards and regulatory requirements.

Long-Term Incentive Plan

The Long-Term Incentive Plan (the LTIP) granted for 2023 performance is a mandatory deferral plan for GEB members and Managing Directors (MDs) reporting to the GEB and their direct reports at MD level.¹ These senior leaders receive the equity portion of their 2023 performance award in LTIP to support delivering on our ambitious integration goals and business / financial targets. This further mitigates the need for a distinct integration award typical for a transaction of this nature. For the 2023 performance year, we awarded the LTIP to 18 GEB members and 940 MDs in office during 2023, at a value of 50.0% of the maximum, to further align the maximum opportunity with the stretching nature of our financial ambitions.

The performance metrics of the share-based LTIP awards are average reported return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) over a three-year performance period starting on 1 January in the year of grant. Performance outcomes and actual payout levels will be disclosed at the end of the performance period.

The three-year average reported RoCET1 metric (50% weighting) with a performance range of 5% to 10% reflects the impact of the acquisition and our ambitious integration objectives, as well as the communicated financial ambitions over the cycle:

- the maximum reported RoCET1 of 10% corresponds with a 100% payout aligned with our stretch target;
- the minimum reported RoCET1 of 5% corresponds with a 33% payout aligned with sustainable results in the context of the integration; and
- the linear payout between the threshold and maximum levels supports our focus on delivering sustainable performance without encouraging excessive risk-taking.

The rTSR performance metric (50% weighting) over the three-year period further aligns the interests of employees with those of shareholders. This metric compares the total shareholder return (the TSR) of UBS with the TSR of an index consisting of listed Global Systemically Important Banks (G-SIBs):

- the maximum payout outcome is reached when rTSR is 25 percentage points or more above the index, to mitigate the potential for excessive risk-taking;
- there is zero payout if rTSR is 25 percentage points or more below the index; and
- the linear payout between the threshold and maximum levels further supports appropriate risk-taking

This G-SIBs index is independently determined by the Financial Stability Board (excluding the UBS Group), our index includes all publicly traded G-SIBs and reflects companies with a comparable risk profile and impact on the global economy. The index is equally weighted, calculated in Swiss francs and maintained by an independent index provider, so as to ensure independence of the TSR calculation.

¹ Excluding MDs in Asset Management Investment Areas who will continue to receive the Fund Ownership Plan (FOP) instead of the LTIP

G-SIBs that are listed companies¹

| | | |
|----------------------------|------------------------|--------------------|
| Agricultural Bank of China | Goldman Sachs | Santander |
| Bank of America | Groupe Crédit Agricole | Société Générale |
| Bank of China | HSBC | Standard Chartered |
| Bank of Communications | ICBC | State Street |
| Bank of New York Mellon | ING | Sumitomo Mitsui FG |
| Barclays | JPMorgan Chase | Toronto-Dominion |
| BNP Paribas | Mitsubishi UFJ FG | Wells Fargo |
| China Construction Bank | Mizuho FG | |
| Citigroup | Morgan Stanley | |
| Deutsche Bank | Royal Bank of Canada | |

¹ As of November 2023. Excludes the UBS Group.

Dividend equivalents (granted where applicable regulation permits) are subject to the same terms as the underlying LTIP award.

LTIP awards reflect the long-term focus of our compensation framework. The final number of shares as determined at the end of the three-year performance period will vest in three equal installments in each of the three years following the performance period for GEB members (i.e., years 3, 4 and 5 after grant) and will cliff-vest for other award recipients after the performance period (i.e., year three after grant), although longer deferral periods may apply for regulated GEB and other regulated employees.

LTIP payout illustration

- The final number of notional shares vesting will vary based on the achievement versus the performance metrics.
- Linear payout between threshold and maximum performance.
- Achievement levels are a percentage of the maximum opportunity of the LTIP and cannot exceed 100%.
- Full forfeiture for performance below the predefined threshold levels.
- UK Senior Management Function holders (SMFs) and UK Material Risk Takers (UK MRTs) are subject to an additional non-financial metric based on a conduct assessment with a potential downward adjustment of up to 100% of the entire award.

| Performance metric: average RoCET1 (50% of award) | | |
|--|---|-----------------------------------|
| Below threshold (<5%) | Threshold (5%) up to maximum (<10%) | Maximum and above (>10%) |
| Full forfeiture (payout 0%) | Partial vest (payout between 33% and <100%) | Full vest (payout 100%) |

| Performance metric: rTSR vs G-SIBs index (50% of award) | | |
|--|---|-----------------------------------|
| Below threshold (<-25 pts) | Threshold (-25 pts) up to maximum (+25 pts) | Maximum and above (≥+25 pts) |
| Full forfeiture (payout 0%) | Partial vest (payout between 33% and <100%) | Full vest (payout 100%) |

Performance achievement of the 2020 LTIP granted in 2021

The 2020 LTIP was granted in 2021 (for 2020 performance) at a fair value of 65.9% of a maximum of 100%. The final performance achieved is 92.55% of a maximum of 100%. This achievement reflects the outcome of the two equally weighted performance metrics, RoCET1 and rTSR, both measured over the three-year performance period from 1 January 2021 to 31 December 2023. The achievement level of this 2020 LTIP award (granted in 2021) applies to 13 current GEB members and 68 other plan participants.

We achieved a three-year average RoCET1 performance of 15.3% against the performance range of 6% to 18%, and an rTSR performance of +75.36 percentage points versus the index of listed G-SIBs.

As explained above, the Compensation Committee made certain adjustments to the financial results used to determine the 2020 LTIP achievement level. As noted, if the Compensation Committee had not made these adjustments but had applied reported UBS Group AG financial results, i.e., including all acquisition-related effects, the achievement level for the RoCET1 metric would have been 100%.

For GEB members, the first of the three equal installments of the 2020 LTIP vests on 28 March 2024 and the second and third installments will vest in March 2025 and 2026; while for selected senior management, the 2020 LTIP cliff vests on 28 March 2024 (later dates may apply for regulated employees).

Performance achievement for the 2020 LTIP awarded in 2021

| Performance metrics | Performance metric outcome | | 2020 LTIP achievement level | | | |
|--|----------------------------|---------|--|---------------------------|------|---|
| | Threshold | Maximum | Threshold | Maximum | | |
| RoCET1 (Weight: 50%) | 6% | 18% | Outcome below threshold: full forfeiture | 33% | 100% | Outcome above maximum: achievement capped at 100% |
| | Outcome: 15.3% | | | Achievement: 85.1% | | |
| rTSR (Weight: 50%) | -25ppts | +25ppts | 33% | 100% | | |
| | Outcome: +75.36ppts | | Achievement: 100% | | | |
| Overall 2020 LTIP achievement level | | | Overall achievement: 92.55% | | | |

Equity Ownership Plan / Fund Ownership Plan

The Equity Ownership Plan (the EOP) is the deferred compensation plan for employees that are subject to deferral requirements but do not receive LTIP awards. For the 2023 performance year, we granted EOP awards to 4,661 employees.

Delivering sustainable results is a key objective for UBS. Our EOP creates a direct link with shareholder returns as a notional equity award and has no upward leverage. This approach promotes growth and sustainable performance. EOP awards generally vest over three years.

In place of EOP, employees in investment areas within Asset Management receive some or all of their EOP in the form of notional funds (the Fund Ownership Plan (the FOP), previously named AM EOP) to align their compensation more closely with industry standards. This plan is generally delivered in cash and vests over three years.

- › Refer to “Vesting of outstanding awards granted in prior years subject to performance metrics and thresholds” in the “Supplemental information” section of this report for more information

Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (the DCCP) is a key component of our compensation framework and supports alignment of the interests of our senior employees with those of our stakeholders.

All employees subject to deferral requirements receive DCCP awards. For the 2023 performance year, we granted DCCP awards to 5,562 employees.

The DCCP is consistent with many of the features of the loss-absorbing bonds that we issue to investors and may be paid at vesting in cash or, at the discretion of the firm, as a perpetual, marketable additional tier 1 (AT1) capital instrument. Employees can elect to have their DCCP awards denominated in Swiss francs or US dollars.

DCCP awards vest in full after five years (longer deferral periods may apply for regulated employees). DCCP awards bear notional interest paid annually (except as limited by regulation for MRTs), subject to review and confirmation by the Compensation Committee. The notional interest rate for grants in 2024 was 4.6% for awards denominated in Swiss francs and 8.3% for awards denominated in US dollars. These interest rates are based on the current market rates for similar AT1 capital instruments issued by the UBS Group.

Awards are forfeited if a viability event occurs (i.e., if FINMA notifies the firm that the DCCP awards must be written down to mitigate the risk of an insolvency, bankruptcy or failure of UBS) or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. DCCP awards are also written down for GEB members if the Group’s CET1 capital ratio falls below 10% and for all other employees if it falls below 7%.

In addition, GEB members forfeit 20% of DCCP awards for each loss-making year during the vesting period. This means 100% of the award is subject to risk of forfeiture. The forfeiture features of DCCP create a strong alignment with our debt holders and support the sustainability of the firm.

Over the last five years, USD 1.97bn of DCCP awards have been issued, contributing to the Group’s total loss-absorbing capacity (TLAC). Therefore, DCCP awards not only support competitive pay but also provide a loss absorption buffer that protects the firm’s capital position. The following table illustrates the contribution of the DCCP to our AT1 capital and the effect on our TLAC ratio.

- › Refer to the “Supplemental information” section of this report for more information about performance award and personnel-related expenses
- › Refer to the “Supplemental information” section of this report for more information about longer vesting and clawback periods for MRTs and SMFs

Contribution of the Deferred Contingent Capital Plan to our loss-absorbing capacity¹

| <i>USD m, except where indicated</i> | 31.12.23 | 31.12.22 |
|---|--------------|----------|
| Deferred Contingent Capital Plan (DCCP), eligible as high-trigger loss-absorbing additional tier 1 capital | 1,935 | 1,794 |
| DCCP contribution to the total loss-absorbing capacity ratio (%) | 0.4 | 0.6 |

¹ Refer to "Bondholder information" at ubs.com/investors for more information about the capital instruments of UBS Group AG and UBS AG both on a consolidated and a standalone basis.

Other variable compensation components

To support hiring and retention, particularly at senior levels, we may offer other compensation components, such as:

- retention payments to key employees to induce them to stay, particularly during critical periods for the firm, such as a sale or wind-down of a business;
- on a limited basis, guarantees that may be required to attract individuals with certain skills and experience, these awards are fixed incentives subject to our standard deferral rules and limited to the first full year of employment;
- awards granted to employees hired late in the year to replace performance awards that they would have earned at their previous employer but have foregone by joining UBS, these awards are generally structured with the same level of deferral as for employees at a similar level at UBS; and
- in exceptional cases, sign-on awards may be offered to candidates to increase the chances of them accepting our offer.

These other variable compensation components are subject to a comprehensive governance process, which may involve the Compensation Committee, depending on the amount or type of such payments.

To support operational stability, manage risks and protect the client franchise, we have deployed specific additional measures. Retention awards were delivered in both deferred cash and deferred equity awards. Furthermore, to support our client win-back strategy and promote client growth, we also introduced a client acquisition and retention award for certain producers, which is fully deferred and the final value is linked to the retention of client assets. Retention efforts were targeted and limited to certain client roles and critical roles necessary to support operational stability. Overall, the amounts of USD 736m are modest by industry standards for an integration of this magnitude. These retention awards account for 3% of our total personnel expenses recognized in 2023.

Employees outside of the GEB that are made redundant may receive severance payments. Our severance terms comply with the applicable local laws (legally obligated severance). In certain locations, we may provide severance packages that are negotiated with our local social partners and may go beyond the applicable minimum legal requirements (standard severance). Such payments are governed by location-specific severance policies. In addition, we may make severance payments that exceed legally obligated or standard severance payments where we believe these are aligned with market practice and appropriate under the circumstances (supplemental severance). GEB members do not receive severance payments.

Replacement awards and forfeitures

In line with industry practice, our compensation framework and plans include provisions generally requiring reduction / forfeiture of a terminated employee's unvested or deferred awards. In particular, these provisions apply if the terminated employee joins another financial services organization and / or violates restrictive covenants, such as solicitation of clients or employees.

Conversely, to attract external top talent, market practice dictates that we consider replacing their forfeited compensation from their prior employer. In select situations and based on careful consideration, we replace the lost compensation of senior hires. The replacement awards are subject to UBS's harmful acts provisions. Their value is subject to independent review as part of the "Report of the statutory auditor on the compensation report" to support the like-for-like nature of the replacement and to confirm that these awards do not represent sign-on payments (i.e., there are no "golden hellos").

Based on a thorough review of available documentation, we aim to mirror the type, conditions and timing of the forfeited compensation, based on actual facts and circumstances. Replacement awards can include cash payments and / or deferred awards, including EOP share awards and DCCP awards. Where payments are made in cash, there is typically a clawback period if the employee leaves UBS voluntarily within 12 months of the start of employment. The replacement awards do not exceed the commercial or fair value of the compensation actually forfeited by the individual and, in case of GEB members, are disclosed transparently. The total 2023 forfeitures of USD 1,903m of previously awarded deferred compensation offset the 2023 total sign-on payments, replacement payments and guarantees of USD 216m.

Sign-on payments, replacement payments, guarantees and severance payments

| USD m, except where indicated | Total 2023 | of which: non-deferred cash | of which: deferred compensation awards | Total 2022 | Number of beneficiaries | |
|---|------------|-----------------------------|--|------------|-------------------------|--------------|
| | | | | | 2023 | 2022 |
| Total sign-on payments¹ | 0 | 0 | 0 | 0 | 0 | 1 |
| of which: Key Risk Takers ² | 0 | 0 | 0 | 0 | 0 | 0 |
| Total replacement payments³ | 145 | 29 | 116 | 110 | 422 | 452 |
| of which: Key Risk Takers ² | 65 | 9 | 56 | 32 | 34 | 19 |
| Total guarantees⁴ | 71 | 32 | 40 | 43 | 39 | 49 |
| of which: Key Risk Takers ² | 51 | 20 | 31 | 26 | 15 | 9 |
| Total severance payments^{1,5} | 485 | 485 | 0 | 233 | 4,389 | 1,745 |
| of which: Key Risk Takers ² | 7 | 7 | 0 | 1 | 34 | 8 |

¹ GEB members are not eligible for sign-on or severance payments. Sign-on awards exclude one-time payments for junior associate hires into the Investment Bank. Including these, the total sign-on payments are USD 4m for 2023 and USD 1m for 2022. All one-time payments for junior associate hires are subject to a 12-month clawback condition. ² Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2023. Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees). ³ No GEB member received a replacement payment in 2023. In 2022, amounts include replacement payments for two GEB members. Total amounts include awards granted to employees hired late in the year to replace performance awards that they would have earned at their previous employers, but have foregone by joining UBS. ⁴ No GEB member received a guarantee in 2023 or 2022. ⁵ Includes legally obligated and standard severance payments, as well as payments in lieu of notice.

Forfeitures¹

| USD m, except where indicated | Total 2023 | Total 2022 |
|--|--------------|------------|
| Total forfeitures | 1,903 | 188 |
| of which: former GEB members | 0 | 3 |
| of which: Key Risk Takers ² | 293 | 12 |

¹ For notional share awards (excluding Credit Suisse legacy plan awards), forfeitures are calculated as units forfeited during the year, valued at the share price on 31 December 2023 (USD 30.90) for 2023. The 2022 data is valued using the share price on 31 December 2022 (USD 18.67). For LTIP the forfeited units reflect the fair value awarded at grant. For the notional funds awarded to Asset Management employees under the AM EOP/FOP, this represents the forfeiture credits recognized in 2023 and 2022. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. Credit Suisse legacy awards (including Credit Suisse notional fund awards) are calculated using value at grant and include the explicit adjustments resulting from the cancellation and reduction order issued by the Federal Department of Finance (FDF) of Switzerland. The 2022 data excludes Credit Suisse legacy award forfeitures. All values shown exclude DCCP interest and CCA coupon forfeitures. Numbers presented may differ from the effect on the income statement in accordance with IFRS. ² Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees) and excluding former GEB members who forfeited awards in 2023 or 2022.

Employee share ownership

According to available records on employee shareholdings, including unvested deferred compensation, as of 31 December 2023, employees held at least USD 7.9bn of UBS shares (of which approximately USD 5.3bn were unvested), representing approximately 7.4% of our total shares issued.

The Equity Plus Plan is our employee share purchase program. It allows employees at Executive Director level and below to voluntarily invest up to 30% of their base salary and / or regular commission payments to purchase UBS shares. In addition (where offered), eligible employees can invest up to 35% of their performance award under the program. Participation in the program is capped at USD / CHF 20,000 annually. Eligible employees may purchase UBS shares at market price and receive one additional share for every three shares purchased through the program. Additional shares vest after a maximum of three years, provided the employee remains employed by UBS and has retained the purchased shares throughout the holding period.

► Refer to “**Note 28 Employee benefits: variable compensation**” in the “**Consolidated financial statements**” section of this report for more information

Compensation for US financial advisors in Global Wealth Management

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management consists of cash compensation and deferred compensation awards, determined using a formulaic approach based on production.

The monthly cash compensation is determined using an overall percentage rate for each financial advisor. It reflects a percentage of the compensable production that each financial advisor generates during that month. Compensable production is generally based on transaction revenue and investment advisory fees and may reflect further adjustments. The percentage rate generally varies based on the level of the production and firm tenure, supporting growth and alignment with the investment strategy and goals of our clients.

Financial advisors may also be granted annual deferred compensation. These amounts generally vest over a six-year period. The annual deferred compensation amount reflects their overall percentage rate and production, as previously outlined.

Cash compensation and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm’s rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisors may also participate in additional programs to support promoting and developing their business or supporting the transition of client relationships where appropriate.

2023 Group performance outcomes

Performance awards granted for the 2023 performance year

The “Variable compensation” table below shows the amount of variable compensation awarded to employees for the 2023 performance year, together with the number of beneficiaries for each type of award granted. In the case of deferred awards, the final amount paid to an employee depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

Variable compensation

| USD m, except where indicated | Expenses recognized in the IFRS Accounting Standards income statement | | Expenses deferred to future periods ³ | | Adjustments ³ | | Total | | Number of beneficiaries ⁸ | |
|---|---|--------------|--|--------------|--------------------------|--------------------------|---------------|--------------|--------------------------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Non-deferred cash | 2,859 | 2,276 | 0 | 0 | 333 ⁴ | (18) ⁴ | 3,192 | 2,259 | 97,265 | 59,570 |
| Deferred compensation awards | 523 | 364 | 777 | 605 | 27 | 58 | 1,327 | 1,026 | 5,489 | 4,349 |
| of which: Equity Ownership Plan | 155 | 202 | 263 | 310 | 33 ⁵ | 55 ⁵ | 452 | 568 | 4,177 | 4,042 |
| of which: Deferred Contingent Capital Plan | 180 | 129 | 312 | 245 | 0 | 0 | 493 | 375 | 5,448 | 4,206 |
| of which: Long-Term Incentive Plan | 164 | 11 | 160 | 30 | (6) ⁶ | 3 ⁵ | 318 | 43 | 954 | 14 |
| of which: Fund Ownership Plan | 24 | 21 | 41 | 20 | 0 | 0 | 65 | 41 | 371 | 295 |
| Variable compensation – performance award pool | 3,382 | 2,640 | 777 | 605 | 360 | 40 | 4,519 | 3,285 | 97,290 | 59,590 |
| Variable compensation – financial advisors¹ | 3,761 | 3,799 | 1,236 | 1,290 | 0 | 0 | 4,997 | 5,089 | 5,804 | 6,245 |
| Variable compensation – other² | 784 | 169 | 384 | 237 | (190)⁷ | (146)⁷ | 978 | 260 | | |
| Total variable compensation | 7,927 | 6,608 | 2,398 | 2,131 | 170 | (106) | 10,495 | 8,634 | | |

¹ Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Consists of retention awards granted to Credit Suisse employees to support the completion of the transaction and the early phase of the integration, replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ³ Estimates as of 31 December 2023 and 2022. Actual amounts to be expensed in future periods may vary; e.g., due to forfeiture of awards. ⁴ Includes the 2023 cash bonus liability recognized as of the date of the acquisition of Credit Suisse, of USD 351m, relating to pre-acquisition service as well as currency translation adjustments. ⁵ Represents estimated post-vesting transfer restriction and permanent forfeiture discounts. ⁶ Adjustments for LTIP include a difference of USD 53m between the estimated amount to be expensed under IFRS 2 and the communicated value included in the performance award pool. ⁷ Included in expenses deferred to future periods is an amount of USD 190m (2022: USD 146m) in interest expense related to the Deferred Contingent Capital Plan. As the amount recognized as performance award represents the present value of the award at the date it is granted to the employee, this amount is excluded. ⁸ Excludes awards that are part of Variable compensation – other.

2023 performance award pool and expenses

The performance award pool, which includes performance-based variable awards for 2023, was USD 4.5bn, reflecting an increase of 38% compared with 2022 (or a reduction of 14% compared with the pro forma aggregate 2022 pool of USD 5.3bn for the combined entities, which includes the UBS performance award pool, the Credit Suisse variable incentive compensation pool and other variable compensation awards related to the 2022 performance year). Performance award expenses for 2023 increased to USD 4.0bn, mainly reflecting increased performance award expenses accrued in the performance year as a result of the acquisition of the Credit Suisse Group. The “Performance award pool and expenses” table below compares the performance award pool with performance award expenses.

Performance award pool and expenses

| USD m, except where indicated | 2023 | 2022 | % change |
|--|--------------|--------------|-----------|
| Performance award pool ¹ | 4,519 | 3,285 | 38 |
| of which: expenses deferred to future periods and adjustments ^{2,3} | 1,137 | 645 | 76 |
| Performance award expenses accrued in the performance year | 3,382 | 2,640 | 28 |
| Performance award expenses related to prior performance years | 604 | 566 | 7 |
| Total performance award expenses recognized for the year⁴ | 3,986 | 3,205 | 24 |

¹ Excluding employer-paid taxes and social security. ² Estimate as of the end of the performance year. Actual amounts expensed in future periods may vary, e.g., due to forfeiture of awards. ³ Refer to details in the preceding “Variable compensation” table for more information. ⁴ Refer to “Note 28 Employee benefits: variable compensation” in the “Consolidated financial statements” section of this report for more information.

Compensation for the Board of Directors

Chairman of the BoD

Under the leadership of the Chairman, Colm Kelleher, the BoD determines, among other things, the strategy for the Group, based on recommendations by the Group CEO, exercises ultimate supervision over management and appoints all GEB members.

The Chairman leads all general meetings and BoD meetings and works with the committee Chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman is responsible for effective communication with shareholders and stakeholders, including clients, government officials, regulators and public organizations. The Chairman works closely with the Group CEO and other GEB members, providing advice and support when appropriate, and continues to strengthen and promote our culture through the three keys to success: our Pillars, Principles and Behaviors.

As an independent director, the Chairman's total compensation for the period from Annual General Meeting (AGM) to AGM consists of a fixed fee without any variable component, which is delivered 50% in cash and 50% in shares (blocked for four years). For the current period, from the 2023 AGM to the 2024 AGM, his fixed fee was CHF 4.7m and consisted of a cash payment of CHF 2.35m and a share component of CHF 2.35m, consisting of 96,173 UBS shares at CHF 24.435 per share. The share component aligns the Chairman's pay with the Group's long-term performance. The Chairman does not receive performance awards, severance payments or pension contributions in addition to his fixed fee, but, given the full-time nature of his role, he is eligible for employee conditions on UBS products and services. Effective from the 2024 AGM, we will increase the Chairman's annual fixed fee to CHF 5.5m, to reflect the significantly increased scope, responsibility and complexity following the acquisition of the Credit Suisse Group.

- › Refer to "Board of Directors" in the "Corporate governance" section of this report for more information about the responsibilities of the Chairman

Vice Chairman of the BoD

As the Vice Chairman of the BoD, Lukas Gähwiler leads the BoD in the absence of the Chairman and, together with the Senior Independent Director, he also supports the Chairman in all aspects of corporate governance and oversight across the Group. In particular, he represents UBS across a broad range of associations and industry bodies in Switzerland. In 2023, Lukas Gähwiler took on additional responsibilities as the chairman of the board of Credit Suisse AG, a subsidiary of UBS Group AG. This nomination is critical to provide strong governance and oversight of the subsidiary, in a manner consistent and in compliance with UBS Group AG governance principles, and also to facilitate the integration of Credit Suisse AG into UBS.

The Vice Chairman's total compensation for his services in the UBS Group AG Board for the period from AGM to AGM consists of a fixed fee without any variable component, which is delivered 50% in cash and 50% in shares (blocked for four years). For the current period, from the 2023 AGM to the 2024 AGM, his fixed fee was CHF 1.5m, excluding benefits and pension fund contributions. The fixed fee consisted of a cash payment of CHF 0.75m and a share component of CHF 0.75m, consisting of 30,693 UBS shares at CHF 24.435 per share.

As a non-independent director, Mr. Gähwiler is entitled to pension fund contributions. Including these, his total reward for his service as Vice Chairman for the current period was CHF 1,881,368.

Serving in a subsidiary board is a substantial increase in the scope, responsibility and complexity of his mandate and was urgently required to support the merger. Therefore, Mr. Gähwiler will be entitled to receive an additional board member fee aligned with his role as Chairman of Credit Suisse AG and with other non-executive directors on the respective subsidiary entities. The payment of this subsidiary board fee is subject to shareholder approval as part of an incremental amount at the 2024 AGM.

The Vice Chairman's fee for his services in the Credit Suisse AG board for the period from AGM to AGM consists of a fixed fee without any variable component, which is delivered 100% in cash. For the current period, from the 2023 AGM to the 2024 AGM, his total reward for his services as chairman in the Credit Suisse AG board was CHF 1,000,000.

The Vice Chairman is not eligible for performance awards, severance terms or supplementary contributions to pension plans. The pension contributions and benefits for the Vice Chairman, in his capacity as non-independent director, are consistent with all UBS employees and aligned with local market practice.

- › Refer to "Board of Directors" in the "Corporate governance" section of this report for more information about the responsibilities of the Vice Chairman
- › Refer to "Say-on-pay" section of this report for more information about compensation-related proposals at the AGM 2024

Other BoD members

BoD members, except the Chairman and Vice Chairman, receive fixed fees for their services on the BoD and its committees. These fees are unchanged from the last AGM-to-AGM period. BoD members do not receive performance awards, severance payments, benefits or pension contributions (the benefit eligibility of the Chairman and that of the Vice Chairman are described above).

BoD members other than the Chairman and the Vice Chairman must use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years, and they may elect to use up to 100% of their fees to purchase blocked UBS shares. The number of shares is calculated based on the average closing price of the 10 trading days leading up to and including the grant date.

In 2023, in order to facilitate the integration of Credit Suisse into UBS, two independent BoD members served on the boards of directors of subsidiaries. UBS Group AG Board members who have additional roles on the boards of significant subsidiary entities receive respective fees for the significant increase in the scope, responsibility and complexity of their mandates. These fees are aligned with other non-executive directors of the respective subsidiary entities. The payment of these subsidiary board fees is subject to shareholder approval as part of an incremental amount at the 2024 AGM. The total remuneration of other UBS Group AG members, including fees from subsidiaries, is summarized in the “Remuneration details and additional information for BoD members” table below.

At each AGM, shareholders are invited to approve the aggregate amount of BoD remuneration, including the compensation for the Chairman and Vice Chairman, which applies until the next AGM. The chart and the tables below provide details on the fee structure for the BoD members.

Remuneration framework for UBS Group AG BoD members

| CHF | 2023 AGM to 2024 AGM | | Pay mix | | Delivery | | | |
|--|----------------------|--------------|----------------|------|----------|-----|--|--|
| Annual fixed fees¹ | | | Blocked shares | Cash | 50% | 50% | | |
| Chairman | 4,700,000 | | | | | | | |
| Vice Chairman | 1,500,000 | | | | | | | |
| Fees for other BoD members² | | | | | | | | |
| Fixed base fee | 300,000 | | | | | | | |
| Senior Independent Director | 150,000 | | | | | | | |
| | | Chair | Member | | | | | |
| Audit Committee | 300,000 | 200,000 | | | | | | |
| Compensation Committee | 200,000 | 100,000 | | | | | | |
| Governance and Nominating Committee | | 100,000 | | | | | | |
| Corporate Culture and Responsibility Committee | | 50,000 | | | | | | |
| Risk Committee | 350,000 | 200,000 | | | | | | |

¹ The Chairman and the Vice Chairman do not receive committee or other fees in addition to their annual fixed fee. Their fixed fee is delivered 50% in cash and 50% in shares (blocked for four years). See above for the benefit eligibility of the Chairman and Vice Chairman

² At least 50% of the total amounts must be used to purchase UBS shares, which are blocked for four years, but other BoD members can elect to use 100% of their remuneration to purchase blocked UBS shares.

Approval governance for BoD compensation

The Chairperson of the Compensation Committee proposes and the Compensation Committee approves the compensation of the Chairman and that of the Vice Chairman annually for the upcoming AGM-to-AGM period, taking into consideration fee or compensation levels for comparable roles based on our core financial industry peers and other relevant leading Swiss companies included in the Swiss Market Index.

The fee structure for the other BoD members is reviewed annually based on the Chairman’s proposal to the Compensation Committee, which in turn submits a proposal to the BoD for approval. In our regular review of the BoD fee structure, we concluded that our overall approach for BoD member compensation remains appropriate and thus unchanged.

› Refer to “Compensation Governance” in the “Compensation philosophy and governance” section of this report for more information about the remuneration responsibilities of the BoD and Compensation Committee

Remuneration details and additional information for BoD members

Period 2023 AGM to 2024 AGM

CHF, except where indicated

| Name, function ¹ | Audit Committee | Compensation Committee | Corporate Culture and Responsibility Committee | Governance and Nominating Committee | Risk Committee | Base fee | Committee fee(s) | Additional payments ² | Benefits ³ | Total ⁴ | Share percentage ⁵ | Number of shares ^{6,7} | Subsidiary entity board fees ⁸ | Total including subsidiary fees |
|---|-----------------|------------------------|--|-------------------------------------|----------------|-----------|------------------|----------------------------------|-----------------------|--------------------|-------------------------------|---------------------------------|---|---------------------------------|
| Colm Kelleher, Chairman ⁹ | | | C | C | | 4,700,000 | | | 12,830 | 4,712,830 | 50 | 96,173 | | 4,712,830 |
| Lukas Gähwiler, Vice Chairman ⁹ | | | | M | M | 1,500,000 | | | 381,368 | 1,881,368 | 50 | 30,693 | 1,000,000 | 2,881,368 |
| Jeremy Anderson, Senior Independent Director | C | | | M | | 300,000 | 400,000 | 150,000 | | 850,000 | 100 | 26,624 | 893,215 | 1,743,215 |
| Claudia Böckstiegel, member | | | M | | | 300,000 | 50,000 | | | 350,000 | 50 | 7,161 | | 350,000 |
| William C. Dudley, member | | | M | | M | 300,000 | 250,000 | | | 550,000 | 50 | 11,254 | | 550,000 |
| Patrick Firmenich, member | M | | M | | | 300,000 | 250,000 | | | 550,000 | 100 | 16,672 | | 550,000 |
| Fred Hu, member | | | | M | | 300,000 | 100,000 | | | 400,000 | 100 | 12,105 | | 400,000 |
| Mark Hughes, member | | | M | | C | 300,000 | 400,000 | | | 700,000 | 50 | 14,323 | 795,677 | 1,495,677 |
| Nathalie Rachou, member | | | | M | M | 300,000 | 300,000 | | | 600,000 | 50 | 12,277 | | 600,000 |
| Julie G. Richardson, member | | C | | | M | 300,000 | 400,000 | | | 700,000 | 50 | 14,323 | | 700,000 |
| Dieter Wemmer, member | M | M | | | | 300,000 | 300,000 | | | 600,000 | 100 | 23,549 | | 600,000 |
| Jeanette Wong, member | M | M | | | | 300,000 | 300,000 | | | 600,000 | 100 | 18,194 | | 600,000 |
| Aggregate of all BoD members 2023/2024 | | | | | | | | | | 12,494,198 | | | | 15,183,090 |
| Aggregate of all BoD members 2023/2024 in USD (for reference) ¹⁰ | | | | | | | | | | 13,792,316 | | | | 16,760,560 |

Period 2022 AGM to 2023 AGM

CHF, except where indicated

| Name, function ¹ | Audit Committee | Compensation Committee | Corporate Culture and Responsibility Committee | Governance and Nominating Committee | Risk Committee | Base fee | Committee fee(s) | Additional payments ² | Benefits ³ | Total ⁴ | Share percentage ⁵ | Number of shares ^{6,7} | Subsidiary entity board fees | Total including subsidiary fees |
|---|-----------------|------------------------|--|-------------------------------------|----------------|-----------|------------------|----------------------------------|-----------------------|--------------------|-------------------------------|---------------------------------|------------------------------|---------------------------------|
| Colm Kelleher, Chairman ⁹ | | | C | C | | 4,700,000 | | | 86,494 | 4,786,494 | 50 | 116,961 | | |
| Lukas Gähwiler, Vice Chairman ⁹ | | | | | | 1,500,000 | | | 379,010 | 1,879,010 | 50 | 37,328 | | |
| Jeremy Anderson, Senior Independent Director | C | | | M | | 300,000 | 400,000 | 150,000 | | 850,000 | 50 | 21,152 | | |
| Claudia Böckstiegel, member | | | M | | | 300,000 | 50,000 | | | 350,000 | 50 | 8,709 | | |
| William C. Dudley, member | | | M | | M | 300,000 | 250,000 | | | 550,000 | 50 | 13,687 | | |
| Patrick Firmenich, member | M | | M | | | 300,000 | 250,000 | | | 550,000 | 100 | 26,130 | | |
| Fred Hu, member | | | | M | | 300,000 | 100,000 | | | 400,000 | 100 | 14,722 | | |
| Mark Hughes, member | | | M | | C | 300,000 | 400,000 | | | 700,000 | 50 | 17,419 | | |
| Nathalie Rachou, member | | | | M | M | 300,000 | 300,000 | | | 600,000 | 50 | 14,931 | | |
| Julie G. Richardson, member | | C | | | M | 300,000 | 400,000 | | | 700,000 | 50 | 17,419 | | |
| Dieter Wemmer, member | M | M | | | | 300,000 | 300,000 | | | 600,000 | 50 | 14,931 | | |
| Jeanette Wong, member | M | M | | | | 300,000 | 300,000 | | | 600,000 | 100 | 22,127 | | |
| Aggregate of all BoD members 2022/2023 | | | | | | | | | | 12,565,504 | | | | |

Legend: C = Chairperson of the respective Committee, M = Member of the respective Committee

1 Twelve BoD members were in office on 31 December 2023 and on 31 December 2022. 2 These payments are associated with the Senior Independent Director role. 3 For the period from the 2023 AGM to the 2024 AGM, benefits amount is an estimate. For the Vice Chairman, the benefits include the portion related to UBS's contribution to the statutory pension scheme. 4 Excludes UBS's portion related to the legally required social security contributions, which for the period from the 2023 AGM to the 2024 AGM (including the Chairman, Vice Chairman and UBS Group AG members with a role in subsidiaries) is estimated at grant at CHF 1,000,000 and which for the period from the 2022 AGM to the 2023 AGM was estimated at grant at CHF 731,329. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in this table, as appropriate. 5 For the Chairman and Vice Chairman, fees are paid 50% in cash and 50% in blocked UBS shares. Other BoD members must use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years. 6 For 2023, UBS shares were valued at CHF 24.435 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date). For 2022, UBS shares were valued at CHF 20.092 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date). These shares are blocked for four years. 7 Number of shares is reduced in case of the 100% election to deduct legally required contributions. All remuneration payments are, where applicable, subject to social security contributions and / or withholding tax. 8 The payment of the subsidiary board fees for the period 2023 AGM to 2024 AGM are subject to shareholder approval as part of an incremental amount at the 2024 AGM. 9 The Chairman and the Vice Chairman do not receive committee fees in addition to their annual fixed fee. 10 Swiss franc amounts have been translated into US dollars for reference at the 2023 performance award currency exchange rate of CHF / USD 1.10389.



Supplemental information

Fixed and variable compensation for GEB members

Fixed and variable compensation for GEB members^{1,2,3}

| CHF m, except where indicated | Total for 2023 | | Not deferred | | Deferred ⁴ | | Total for 2022 |
|--|----------------|----|--------------|----|-----------------------|----|----------------|
| | Amount | % | Amount | % | Amount | % | Amount |
| Total compensation | | | | | | | |
| Amount ⁵ | 137 | | 48 | 35 | 89 | 65 | 104 |
| Number of beneficiaries | 18 | | | | | | 15 |
| Fixed compensation^{5,6} | 29 | 21 | 27 | 93 | 2 | 7 | 23 |
| Cash-based | 27 | 19 | | | | | 21 |
| Equity-based | 2 | 2 | | | | | 2 |
| Variable compensation | 108 | 79 | 21 | 20 | 87 | 80 | 81 |
| Cash ⁷ | 21 | 16 | | | | | 16 |
| Long-Term Incentive Plan (LTIP) ⁸ | 54 | 40 | | | | | 41 |
| Deferred Contingent Capital Plan (DCCP) ⁸ | 33 | 24 | | | | | 24 |

¹ The figures include all GEB members in office during the respective years. ² Includes compensation paid under the employment contract during the notice period for GEB members who stepped down during the respective years. ³ Includes compensation for newly appointed GEB members for their time in office as a GEB member during the respective years. ⁴ Based on the specific plan vesting and reflecting the total award value at grant, which may differ from the expense recognized in the income statement in accordance with IFRS Accounting Standards. ⁵ Excludes benefits and employer's contributions to retirement benefit plans. Includes social security contributions paid by GEB members but excludes the portion related to the legally required social security contributions paid by UBS. ⁶ Includes base salary and role-based allowances, rounded to the nearest million. ⁷ Includes allocation of vested but blocked shares, in line with the remuneration section of the UK Prudential Regulation Authority Rulebook. ⁸ For the GEB members who are also MRTs or SMFs, the awards do not include dividend and interest payments. Accordingly, the amounts reflect for the LTIP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

Regulated staff

Key Risk Takers

Key Risk Takers (KRTs) are defined as those employees that, by the nature of their roles, have been determined to materially set, commit or control significant amounts of the firm's resources and / or exert significant influence over its risk profile. This includes employees working in front-office roles, logistics and control functions. Identifying KRTs globally is part of our risk control framework and an important element in ensuring we incentivize only appropriate risk-taking. For 2023, in addition to GEB members, 1,038 employees were classified as KRTs throughout the UBS Group globally, including all employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees), who may not have been identified as KRTs during the performance year. Compared with 2022, the increase in the number of KRTs has been driven by the inclusion of Credit Suisse employees in the identification process.

In line with regulatory requirements, the performance of employees identified as KRTs during the performance year is evaluated by the control functions. In addition, KRTs' performance awards are subject to a mandatory deferral rate of at least 50%, regardless of whether the deferral threshold has been met (excluding KRTs with de minimis performance awards below a predetermined threshold where standard deferral rates apply). Consistent with all other employees, the deferred portion of a KRT's compensation is also subject to forfeiture or reduction if the KRT commits harmful acts.

Fixed and variable compensation for Key Risk Takers¹

| USD m, except where indicated | Total for 2023 | | Not deferred | | Deferred ² | | Total for 2022 ³ |
|--|----------------|-----|--------------|-----|-----------------------|----|-----------------------------|
| | Amount | % | Amount | % | Amount | % | Amount |
| Total compensation | | | | | | | |
| Amount | 1,801 | 100 | 1,147 | 64 | 654 | 36 | 1,292 |
| Number of beneficiaries | 1,038 | | | | | | 699 |
| Fixed compensation^{4,5} | 668 | 37 | 668 | 100 | 0 | 0 | 438 |
| Cash-based | 665 | 37 | 665 | | | | 435 |
| Equity-based | 3 | 0 | 3 | | | | 3 |
| Variable compensation | 1,133 | 63 | 479 | 42 | 654 | 58 | 855 |
| Cash ⁶ | 479 | 27 | 479 | | | | 353 |
| Long-Term Incentive Plan (LTIP) / Equity Ownership Plan (EOP) / Fund Ownership Plan (FOP) ⁷ | 396 | 22 | | | 396 | | 306 |
| Deferred Contingent Capital Plan (DCCP) ⁷ | 258 | 14 | | | 258 | | 196 |

¹ Includes employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees), excludes payments made to individuals related to their time as GEB member. ² Based on the specific plan vesting and reflecting the total value at grant, which may differ from the expense recognized in the income statement in accordance with IFRS Accounting Standards. ³ The 2022 data excludes Credit Suisse. ⁴ Excludes benefits and employer's contributions to retirement benefits plan. Includes social security contributions paid by KRTs but excludes the legally required social security contributions paid by UBS. ⁵ Includes base salary and role-based allowances. ⁶ Includes allocation of vested but blocked shares, in line with regulatory requirements where applicable. ⁷ KRTs who are also MRTs do not receive dividend and interest payments. Accordingly, the amounts for the EOP / LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

Deferred compensation of the GEB and KRTs

The table below shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex post adjustments. For share-based plans, the economic value is determined based on the closing share price on 31 December 2023. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2023, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients.

Deferred compensation of the GEB and KRTs^{1,2,3}

| <i>USD m, except where indicated</i> | Relating to awards for 2023 ⁴ | Relating to awards for prior years ⁵ | Total | <i>of which: exposed to ex post explicit and / or implicit adjustments</i> | Total deferred compensation year-end 2022 ⁶ | Total amount of deferred compensation paid out in 2023 ⁷ |
|---|--|---|--------------|--|--|---|
| GEB | | | | | | |
| Deferred Contingent Capital Plan | 36 | 117 | 153 | 100% | 111 | 14 |
| Equity Ownership Plan (including notional funds and Credit Suisse legacy plans) | 0 | 57 | 57 | 100% | 45 | 29 |
| Long-Term Incentive Plan | 60 | 262 | 322 | 100% | 160 | 27 |
| KRTs | | | | | | |
| Deferred Contingent Capital Plan | 258 | 925 | 1,183 | 100% | 1,104 | 133 |
| Equity Ownership Plan (including notional funds) | 183 | 1,344 | 1,527 | 100% | 1,210 | 415 |
| Long-Term Incentive Plan | 213 | 180 | 393 | 100% | 184 | 74 |
| Credit Suisse legacy plans | 0 | 195 | 195 | 100% | n/a | 52 |
| Total GEB and KRTs | 750 | 3,080 | 3,830 | | 2,814 | 744 |

¹ Based on the specific plan vesting and reflecting the economic value of the outstanding awards (grant value for legacy Credit Suisse notional funds), which may differ from the expense recognized in the income statement in accordance with IFRS. Year-to-year reconciliations would also need to consider the impacts of additional items including off-cycle awards, FX movements, population changes, and dividend equivalent reinvestments. ² Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of this report for more information. ³ GEB members and KRTs who are also MRTs do not receive dividend and interest payments. Accordingly, the amounts for the EOP / LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards. ⁴ Where applicable, amounts are translated into US dollars at the performance award currency exchange rate. LTIP values reflect the fair value awarded at grant. ⁵ Takes into account the ex post implicit adjustments, given the share price movements since grant. Where applicable, amounts are translated from award currency into US dollars using FX rates as of 31 December 2023. LTIP values reflect the fair value awarded at grant. ⁶ The 2022 data excludes Credit Suisse legacy awards. ⁷ Valued at distribution price and FX rate for all awards distributed in 2023 (this excludes interests on DCCP).

The table below shows the value of actual ex post explicit and implicit adjustments to outstanding deferred compensation in the 2023 financial year for GEB members and KRTs.

Ex post adjustments occur after an award has been granted. Explicit adjustments occur when we adjust compensation by forfeiting deferred awards. Implicit adjustments are unrelated to any action taken by the firm and occur as a result of price movements that affect the value of an award.

GEB and KRTs ex post explicit and implicit adjustments to deferred compensation

| <i>USD m</i> | Ex post explicit adjustments to unvested awards ¹ | | Ex post implicit adjustments to unvested awards ² | |
|--|--|-------------|--|------------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| GEB | | | | |
| Deferred Contingent Capital Plan | 0 | 0 | 0 | 0 |
| Equity Ownership Plan (including notional funds and Credit Suisse legacy plans, if applicable) | (1) | 0 | 25 | 9 |
| Long-Term Incentive Plan | 0 | 0 | 119 | 25 |
| KRTs | | | | |
| Deferred Contingent Capital Plan | (2) | (8) | 0 | 0 |
| Equity Ownership Plan (including notional funds) | (6) | (4) | 530 | 129 |
| Long-Term Incentive Plan | 0 | (1) | 82 | 38 |
| Credit Suisse legacy plans | (285) | n/a | (108) | n/a |
| Total GEB and KRTs | (294) | (13) | 648 | 201 |

¹ For notional share awards (excluding Credit Suisse legacy plan awards), ex post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 31 December 2023 (USD 30.9) for 2023 (which may differ from the expense recognized in the income statement in accordance with IFRS). The 2022 data is valued using the share price on 31 December 2022 (USD 18.67). For LTIP, the forfeited units reflect the fair value awarded at grant. For the notional funds awarded to employees in investment areas within Asset Management under the FOP, this represents the forfeiture credits recognized in 2023 and 2022. For DCCP, the fair value at grant of the forfeited awards during the year is reflected. Credit Suisse legacy plan awards (including Credit Suisse notional fund awards) are calculated using value at grant and include the explicit adjustments resulting from the cancellation and reduction order issued by the Federal Department of Finance (FDF) of Switzerland. The 2022 data excludes Credit Suisse legacy award forfeitures. All values shown exclude DCCP interest and CCA coupon forfeitures. ² Ex post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price at year-end while Credit Suisse legacy plans are calculated based on comparing the value at 31 December 2023 to the value at 31 December 2022. The amount for UBS notional funds is calculated using the mark-to-market change during 2023 and 2022. The 2022 data excludes implicit adjustments related to the Credit Suisse legacy awards. For the GEB members who were appointed to the GEB during 2023, awards have been fully reflected in the GEB categories.

Material Risk Takers

For relevant EU- or UK-regulated entities, we identify individuals who are deemed to be Material Risk Takers (MRTs) based on sectorial and / or local regulatory requirements, including the respective EU Commission Delegated Regulation, the fifth iteration of the EU Capital Requirements Directive (CRD V) and equivalent UK requirements, as applicable. This group consists of senior management, risk takers, selected staff in control or support functions and certain highly compensated employees. For 2023, UBS identified 1,321 MRTs in relation to its relevant EU or UK entities. The increase in the number of MRTs compared with last year has been driven by the MRT population identified in relation to Credit Suisse legal entities.

Subject to individual or legal-entity level proportionality considerations, variable compensation awarded to MRTs is subject to additional deferral and other requirements. For CRD-relevant entities, these include a minimum deferral rate of 40% or 60% (depending on role / variable compensation level) on performance awards and delivery of at least 50% of any upfront performance award in UBS shares that are vested but blocked for 12 months after grant. Deferred awards granted to MRTs under UBS's deferred compensation plans for their performance in 2023 are subject to 6- or 12-month blocking periods post vesting and do not pay out dividends or interest during the deferral period.

Additionally, MRTs are subject to a maximum ratio between fixed and variable pay. Across EU locations, the maximum variable to fixed compensation ratio is set to 200%, based on approval through relevant shareholder votes.

For UK-regulated MRTs, the maximum ratio was set by UBS taking into account the business activities and prudential and conduct risks of the relevant legal entities. In addition, the maximum ratios were set considering the scenario that the relevant legal entities might exceed their financial objectives.

The maximum ratio for all UK-regulated MRTs was approved by the compensation committees of the relevant entities in December 2023.

For up to seven years after grant, performance awards granted to MRTs are subject to clawback provisions, which allow the firm to claim repayment of both the upfront and the vested deferred element of any performance award if an individual is found to have contributed substantially to significant financial losses for the Group or corporate structure in scope, a material downward restatement of disclosed results, or engaged in misconduct and / or failed to take expected actions, thus contributing to significant reputational harm.

LTIP awards granted to UK MRTs and SMFs are subject to an additional non-financial conduct-related metric as required by UK regulation.

UK Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the SMCR) of the UK Prudential Regulation Authority and Financial Conduct Authority requires that individuals with specified responsibilities, performing certain significant functions and / or those in certain other identified categories be designated as SMFs.

Subject to de minimis and other compensation-related considerations, variable compensation awards made to SMFs must comply with specific requirements, including longer deferral, blocking and clawback periods. The deferral period for SMFs is seven years, with the deferred performance awards vesting no faster than pro rata from years 3 to 7, except those that have total compensation below GBP 500,000 and variable incentive accounting for less than 33% of total compensation, for whom a five-year deferral period (instead of a seven-year period) applies. Such awards are also subject to a 12-month blocking period post vesting. The clawback policy for SMFs permits clawback for up to 10 years from the date of performance award grants (applicable if an individual is subject to an investigation at the end of the initial seven-year clawback period). All SMFs are also MRTs and, as such, subject to the same prohibitions on dividend and interest payments.

Control functions and Group Internal Audit

Our control functions must be independent in order to monitor risk effectively. Therefore, their compensation is determined separately from the revenue areas that they oversee, supervise or monitor. Their performance award pool is based not on the performance of these businesses, but on the performance of the Group as a whole. We also consider other factors, such as how effectively the function has performed and our market position. Decisions on individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions on individual compensation for the members of Group Internal Audit (GIA) are made by the Head GIA and approved by the Chairman. Following a proposal by the Chairman, total compensation for the Head GIA is approved by the Compensation Committee.

2023 Group personnel expenses

The number of personnel employed as of 31 December 2023 increased by 40,241 to 112,842 (full-time equivalents) compared with 31 December 2022.

The table below shows our total personnel expenses for 2023, including salaries, pension expenses, social security contributions, variable compensation and other personnel costs. Variable compensation includes cash performance awards paid in 2024 for the 2023 performance year, amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees that are eligible for retirement in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of performance awards granted relating to the 2023 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the expenses recognized in the Group's Financial Statements prepared in accordance with IFRS Accounting Standards:

- a reduction for expenses deferred to future periods (amortization of unvested awards granted in 2024 for the 2023 performance year) and accounting adjustments; and
- an addition for the 2023 amortization of unvested deferred awards granted in prior years.

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS Accounting Standards expenses in both 2023 and 2024. The expenses related to prior performance years and total expenses recognized in 2023 include deferred compensation granted under Credit Suisse Group compensation plans in previous years, which have to be expensed from 2023 onward due to the integration of Credit Suisse into UBS.

› Refer to "Note 7 Personnel expenses" and "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of this report for more information

Personnel expenses

| USD m | Expenses recognized in the IFRS Accounting Standards income statement | | | | |
|--|---|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Related to the performance year 2023 | Related to prior performance years | Total expenses recognized in 2023 | Total expenses recognized in 2022 | Total expenses recognized in 2021 |
| Salaries¹ | 10,997 | 0 | 10,997 | 7,045 | 7,339 |
| Non-deferred cash | 2,859 | (52) | 2,807 | 2,260 | 2,373 |
| Deferred compensation awards | 523 | 656 | 1,179 | 945 | 817 |
| <i>of which: Equity Ownership Plan</i> | <i>155</i> | <i>330</i> | <i>485</i> | <i>437</i> | <i>363</i> |
| <i>of which: Deferred Contingent Capital Plan</i> | <i>180</i> | <i>241</i> | <i>421</i> | <i>349</i> | <i>297</i> |
| <i>of which: Long-Term Incentive Plan</i> | <i>164</i> | <i>40</i> | <i>204</i> | <i>43</i> | <i>73</i> |
| <i>of which: Fund Ownership Plan</i> | <i>24</i> | <i>46</i> | <i>69</i> | <i>116</i> | <i>84</i> |
| Variable compensation – performance awards | 3,382 | 604 | 3,986 | 3,205 | 3,190 |
| Variable compensation – financial advisors² | 3,761 | 788 | 4,549 | 4,508 | 4,860 |
| Variable compensation – other³ | 784 | 526 | 1,310 | 241 | 229 |
| Total variable compensation⁴ | 7,927 | 1,918 | 9,845 | 7,954 | 8,280 |
| Contractors | 334 | 0 | 334 | 323 | 381 |
| Social security | 1,362 | 111 | 1,473 | 944 | 978 |
| Pension and other post-employment benefit plans⁵ | 1,361 | 0 | 1,361 | 794 | 833 |
| Other personnel expenses | 862 | 27 | 890 | 621 | 576 |
| Total personnel expenses | 22,843 | 2,056 | 24,899 | 17,680 | 18,387 |

¹ Includes role-based allowances. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of existing deferred awards and retention awards granted to Credit Suisse employees as well as replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Refer to "Note 28 Employee benefits: variable compensation" in the "Consolidated financial statements" section of this report for more information. ⁵ Refer to "Note 27 Post-employment benefit plans" in the "Consolidated financial statements" section of this report for more information.

Deferred compensation

Vesting of outstanding awards granted in prior years subject to performance metrics and thresholds

The tables below show the extent to which the performance metrics and thresholds for awards granted in prior years have been met and the related vesting in 2024.

| Long-Term Incentive Plan (LTIP) 2019 (performance period 2020–2022) | | |
|--|---|--|
| Performance metrics | Performance achievement ¹ | Vesting |
| Return on common equity tier 1 capital (RoCET1) and relative Total Shareholder Return (rTSR) | The overall achievement level is 98% of the maximum opportunity (of up to 100%), based on outcomes for rTSR (weighted 50%) and RoCET1 (weighted 50%). | <ul style="list-style-type: none"> – For GEB, the first and second installments vested in 2023 and 2024, respectively, and the remaining tranche will vest in 2025 accordingly. As outlined in our 2019 Compensation Report, up to CHF 7.3m, or 30%, of the 2019 LTIP awards at grant for GEB members active in March 2017 continues to be at risk and directly linked to the final resolution of the French cross-border matter. – For other select senior management, the full award vested in 2023. |

¹ As disclosed in our Compensation Report 2019, LTIP awards for the 2019 performance year were awarded at a value of 62.25% of maximum, which reflected our best estimate of the fair value of the award. The maximum number of shares was determined by dividing the awarded amount by the fair value of the award at the date of grant, divided by CHF 12.919 or USD 13.141, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date.

| Long-Term Incentive Plan (LTIP) 2020 (performance period 2021–2023) | | |
|--|--|--|
| Performance metrics | Performance achievement ¹ | Vesting |
| Return on common equity tier 1 capital (RoCET1) and relative Total Shareholder Return (rTSR) | The overall achievement level is 92.55% of the maximum opportunity (of up to 100%), based on outcomes for rTSR (weighted 50%) and RoCET1 (weighted 50%). | <ul style="list-style-type: none"> – For GEB, the first installment will vest in 2024 and the remaining tranches will vest in 2025 and 2026 accordingly. – For other select senior management, the full award will vest in 2024. |

¹ As disclosed in our Compensation Report 2020, LTIP awards for the 2020 performance year were awarded at a value of 65.90% of maximum, which reflected our best estimate of the fair value of the award. The maximum number of shares was determined by dividing the awarded amount by the fair value of the award at the date of grant, divided by CHF 13.89 or USD 15.411, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date.

➤ Refer to “Performance achievement of the 2020 LTIP granted in 2021” in the “Group compensation” section of this report for more information

The below EOP and DCCP thresholds have been set to support the sustainability of the organization and represent minimum performance levels to retain the awards.

| Equity Ownership Plan (EOP) 2018 / 2019, EOP 2019 / 2020, EOP 2020 / 2021 and EOP 2021 / 2022 | | |
|---|--|--|
| Thresholds | Threshold achievement ¹ | Vesting |
| Return on common equity tier 1 capital (RoCET1) and divisional return on attributed equity | The Group and divisional thresholds have been satisfied. | <p>The following installments vest in full:</p> <ul style="list-style-type: none"> – for EOP 2018 / 2019, the third and final installment for the GEB members, and certain other employees – for EOP 2019 / 2020, the second installment for SMFs – for EOP 2020 / 2021, the second installment for all other employees covered under the plan; and – for EOP 2021 / 2022, the first installment for all other employees covered under the plan. |

¹ Performance may be adjusted for disclosed items generally not representative of underlying business performance.

| Deferred Contingent Capital Plan (DCCP) 2018 / 2019 | | |
|---|-------------------------------------|-----------------------------------|
| Thresholds | Threshold achievement ¹ | Vesting |
| Common equity tier 1 (CET1) capital ratio, viability event and, additionally for GEB, Group profit before tax | The thresholds have been satisfied. | – DCCP 2018 / 2019 vests in full. |

¹ Performance may be adjusted for disclosed items generally not representative of underlying business performance.

Outstanding Credit Suisse Group awards granted in prior years subject to performance conditions

The tables below show the extent to which the performance metrics and thresholds for awards granted by the Credit Suisse Group in prior years have been met and the related impact of the 2023 results.

As a result of the acquisition by UBS Group AG of Credit Suisse Group AG, many of the financial measurements applicable to legacy Credit Suisse Group awards are no longer available or are not fully comparable to previous performance periods, therefore revised metrics have been adopted as set out in the table below.

| Performance Share Awards (PSA) 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022 | | | |
|---|---|---|--|
| Thresholds | Amended threshold | Threshold achievement ¹ | 2023 impact |
| Under the legacy Credit Suisse Group plan rules, negative adjustment if: – Credit Suisse Group AG has negative RoE or – divisional pre-tax loss | Negative adjustment if reported UBS Group AG return on CET1 capital (RoCET1) is negative. | The amended threshold has been satisfied. | No negative adjustment applied in respect of PSAs outstanding on 31 December 2023. |

¹ Performance may be adjusted for disclosed items generally not representative of underlying business performance.

| Strategic Delivery Plan Awards (SDP) 2021/2022 | | | |
|---|--|---|--|
| Thresholds | Amended threshold | Threshold achievement ¹ | 2023 impact |
| Under the legacy Credit Suisse Group plan rules, cancellation in full if either: – CET1 capital ratio is below a statutory minimum on 31 December 2022, 2023 or 2024 – Leverage ratio is below 3.7% on 31 December 2022, 2023 or 2024 | Cancellation in full if reported UBS Group AG CET1 ratio is less than 7% on 31 December 2023 or 2024 | The amended threshold has been satisfied. | No cancellation of SDP awards based on 2023 financial results. |

¹ Performance may be adjusted for disclosed items generally not representative of underlying business performance.

| Transformation Awards share component 2022/23 | | | |
|---|---|---|--|
| Share price condition and performance metrics | Amended threshold | Performance achievement | 2023 impact |
| Under legacy Credit Suisse Group plan rules: – Credit Suisse Group share price of CHF 3.82 (on 31 December 2025) – Credit Suisse Group RoTE of between 5% and 7.5% (FY 2025) – Credit Suisse Group cost base between CHF 15bn threshold and CHF 14bn (FY 2025) | – Underlying UBS Group AG RoCET1 of 8% minimum (FY 2025) – UBS Group AG share price of CHF 85.87 (on 31 December 2025) | Not applicable, share price condition and performance metric only apply for 2025. | No impact. Share price condition and performance metric only apply for 2025. |

| All outstanding Contingent Capital Awards (CCAs) granted in previous years | | |
|--|--|--|
| Thresholds / conditions | Threshold / conditions outcome | Vesting |
| Credit Suisse CET1 capital ratio, Credit Suisse viability event, Credit Suisse contingency event | Viability event triggered during 2023. | All outstanding CCAs were canceled on 16 May 2023. |

Share ownership / entitlements of GEB members¹

| Name, function | on 31 December | Number of unvested shares / at risk ² | Number of vested shares | Total number of shares | Potentially conferred voting rights in % |
|---|-------------------|---|----------------------------|---------------------------|---|
| Sergio Ermotti, Group Chief Executive Officer | 2023 | 1,218,685 | 1,220,864 | 2,439,549 | 0.185 |
| | 2022 | - | - | - | - |
| Ralph A.J.G. Hamers, former Group Chief Executive Officer | 2023 | - | - | - | - |
| | 2022 | 349,441 | 5,238 | 354,679 | 0.023 |
| Michelle Beraux, Group Integration Officer | 2023 | 100,618 | 0 | 100,618 | 0.008 |
| | 2022 | - | - | - | - |
| Christian Bluhm, Group Chief Risk Officer | 2023 | 715,033 | 51 | 715,084 | 0.054 |
| | 2022 | 707,979 | 0 | 707,979 | 0.046 |
| Mike Dargan, Group Chief Operations and Technology Officer | 2023 | 408,308 | 56,024 | 464,332 | 0.035 |
| | 2022 | 386,141 | 17,955 | 404,096 | 0.026 |
| Suni Harford, President Asset Management | 2023 | 1,226,219 | 128,081 | 1,354,300 | 0.103 |
| | 2022 | 1,028,210 | 44,202 | 1,072,412 | 0.070 |
| Naureen Hassan, President UBS Americas | 2023 | 48,861 | 0 | 48,861 | 0.004 |
| | 2022 | 0 | 0 | 0 | 0.000 |
| Robert Karofsky, President Investment Bank | 2023 | 1,116,181 | 446,655 | 1,562,836 | 0.118 |
| | 2022 | 1,037,028 | 364,914 | 1,401,942 | 0.092 |
| Sabine Keller-Busse, President Personal & Corporate Banking and President UBS Switzerland | 2023 | 998,319 | 460,442 | 1,458,761 | 0.111 |
| | 2022 | 973,150 | 566,106 | 1,539,256 | 0.101 |
| Iqbal Khan, President Global Wealth Management | 2023 | 1,118,165 | 32,287 | 1,150,452 | 0.087 |
| | 2022 | 960,301 | 0 | 960,301 | 0.063 |
| Edmund Koh, President UBS Asia Pacific | 2023 | 906,095 | 530,000 | 1,436,095 | 0.109 |
| | 2022 | 724,865 | 579,937 | 1,304,802 | 0.085 |
| Ulrich Körner, CEO of Credit Suisse AG | 2023 | 314,134 | 15,126 | 329,260 | 0.025 |
| | 2022 | - | - | - | - |
| Barbara Levi, Group General Counsel | 2023 | 462,894 | 76,075 | 538,969 | 0.041 |
| | 2022 | 407,195 | 45,818 | 453,013 | 0.030 |
| Beatriz Martin Jimenez, Head Non-core and Legacy and President UBS EMEA | 2023 | 381,209 | 81,823 | 463,032 | 0.035 |
| | 2022 | - | - | - | - |
| Markus Ronner, Group Chief Compliance and Governance Officer | 2023 | 642,528 | 3,129 | 645,657 | 0.049 |
| | 2022 | 586,283 | 0 | 586,283 | 0.038 |
| Stefan Seiler, Head Group Human Resources & Group Corporate Services | 2023 | 270,359 | 0 | 270,359 | 0.020 |
| | 2022 | - | - | - | - |
| Todd Tuckner, Group Chief Financial Officer | 2023 | 219,246 | 338,962 | 558,208 | 0.042 |
| | 2022 | - | - | - | - |
| Sarah Youngwood, former Group Chief Financial Officer | 2023 | - | - | - | - |
| | 2022 | 299,729 | 0 | 299,729 | 0.020 |
| Total | 2023 | 10,146,854 | 3,389,519 | 13,536,373 | 1.026 |
| | 2022 | 7,460,322 | 1,624,170 | 9,084,492 | 0.593 |

1 Includes all vested and unvested shares of GEB members, including those held by related parties. No options were held in 2023 and 2022 by any GEB member or any of its related parties. Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of this report for more information. 2 Includes shares granted under variable compensation plans with forfeiture provisions. For the 2019/20 and 2020/21 LTIP awards, the values reflect the final value. For all other LTIP awards, the values reflect the fair value awarded at grant. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to "Group compensation" in the "Compensation" section of this report for more information about the plans.

Total of all vested and unvested shares of GEB members^{1,2}

| | Total | of which: vested | | of which: vesting | | | | |
|----------------------------|------------|------------------|-----------|-------------------|-----------|-----------|---------|--------|
| | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | |
| Shares on 31 December 2023 | 13,536,373 | 3,389,519 | 3,215,832 | 3,063,794 | 2,210,296 | 1,063,396 | 542,441 | 51,095 |
| | | | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Shares on 31 December 2022 | 9,084,492 | 1,624,170 | 1,572,210 | 1,952,123 | 2,020,881 | 1,281,201 | 599,733 | 34,174 |

1 Includes shares held by related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Group compensation" section of this report for more information.

Audited I

Number of shares of BoD members¹

| Name, function | on 31 December | Number of shares held | Voting rights in % |
|--|----------------|-----------------------|--------------------|
| Colm Kelleher, Chairman | 2023 | 456,045 | 0.035 |
| | 2022 | 339,084 | 0.022 |
| Lukas Gähwiler, Vice Chairman ² | 2023 | 342,248 | 0.026 |
| | 2022 | 283,907 | 0.019 |
| Jeremy Anderson, Senior Independent Director | 2023 | 140,812 | 0.011 |
| | 2022 | 119,660 | 0.008 |
| Claudia Böckstiegel, member | 2023 | 16,523 | 0.001 |
| | 2022 | 7,814 | 0.001 |
| William C. Dudley, member | 2023 | 80,333 | 0.006 |
| | 2022 | 66,646 | 0.004 |
| Patrick Firmenich, member | 2023 | 53,405 | 0.004 |
| | 2022 | 27,275 | 0.002 |
| Fred Hu, member | 2023 | 112,265 | 0.009 |
| | 2022 | 97,543 | 0.006 |
| Mark Hughes, member | 2023 | 65,916 | 0.005 |
| | 2022 | 48,497 | 0.003 |
| Nathalie Rachou, member | 2023 | 46,057 | 0.003 |
| | 2022 | 31,126 | 0.002 |
| Julie G. Richardson, member | 2023 | 155,623 | 0.012 |
| | 2022 | 138,204 | 0.009 |
| Dieter Wemmer, member | 2023 | 147,251 | 0.011 |
| | 2022 | 132,320 | 0.009 |
| Jeanette Wong, member | 2023 | 115,567 | 0.009 |
| | 2022 | 93,440 | 0.006 |
| Total | 2023 | 1,732,045 | 0.131 |
| | 2022 | 1,385,516 | 0.090 |

1 Includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2023 and 2022. 2 Includes 127,386 unvested shares granted under variable compensation plans with forfeiture provisions as part of Lukas Gähwiler's compensation for his executive roles previously held at UBS. ▲

Audited I

Total of all blocked and unblocked shares of BoD members¹

| | Total | of which: unblocked | of which: blocked until | | | |
|-----------------------------------|------------------------------|------------------------|-------------------------|---------|---------|---------|
| | | | 2024 | 2025 | 2026 | 2027 |
| Shares on 31 December 2023 | 1,732,045² | 674,707 | 275,425 | 263,853 | 192,544 | 325,516 |
| | | | 2023 | 2024 | 2025 | 2026 |
| Shares on 31 December 2022 | 1,385,516 | 472,981 | 207,155 | 250,165 | 262,671 | 192,544 |

1 Includes shares held by related parties. 2 Includes 127,386 unvested shares granted under variable compensation plans with forfeiture provisions as part of Lukas Gähwiler's compensation for his executive roles previously held at UBS. ▲

Audited I

Loans granted to GEB members

Pursuant to article 38 of the Articles of Association of UBS Group AG (the AoA), GEB members may be granted loans. Such loans are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20m per GEB member.

| Name, function | on 31 December | Loans ^{2,3,4} | USD |
|--|----------------|------------------------|-----------------|
| | | | (for reference) |
| Ulrich Körner, CEO of Credit Suisse AG (highest loan in 2023) | 2023 | 12,490,000 | 14,839,119 |
| Christian Bluhm, Group Chief Risk Officer (highest loan in 2022) | 2022 | 6,927,000 | |
| Aggregate of all GEB members | 2023 | 50,980,299 | 60,568,674 |
| | 2022 | 30,752,035 | |

1 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 2 All loans granted are secured loans. 3 Excludes two unused uncommitted credit facilities in 2023 of CHF 11,840,766 (USD 14,067,847) that have been granted to two GEB members. No unused uncommitted credit facilities in 2022. 4 No loans have been granted to related parties of the GEB members at conditions not customary in the market. ▲

Loans granted to BoD members

Pursuant to article 33 of the AoA, loans to independent BoD members are made in the ordinary course of business at general market conditions. The Vice Chairman, given the full-time nature of his role, may be granted loans in the ordinary course of business on substantially the same terms as those granted to employees, including interest rates and collateral. Such loans neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20m per BoD member.

| <i>CHF, except where indicated¹</i> | on 31 December | | Loans ^{2,3,4} | USD (for reference) |
|--|----------------|------|------------------------|------------------------|
| | 2023 | 2022 | | Loans ^{2,3,4} |
| Aggregate of all BoD members | 690,000 | 0 | | 819,775 |

¹ Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. ² All loans granted are secured loans. ³ CHF 690,000 (USD 819,775) for Claudia Böckstiegel (independent BoD member) in 2023 and no loans in 2022. ⁴ No loans have been granted to related parties of the BoD members at conditions not customary in the market.

Compensation paid to former BoD and GEB members¹

The compensation and benefits in the table below relate to payments made to former BoD and GEB members. Variable compensation paid to GEB members who stepped down during the respective years is included in the GEB performance award pool (see table "Total compensation for GEB members")

| <i>CHF, except where indicated^{2, 4}</i> | For the year | Compensation | Benefits | Total | USD (for reference) ² |
|---|--------------|--------------|----------|---------|-------------------------------------|
| | | | | | Total |
| Former BoD members | 2023 | 0 | 3,493 | 3,493 | 4,150 |
| | 2022 | 0 | 0 | 0 | |
| Aggregate of all former GEB members ³ | 2023 | 0 | 676,342 | 676,342 | 803,548 |
| | 2022 | 0 | 89,657 | 89,657 | |
| Aggregate of all former BoD and GEB members | 2023 | 0 | 679,835 | 679,835 | 807,698 |
| | 2022 | 0 | 89,657 | 89,657 | |

¹ Compensation or remuneration that is related to the former members' activity on the BoD or GEB or that is not at market conditions. ² Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. ³ Includes benefit payments in 2023 for three former GEB members and in 2022 to two former GEB members. ⁴ Excludes the portion related to the legally required employer's social security contributions for 2023 and 2022, however, the legally required employees' social security contributions are included in the amounts shown in the table above, as appropriate.

GEB and BoD member mandates outside the Group

In line with the Swiss Code of Obligations, we disclose the mandates of GEB and BoD members outside of the Group in the tables below. Further information on background and biographies, including mandates in UBS entities, are available in the “Corporate governance” section of this report.

Audited I

BoD member mandates outside the Group

| Name, function | Mandates |
|--|--|
| Colm Kelleher, Chairman | <ul style="list-style-type: none"> – Member of the Board of Norfolk Southern Corporation (chair of the risk and finance committee) – Member of the Board of Directors of the Bretton Woods Committee – Member of the Board of the Swiss Finance Council – Member of the International Monetary Conference – Member of the Board of the Bank Policy Institute – Member of the Board of Americans for Oxford – Visiting Professor of Banking and Finance, Loughborough Business School – Member of the European Financial Services Round Table – Member of the European Banking Group – Member of the International Advisory Council of the China Securities Regulatory Commission – Member of the Chief Executive’s Advisory Council (Hong Kong) |
| Lukas Gähwiler, Vice Chairman | <ul style="list-style-type: none"> – Vice Chairman of the Board of Directors of Pilatus Aircraft Ltd – Member of the Board of Directors of Ringier AG – Member of the Board and Board Committee of economiesuisse – Chairman of the Employers Association of Banks in Switzerland – Member of the Board of Directors of the Swiss Employers Association – Member of the Board of Directors and the Board of Directors Committee of the Swiss Bankers Association – Member of the Board of the Swiss Finance Council – Member of the Board of Trustees of Avenir Suisse |
| Jeremy Anderson, Senior Independent Director | <ul style="list-style-type: none"> – Member of the Board of Prudential plc (chair of the risk committee) – Trustee of the UK’s Productivity Leadership Group |
| Claudia Böckstiegel, member | <ul style="list-style-type: none"> – Member of the Enlarged Executive Committee of Roche Holding AG |
| William C. Dudley, member | <ul style="list-style-type: none"> – Member of the Board of Treliant LLC – Member of the Advisory Board of Suade Labs – Senior Advisor to the Griswold Center for Economic Policy Studies, Princeton University – Member of the Group of Thirty – Member of the Council on Foreign Relations – Chairman of the Bretton Woods Committee Board of Directors – Member of the Board of the Council for Economic Education |
| Patrick Firmenich, member | <ul style="list-style-type: none"> – Vice Chairman of the Board of dsm firmenich (chair of the nomination committee) – Member of the Board of Directors of INSEAD and INSEAD World Foundation – Member of the Advisory Council of the Swiss Board Institute |
| Fred Hu, member | <ul style="list-style-type: none"> – Non-executive Chairman of the Board of Yum China Holdings (chair of the nomination and governance committee) – Member of the Board of ICBC (chair of the nomination committee) – Chairman of Primavera Capital Ltd – Trustee of the China Medical Board – Co-Chairman of the Nature Conservancy Asia Pacific Council – Member of the Board of Trustees, the Institute for Advanced Study – Director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd. |
| Mark Hughes, member | <ul style="list-style-type: none"> – Chair of the Board of Directors of the Global Risk Institute – Senior advisor to McKinsey & Company |
| Nathalie Rachou, member | <ul style="list-style-type: none"> – Member of the Board of Euronext N.V. (chair of the remuneration committee) – Member of the Board of Veolia Environnement SA (chair of the audit committee) – Member of the Board of the African Financial Institutions Investment Platform – Member of the Board of Directors of Fondation Léopold Bellan |
| Julie G. Richardson, member | <ul style="list-style-type: none"> – Member of the Board of Yext (chair of the audit committee) – Member of the Board of Datadog (chair of the audit committee) – Member of the Board of Fivetran – Member of the Board of Coalition, Inc. – Member of the Board of Checkout.com (stepped down in January 2024) |
| Dieter Wemmer, member | <ul style="list-style-type: none"> – Member of the Board of Ørsted A/S (chair of the audit and risk committee) – Chairman of Marco Capital Holdings Limited, Malta and subsidiaries |
| Jeanette Wong, member | <ul style="list-style-type: none"> – Member of the Board of Prudential plc – Member of the Board of Singapore Airlines Limited – Member of the Board Risk Committee of GIC Pte Ltd – Member of the Board of Jurong Town Corporation – Member of the Board of PSA International – Member of the Board of Pavilion Capital Holdings Pte Ltd – Chairman of the CareShield Life Council – Member of the Securities Industry Council – Member of the Board of Trustees of the National University of Singapore |

› Refer to “Board of Directors” in the “Corporate governance” section of this report for more information

GEB member mandates outside the Group

| Name, function | Mandates |
|---|---|
| Sergio Ermotti, Group Chief Executive Officer | <ul style="list-style-type: none"> – Member of the Board of Ermenegildo Zegna N.V. (Lead Non-Executive Director) – Member of the Board of Società Editrice del Corriere del Ticino SA – Member of the Board of Innosuisse, the Swiss Innovation Agency – Member of Institut International D'Etudes Bancaires – Member of the WEF International Business Council and Governor of the Financial Services / Banking Community – Member of the MAS International Advisory Panel – Member of the Board of the Institute of International Finance – Member of the Board of the Swiss-American Chamber of Commerce |
| Michelle Beraux, Group Integration Officer | – None |
| Christian Bluhm, Group Chief Risk Officer | <ul style="list-style-type: none"> – Chairman of the Board of Christian Bluhm Photography AG – Member of the Foundation Board International Financial Risk Institute |
| Mike Dargan, Group Chief Digital and Information Officer | – None |
| Suni Harford, President Asset Management | – Member of the Board of Directors of the Bob Woodruff Foundation |
| Naureen Hassan, President UBS Americas | <ul style="list-style-type: none"> – Member of the Board of the Securities Industry and Financial Markets Association (stepped down in January 2024) – Member of the Board of Governors of FINRA (as of 16 February 2024) – Member of the Board of Ownership Works – Member of the Board of the American Swiss Foundation – Member of the Board and Executive Committee of The Partnership for New York City |
| Robert Karofsky, President Investment Bank | – None |
| Sabine Keller-Busse, President Personal & Corporate Banking and President UBS Switzerland | <ul style="list-style-type: none"> – Member of the Board of Zurich Insurance Group – Chairwoman of the Foundation Board of the UBS Pension Fund – Member of the Foundation Council of the UBS International Center of Economics in Society – Member of the Board and Board Committee of Zurich Chamber of Commerce – Member of the Board of the University Hospital Zurich Foundation – Member of the Board of Trustees of the Swiss Entrepreneurs Foundation |
| Iqbal Khan, President Global Wealth Management and President EMEA | – None |
| Edmund Koh, President Asia Pacific | <ul style="list-style-type: none"> – Member of the Board of Trustees of the Wealth Management Institute, Singapore – Member of the Board of Next50 Limited, Singapore – Member of the Board of Medico Suites (S) Pte Ltd, Singapore – Member of the Board of Curbside Pte Ltd, Singapore – Member of the Board of the Philanthropy Asia Alliance Ltd., Singapore – Member of a sub-committee of the Singapore Ministry of Finance's Committee on the Future Economy – Member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore – Council member of the Asian Bureau of Finance and Economic Research, Singapore – Member of the Board of Trustee of the Cultural Matching Fund, Singapore – Member of University of Toronto's International Leadership Council for Asia |
| Ulrich Körner, CEO of Credit Suisse AG | – Vice President of the Board of Lyceum Alpinum Zuoz AG |
| Barbara Levi, Group General Counsel | <ul style="list-style-type: none"> – Member of the Board of Directors of the European General Counsel Association – Member of the Legal Committee of the Swiss-American Chamber of Commerce |
| Beatriz Martin Jimenez, Head Non-core and Legacy and President UBS EMEA | <ul style="list-style-type: none"> – Member of the Advisory Board of the Frankfurt School of Finance & Management – Member of the Leadership Council, TheCityUK, London (stepped down in February 2024) |
| Markus Ronner, Group Chief Compliance and Governance Officer | – None |
| Stefan Seiler, Head Group Human Resources & Group Corporate Services | <ul style="list-style-type: none"> – Member of the UBS Center for Economics in Society at the University of Zurich Foundation Council – Chairman of the Foundation Board of the Swiss Finance Institute – Member of the IMD Foundation Board – Adjunct Professor for Leadership and Strategic Human Resource Management, Nanyang Technological University (NTU), Singapore |
| Todd Tuckner, CFO | – None |

› Refer to “Group Executive Board” in the “Corporate governance” section of this report for more information ▲

Provisions of the Articles of Association related to compensation

Swiss say-on-pay provisions give shareholders of companies listed in Switzerland significant influence over board and management compensation. At UBS, this is achieved by means of an annual binding say-on-pay vote in accordance with the following provisions of the AoA.

Say on pay

In line with article 43 of the AoA, the General Meeting approves proposals from the BoD in relation to:

- a) the maximum aggregate amount of compensation of the BoD for the period until the next AGM;
- b) the maximum aggregate amount of fixed compensation of the GEB for the following financial year; and
- c) the aggregate amount of variable compensation of the GEB for the preceding financial year.

The BoD may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods. If the General Meeting does not approve a proposal from the BoD, the BoD will determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting. UBS Group AG or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

Principles of compensation

In line with articles 45 and 46 of the AoA, compensation of the members of the BoD includes base remuneration and may include other compensation elements and benefits. Compensation of the members of the BoD is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals, and to ensure alignment with shareholders' interests.

Compensation of the members of the GEB includes fixed and variable compensation elements. Fixed compensation includes the base salary and may include other compensation elements and benefits. Variable compensation elements are governed by financial and non-financial performance measures that take into account the performance of UBS Group AG and / or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives, and / or individual targets. The BoD or, where delegated to it, the Compensation Committee, determines the respective performance measures, the overall and individual performance targets, and their achievement. The BoD or, where delegated to it, the Compensation Committee, aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation are subject to a multi-year vesting period.

Additional amount for GEB members appointed after the vote on the aggregate amount of compensation by the AGM

In line with article 46 of the AoA of UBS Group AG, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person that becomes a member of or is being promoted within the GEB after the General Meeting has approved the compensation, UBS Group AG, or companies controlled by it, is authorized to pay or grant each such GEB member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period cannot exceed 40% of the average of total annual compensation paid or granted to the GEB during the previous three years.

› **Refer to ubs.com/governance for more information**



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To the General Meeting of
UBS Group AG, Zurich

Basel, 27 March 2024

Opinion

We have audited the Compensation Report of UBS Group AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked "audited" of the Compensation report: Approved GEB fixed compensation and BoD compensation, Total compensation for GEB Members, Remuneration details and additional information for BoD members, Share ownership / entitlements of GEB members, Number of shares of BoD members, Loans granted to GEB members, Loans granted to BoD members, Compensation paid to former BoD and GEB members and GEB and BoD member mandates outside the Group.

In our opinion, the information pursuant to Art. 734a-734f CO in the Compensation report complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the Compensation Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables referenced above in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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 this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the Compensation 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 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 the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee 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 the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Maurice McCormick
Licensed audit expert
(Auditor in charge)

Eveline Hunziker
Licensed audit expert

Financial statements

Consolidated financial statements

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Management's report on internal control over financial reporting

Management's responsibility for internal control over financial reporting

The Board of Directors and management of UBS Group AG (UBS) are responsible for establishing and maintaining adequate internal control over financial reporting. UBS's internal control over financial reporting are designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (IASB). UBS's internal control over financial reporting include those policies and procedures that:

UBS's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation and fair presentation of financial statements, and that receipts and expenditures of the company are being made only in accordance with authorizations of UBS management; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assessment of internal control over financial reporting as of 31 December 2023

UBS management has assessed the effectiveness of UBS's internal control over financial reporting as of 31 December 2023 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 Framework). Based on this assessment, management believes that, as of 31 December 2023, UBS's internal controls over financial reporting were effective. Management has excluded Credit Suisse, which UBS acquired in 2023, from the scope of its assessment of internal control over financial reporting, as permitted by SEC guidance for acquired businesses. The total assets of Credit Suisse as of 31 December 2023 represented approximately 34% of UBS total assets as of such date, and revenues associated with Credit Suisse for the period from acquisition to 31 December 2023 represented approximately 19% of UBS revenues for the year ended 31 December 2023.

Credit Suisse material weaknesses

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a registrant's financial statements will not be prevented or detected on a timely basis.

Prior to the acquisition by UBS, Credit Suisse Group AG and Credit Suisse AG had each identified certain material weaknesses in their internal controls over financial reporting, as a result of which they had concluded that, as of 31 December 2022, Credit Suisse Group's and Credit Suisse AG's internal controls over financial reporting were not effective and, for the same reasons, had reached the same conclusion regarding the situation as of 31 December 2021. The material weaknesses identified related to the failure to design and maintain an effective risk assessment process to identify and analyze the risk of material misstatements in Credit Suisse financial statements and the failure to design and maintain effective monitoring activities relating to (i) providing sufficient management oversight over the internal control evaluation process to support the company's internal control objectives; (ii) involving appropriate and sufficient management resources to support the risk assessment and monitoring objectives; and (iii) assessing and communicating the severity of deficiencies in a timely manner to those parties responsible for taking corrective action. These material weaknesses contributed to an additional material weakness, as the Credit Suisse Group management did not design and maintain effective controls over the classification and presentation of the consolidated statement of cash flows under US GAAP. Specifically, certain control activities over the completeness and the classification and presentation of non-cash items in the consolidated statement of cash flows were not performed on a timely basis or at the appropriate level of precision. This material weakness resulted in the revisions to Credit Suisse Group's consolidated financial statements for the three years ended 31 December 2021, as disclosed in its 2021 Annual Report.

- › Refer to **"Material weaknesses in internal control over financial reporting of the Credit Suisse Group" in the "Acquisition and integration of Credit Suisse" section of this report for additional information about the material weaknesses at Credit Suisse**

The effectiveness of UBS's internal control over financial reporting as of 31 December 2023 has been audited by Ernst & Young Ltd, UBS's independent registered public accounting firm, as stated in their *Report of the independent registered public accounting firm on internal control over financial reporting*, which expresses an unqualified opinion on the effectiveness of UBS's internal control over financial reporting as of 31 December 2023.

Reports of the independent registered public accounting firm included in this report

The accompanying reports of the independent registered public accounting firm on the consolidated financial statements *Report of the independent registered public accounting firm on the consolidated financial statements* and internal control over financial reporting *Report of the independent registered public accounting firm on internal control over financial reporting* of UBS Group are included in our filing on 28 March 2024 with the Securities and Exchange Commission on Form 20-F pursuant to US reporting obligations.



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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS Group AG

Opinion on Internal Control over Financial Reporting

We have audited UBS Group AG and subsidiaries' internal control over financial reporting as of 31 December 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UBS Group AG and subsidiaries ("the Group") maintained, in all material respects, effective internal control over financial reporting as of 31 December 2023, based on the COSO criteria.

As indicated in the accompanying Management's report on internal control over financial reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Credit Suisse AG, which is included in the 2023 consolidated financial statements of the Group and constituted approximately 34% of total assets as of December 31, 2023 and approximately 19% of revenues for the year then ended. Our audit of internal control over financial reporting of the Group and our conclusion above did not include an evaluation of the internal control over financial reporting of Credit Suisse AG.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Group as of 31 December 2023 and 2022, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2023, and the related notes and our report dated 27 March 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Ltd

Ernst & Young Ltd
Basel, 27 March 2024



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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS Group AG

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UBS Group AG and subsidiaries ("the Group") as of 31 December 2023 and 2022, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2023, and the related notes to the consolidated financial statements, including the information identified as "audited" as described in Note 1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2023, in conformity with the IFRS Accounting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group's internal control over financial reporting as of 31 December 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated 27 March 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on the Group's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Purchase price allocation over Credit Suisse acquisition

Description of the Matter As described in Note 2 to the consolidated financial statements, the Group acquired Credit Suisse Group AG (CS) on 12 June 2023. The transaction has been accounted for as a business combination under IFRS 3 and accordingly, the assets acquired, and liabilities assumed from CS were recorded at fair value as of the acquisition date, resulting in the recognition of negative goodwill of USD 27.7 billion. Purchase price allocation (PPA) adjustments were recognized on financial instruments and other asset and liability categories, including litigation provisions and contingent liabilities to derive the fair values. Additionally, the Group has begun to recognize the accretion of fair value adjustments applied to certain financial instruments that will be recognized over their expected lives in the income statement.

Auditing the Group's fair value estimate of certain assets and liabilities, particularly financial instruments and litigation provisions and contingent liabilities, was complex due to the significant judgment required by management in developing the estimates due to illiquid instruments with unobservable market inputs, uncertain expected future cash flows, complex underlying collateral, and the uncertain amount and probability that an outflow of resources will be required for certain litigation matters. Additionally, auditing the Group's calculation of accretion of certain fair value adjustments was complex due to judgments around the appropriate methodology applied (including whether certain assets/liabilities should be subject to accretion), operational challenges and changes in credit conditions or maturity of an underlying in terms of treating defaults or repayments, in part or in whole. These factors contributed to a high degree of auditor judgment and effort in performing procedures and evaluating audit evidence obtained.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of the Group's process for estimating the fair value of certain financial instruments and other asset and liability categories, and estimating the litigation provisions and contingent liabilities, including management's controls over: 1) completeness of input data, 2) review and approval of the PPA valuation, 3) process for determining litigation provisions and contingent liabilities upon acquisition, 4) monitoring and reporting of potential triggers of a PPA reassessment, and 5) calculating and recording PPA accretion.

To test the significant PPA adjustments, our audit procedures included, among others, the assessment of management's methodology and significant assumptions used in measuring the fair value of the acquired financial instruments and other asset and liability categories, and litigation provisions and contingent liabilities, including the use of valuation specialists for certain financial instruments. For example, we involved our specialists to, on a sample basis, assess the valuation methodology, and perform independent fair value adjustment calculations to compare to the Group's estimates. Additionally, we tested, on a sample basis, completeness and accuracy of the underlying data provided by management that was used in the valuations. Lastly, we searched for and evaluated information that corroborates or contradicts management's selected assumptions.

Regarding accretion, our audit procedures included assessing UBS' accretion policy, testing that the policy was appropriately implemented, and on a sample basis, testing the completeness and accuracy of accretion calculations.

We also assessed management's disclosure regarding the accounting for the acquisition of Credit Suisse Group AG (within Note 2 to the consolidated financial statements).

Valuation of complex or illiquid instruments at fair value

Description of the Matter At 31 December 2023, as explained in Notes 1 and 21 to the consolidated financial statements, the Group held financial assets and liabilities measured at fair value of USD 478,966 million and USD 426,635 million, respectively, including financial instruments that did not trade in active markets. These instruments are reported within the following accounts: financial assets and liabilities at fair value held for trading, derivative financial instruments, financial assets at fair value not held for trading, debt issued designated at fair value, brokerage payables designated at fair value, and other financial liabilities designated at fair value. In determining the fair value of these financial instruments, the Group used valuation techniques, modelling assumptions, and estimates of unobservable market inputs which required significant management judgment.

Auditing management's judgments and assumptions used in the estimation of the fair value of these instruments was complex due to the highly judgmental nature of valuation techniques, key modelling assumptions and significant unobservable inputs. Auditing the valuation of complex or illiquid instruments at fair value included consideration of any incremental risks arising from the impact of current macroeconomic influences on valuation techniques and inputs, such as geopolitics and inflation. The valuation techniques that required especially complex judgment were comprised of discounted cash flow and earnings-based valuation techniques. Highly judgmental modelling assumptions result from a range of different models or model calibrations used by market participants. Valuation inputs which were particularly complex and subjective included those with a limited degree of observability and the associated extrapolation, interpolation or calibration of curves using limited and proxy data points. Examples of such inputs included unobservable credit spreads and bond prices, and volatility.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over management's financial instrument valuation processes, including controls over market data inputs, model and methodology governance, and valuation adjustments.

We tested the valuation techniques, models and methodologies, and the inputs used in those models, as outlined above, by performing an independent revaluation of certain complex or illiquid financial assets and liabilities with the support of specialists. We used independent models and inputs and compared inputs to available market data among other procedures. We also independently challenged key judgments in relation to a sample of fair value adjustments.

We also assessed management's disclosures regarding fair value measurement (within Notes 1 and 21 to the consolidated financial statements).

Legal provisions and contingent liabilities

Description of the Matter At 31 December 2023, the Group's provisions for litigation, regulatory and similar matters and contingent liabilities (legal provisions) were USD 7,852 million. As explained in Note 18 to the consolidated financial statements, the Group operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcomes may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the legal provisions which have been established.

Auditing management's assessment of legal provisions was complex and judgmental due to the significant subjectivity involved in management's estimate of the amount and probability that an outflow of resources will be required for existing legal matters, including inquiries regarding cross-border wealth management businesses (Note 18b A.1), mortgage-related matters (Note 18b B.1), tax and securities law matters (Note 18b B.2), customer account matters (Note 18b B.6), and supply chain finance funds matters (Note 18b B.11). The legal provisions for these matters are based on management's estimation of the amount and likelihood of the occurrence of certain scenarios.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operational effectiveness of management's controls over the legal provision process. Our procedures included testing management's review of the accuracy of the inputs to the estimation of the amount and likelihood of the occurrence of certain scenarios.

Where appropriate, assessed the methodologies on which the provision amounts were based with the involvement of specialists, recalculated the provisions and tested the underlying information. We inspected internal and external legal analyses of the matters supporting the judgmental aspects impacted by legal interpretations. We obtained correspondence directly from external legal counsel to assess the information provided by management and performed inquiries with external counsel as necessary.

We also assessed management's disclosure regarding legal provisions (within Note 18 to the consolidated financial statements).

Recognition of deferred tax assets

Description of the Matter At 31 December 2023, the Group's deferred tax assets ("DTAs") were USD 10,682 million (see Note 9 to the consolidated financial statements). DTAs are recognized to the extent it is probable that taxable profits will be available, against which applicable deductible temporary differences or the carryforward of unused tax losses within the loss carryforward period can be utilized. There is significant judgment exercised when estimating future taxable income that is not based on the reversal of taxable temporary differences. Management's estimate of future taxable profits is based on its strategic plan that is sensitive to the assumptions made in estimating future taxable income.

Auditing management's assessment of the recognition of the Group's DTAs was complex due to the highly judgmental nature of estimating future taxable profits. Estimating future profitability is inherently subjective as it is sensitive to future economic, market and other conditions, which are difficult to predict, such as the impact of geopolitics, inflation, and interest rates. Specifically, some of the more subjective key macro-economic assumptions used included gross domestic product growth rates, equity market performance, and interest rate expectations.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over DTA valuation, which included the assumptions used in developing the strategic plans and estimating future taxable income.

We assessed the completeness and accuracy of the data used for the estimations of future taxable income. This included recalculating the outputs of models applied to the recognition process for DTAs.

We involved specialists to assist in assessing the key economic assumptions embedded in the strategic plans. We compared key assumptions used to forecast future taxable income to externally available historical and prospective data and assumptions and assessed the sensitivity of the outcomes using reasonably possible changes in assumptions.

We also assessed management's disclosure regarding recognized and unrecognized deferred tax assets (within Note 9 to the consolidated financial statements).

Expected credit losses

Description of the Matter At 31 December 2023, the Group's allowances and provisions for expected credit losses ("ECL") were USD 2,261 million. As explained in Notes 1, 10 and 20 to the consolidated financial statements, ECL is recognized for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, fee and lease receivables, financial guarantees, and loan commitments not measured at fair value. ECL is also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include the Group's credit card limits and master credit facilities. The allowances and provisions for ECL consists of exposures that are in default which are individually evaluated for impairment (stage 3), as well as losses inherent in the loan portfolio that are not specifically identified (stage 1 and stage 2). Management's ECL estimates represent the difference between contractual cash flows and those the Group expects to receive,

discounted at the effective interest rate. The method used to calculate ECL is based on a combination of the following principal factors: probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”).

Auditing management’s estimate of the allowances and provisions for ECL was complex due to the highly judgmental nature of forward-looking economic scenarios that form the basis of the ECL calculation, their probability weightings, related post-model adjustments, and the credit risk models used to estimate stage 1 and stage 2 ECL. The macroeconomic developments during 2023, including persisting geopolitical tensions and inflation, contributed to further uncertainty and complexity in estimating ECL. As a result, the ECL estimation required higher management judgment, specifically within the following two areas: (i) scenario selection, including assumptions about the scenario severity, underlying macroeconomic variables, and the number of scenarios necessary to sufficiently cover the bandwidth of potential outcomes, as well as related scenario weights and post-model adjustments; and (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions.

Additionally, auditing the measurement of individual ECL for stage 3 was complex due to the high degree of judgment involved in management’s process for estimating ECL based on assumptions. These assumptions take into account expected future cash flows from collateral and other credit enhancements or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of management’s controls over the ECL estimate, including management’s choice of forward-looking economic scenarios used to measure ECL and the probability weighting assigned to such scenarios. We evaluated management’s methodologies and governance controls for developing and monitoring the economic scenarios used and the probability weightings assigned to them, and related post-model adjustments. Supported by specialists, we assessed the key macroeconomic variables used in the forward-looking scenarios, such as real gross domestic product growth, unemployment rate, interest rates and house price indices, and evaluated the modelled correlation and translation of those macroeconomic factors to the ECL estimate. We further assessed the appropriateness of the post-model adjustments by considering management’s governance process, assumptions used and sensitivity analysis.

We also obtained an understanding, evaluated the design and tested the operating effectiveness of controls over credit risk models used in the ECL estimate, including controls over the completeness and accuracy of model input data, calculation logic, and output data used in the overall ECL calculation. With the support of specialists, on a sample basis, we performed an evaluation of management’s models and tested the model outcomes by inspecting model documentation, reperforming model calculations, and comparing data used as inputs to management’s forecast to external sources, among other procedures.

For the measurement of stage 3, we obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management’s process, including an evaluation of the assumptions used by management regarding the future cash flows from

debtors' continuing operations and/or the liquidation of collateral. Supported by specialists in certain areas, we additionally tested collateral valuation, cash flow assumptions and exit strategies by performing inquiries of management, inspecting underlying documents, such as loan contracts, financial statements, covenants, budgets and business plans, and by re-performing discounted cash flow calculations among other procedures, on a sample basis.

We also assessed management's disclosure regarding financial assets at amortized cost and other positions in scope of expected credit loss measurement (within Notes 1, 10 and 20 to the consolidated financial statements).

Ernst & Young Ltd

Ernst & Young Ltd

We have served as the Group's auditor since 1998.

Basel, Switzerland

27 March 2024

UBS Group AG consolidated financial statements

Primary financial statements and share information

Audited I

Income statement

| USD m | Note | For the year ended | | |
|---|--------|--------------------|---------------|---------------|
| | | 31.12.23 | 31.12.22 | 31.12.21 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 4 | 31,743 | 11,782 | 8,533 |
| Interest expense from financial instruments measured at amortized cost | 4 | (28,216) | (6,564) | (3,259) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 4 | 3,770 | 1,403 | 1,431 |
| Net interest income | 4 | 7,297 | 6,621 | 6,705 |
| Other net income from financial instruments measured at fair value through profit or loss | 4 | 11,583 | 7,517 | 5,850 |
| Fee and commission income | 5 | 23,766 | 20,789 | 24,372 |
| Fee and commission expense | 5 | (2,195) | (1,823) | (1,985) |
| Net fee and commission income | 5 | 21,570 | 18,966 | 22,387 |
| Other income | 6 | 384 | 1,459 | 452 |
| Total revenues | | 40,834 | 34,563 | 35,393 |
| Negative goodwill | 2 | 27,748 | | |
| Credit loss expense / (release) | 20 | 1,037 | 29 | (148) |
| Personnel expenses | 7 | 24,899 | 17,680 | 18,387 |
| General and administrative expenses | 8 | 10,156 | 5,189 | 5,553 |
| Depreciation, amortization and impairment of non-financial assets | 12, 13 | 3,750 | 2,061 | 2,118 |
| Operating expenses | | 38,806 | 24,930 | 26,058 |
| Operating profit / (loss) before tax | | 28,739 | 9,604 | 9,484 |
| Tax expense / (benefit) | 9 | 873 | 1,942 | 1,998 |
| Net profit / (loss) | | 27,866 | 7,661 | 7,486 |
| Net profit / (loss) attributable to non-controlling interests | | 16 | 32 | 29 |
| Net profit / (loss) attributable to shareholders | | 27,849 | 7,630 | 7,457 |
| Earnings per share (USD) | | | | |
| Basic | | 8.83 | 2.34 | 2.14 |
| Diluted | | 8.45 | 2.25 | 2.06 |

Statement of comprehensive income

| USD m | Note | For the year ended | | |
|--|------|----------------------|----------------|----------------|
| | | 31.12.23 | 31.12.22 | 31.12.21 |
| Comprehensive income attributable to shareholders | | | | |
| Net profit / (loss) | | 27,849 | 7,630 | 7,457 |
| Other comprehensive income that may be reclassified to the income statement | | | | |
| Foreign currency translation | | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | | 3,762 | (894) | (1,076) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | | (2,320) | 337 | 498 |
| Foreign currency translation differences on foreign operations reclassified to the income statement | | 58 | 32 | (2) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | | (28) | (4) | 10 |
| Income tax relating to foreign currency translations, including the effect of net investment hedges | | (17) | 4 | 35 |
| Subtotal foreign currency translation, net of tax | | 1,456 ¹ | (525) | (535) |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Net unrealized gains / (losses), before tax | | 7 | (440) | (203) |
| Net realized (gains) / losses reclassified to the income statement from equity | | (3) | 1 | (9) |
| Reclassification of financial assets to Other financial assets measured at amortized cost ² | | | 449 | |
| Income tax relating to net unrealized gains / (losses) | | 0 | (3) | 55 |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | | 4 | 6 | (157) |
| Cash flow hedges of interest rate risk | | | | |
| | 26 | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | | (323) | (5,758) | (992) |
| Net (gains) / losses reclassified to the income statement from equity | | 1,905 | (159) | (1,073) |
| Income tax relating to cash flow hedges | | (308) | 1,124 | 390 |
| Subtotal cash flow hedges, net of tax | | 1,275 ³ | (4,793) | (1,675) |
| Cost of hedging | | | | |
| | 26 | | | |
| Cost of hedging, before tax | | (19) | 45 | (32) |
| Income tax relating to cost of hedging | | 0 | 0 | 6 |
| Subtotal cost of hedging, net of tax | | (19) | 45 | (26) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | | 2,715 | (5,267) | (2,393) |
| Other comprehensive income that will not be reclassified to the income statement | | | | |
| Defined benefit plans | | | | |
| | 27 | | | |
| Gains / (losses) on defined benefit plans, before tax | | 110 | (73) | 2 |
| Income tax relating to defined benefit plans | | (70) | 63 | (7) |
| Subtotal defined benefit plans, net of tax | | 40 | (10) | (5) |
| Own credit on financial liabilities designated at fair value | | | | |
| | 21 | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | | (1,850) | 867 | 46 |
| Income tax relating to own credit on financial liabilities designated at fair value | | 82 | (71) | 0 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | | (1,769) ⁴ | 796 | 46 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | (1,729) | 786 | 42 |
| Total other comprehensive income | | 986 | (4,481) | (2,351) |
| Total comprehensive income attributable to shareholders | | 28,836 | 3,149 | 5,106 |
| Comprehensive income attributable to non-controlling interests | | | | |
| Net profit / (loss) | | 16 | 32 | 29 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | 5 | (14) | (16) |
| Total comprehensive income attributable to non-controlling interests | | 22 | 18 | 13 |
| Total comprehensive income | | | | |
| Net profit / (loss) | | 27,866 | 7,661 | 7,486 |
| Other comprehensive income | | 991 | (4,494) | (2,367) |
| <i>of which: other comprehensive income that may be reclassified to the income statement</i> | | <i>2,715</i> | <i>(5,267)</i> | <i>(2,393)</i> |
| <i>of which: other comprehensive income that will not be reclassified to the income statement</i> | | <i>(1,723)</i> | <i>772</i> | <i>26</i> |
| Total comprehensive income | | 28,857 | 3,167 | 5,119 |

1 Mainly reflects a significant strengthening of the Swiss franc and the euro against the US dollar. 2 Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 14a for more information. 3 Mainly reflects net losses on hedging instruments that were reclassified from OCI to the income statement. 4 Mainly reflects a tightening of our own credit spreads.

Balance sheet

| USD m | Note | 31.12.23 | 31.12.22 |
|---|------------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | | 314,148 | 169,445 |
| Amounts due from banks | 10 | 21,161 | 14,792 |
| Receivables from securities financing transactions measured at amortized cost | 10, 22 | 99,039 | 67,814 |
| Cash collateral receivables on derivative instruments | 10, 22 | 50,082 | 35,032 |
| Loans and advances to customers | 10 | 639,844 | 387,220 |
| Other financial assets measured at amortized cost | 10, 14a | 65,498 | 53,264 |
| Total financial assets measured at amortized cost | | 1,189,773 | 727,568 |
| Financial assets at fair value held for trading | 21 | 169,633 | 107,866 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | | <i>51,263</i> | <i>36,742</i> |
| Derivative financial instruments | 11, 21, 22 | 176,084 | 150,108 |
| Brokerage receivables | 21 | 21,037 | 17,576 |
| Financial assets at fair value not held for trading | 21 | 104,018 | 59,796 |
| Total financial assets measured at fair value through profit or loss | | 470,773 | 335,347 |
| Financial assets measured at fair value through other comprehensive income | 21 | 2,233 | 2,239 |
| Investments in associates | 29b | 2,373 | 1,101 |
| Property, equipment and software | 12 | 17,849 | 12,288 |
| Goodwill and intangible assets | 13 | 7,515 | 6,267 |
| Deferred tax assets | 9 | 10,682 | 9,389 |
| Other non-financial assets | 14b | 16,049 | 10,166 |
| Total assets | | 1,717,246 | 1,104,364 |
| <i>of which: Credit Suisse</i> | 2 | <i>583,197</i> | |
| Liabilities | | | |
| Amounts due to banks | | 70,962 | 11,596 |
| Payables from securities financing transactions measured at amortized cost | 22 | 14,394 | 4,202 |
| Cash collateral payables on derivative instruments | 22 | 41,582 | 36,436 |
| Customer deposits | 15 | 792,029 | 525,051 |
| Debt issued measured at amortized cost | 17 | 237,817 | 114,621 |
| Other financial liabilities measured at amortized cost | 19a | 20,851 | 9,575 |
| Total financial liabilities measured at amortized cost | | 1,177,633 | 701,481 |
| Financial liabilities at fair value held for trading | 21 | 34,159 | 29,515 |
| Derivative financial instruments | 11, 21, 22 | 192,181 | 154,906 |
| Brokerage payables designated at fair value | 21 | 42,522 | 45,085 |
| Debt issued designated at fair value | 16, 21 | 128,289 | 73,638 |
| Other financial liabilities designated at fair value | 19b, 21 | 29,484 | 30,237 |
| Total financial liabilities measured at fair value through profit or loss | | 426,635 | 333,381 |
| Provisions and contingent liabilities | 18a | 12,250 | 3,243 |
| Other non-financial liabilities | 19c | 14,089 | 9,040 |
| Total liabilities | | 1,630,607 | 1,047,146 |
| <i>of which: Credit Suisse¹</i> | 2 | <i>475,670</i> | |
| Equity | | | |
| Share capital | | 346 | 304 |
| Share premium | | 13,216 | 13,546 |
| Treasury shares | | (4,796) | (6,874) |
| Retained earnings | | 74,880 | 50,004 |
| Other comprehensive income recognized directly in equity, net of tax | | 2,462 | (103) |
| Equity attributable to shareholders | | 86,108 | 56,876 |
| Equity attributable to non-controlling interests | | 531 | 342 |
| Total equity | | 86,639 | 57,218 |
| Total liabilities and equity | | 1,717,246 | 1,104,364 |

¹ Excludes USD 57.5bn of debt instruments previously issued by Credit Suisse Group AG (transferred to UBS Group AG as part of the acquisition of the Credit Suisse Group), USD 14.8bn of borrowings from UBS AG, USD 3.4bn of fiduciary placements where UBS Switzerland AG acts as the fiduciary, and other minor intercompany positions.

Statement of changes in equity

| <i>USD m</i> | Share capital | Share premium | Treasury shares | Retained earnings |
|--|---------------|--------------------|----------------------|--------------------|
| Balance as of 31 December 2020 | 338 | 16,753 | (4,068) | 38,776 |
| Acquisition of treasury shares | | | (3,521) ² | |
| Delivery of treasury shares under share-based compensation plans | | (675) | 789 | |
| Other disposal of treasury shares | | 7 | 81 ² | |
| Cancellation of treasury shares related to the 2018–2021 share repurchase program | (16) | (236) | 2,044 | (1,792) |
| Share-based compensation expensed in the income statement | | 643 | | |
| Tax (expense) / benefit | | (88) | | |
| Dividends | | (651) ³ | | (651) ³ |
| Equity classified as obligation to purchase own shares | | (7) | | |
| Translation effects recognized directly in retained earnings | | | | 18 |
| Share of changes in retained earnings of associates and joint ventures | | | | 1 |
| New consolidations / (deconsolidations) and other increases / (decreases) ⁴ | | 182 | | |
| Total comprehensive income for the year | | | | 7,499 |
| <i>of which: net profit / (loss)</i> | | | | 7,457 |
| <i>of which: OCI, net of tax</i> | | | | 42 |
| Balance as of 31 December 2021 | 322 | 15,928 | (4,675) | 43,851 |
| Acquisition of treasury shares | | | (6,262) ² | |
| Delivery of treasury shares under share-based compensation plans | | (763) | 879 | |
| Other disposal of treasury shares | | (1) | 164 ² | |
| Cancellation of treasury shares related to the 2021 share repurchase program | (18) | (1,502) | 3,022 | (1,502) |
| Share-based compensation expensed in the income statement | | 716 | | |
| Tax (expense) / benefit | | 13 | | |
| Dividends | | (834) ³ | | (834) ³ |
| Equity classified as obligation to purchase own shares | | (15) | | |
| Translation effects recognized directly in retained earnings | | | | 69 |
| Share of changes in retained earnings of associates and joint ventures | | | | 0 |
| New consolidations / (deconsolidations) and other increases / (decreases) | | 4 | | 3 |
| Total comprehensive income for the year | | | | 8,415 |
| <i>of which: net profit / (loss)</i> | | | | 7,630 |
| <i>of which: OCI, net of tax</i> | | | | 786 |
| Balance as of 31 December 2022 | 304 | 13,546 | (6,874) | 50,004 |
| Purchase price consideration for Credit Suisse Group acquisition, before consideration of share-based compensation awards ⁵ | | 619 | 2,928 | |
| Impact of share-based compensation awards from Credit Suisse Group acquisition ⁵ | | 162 | | |
| Impact of the settlement of pre-existing relationships from Credit Suisse Group acquisition ⁵ | | | (61) | |
| Acquisition of treasury shares | | | (3,070) ² | |
| Delivery of treasury shares under share-based compensation plans | | (858) | 970 | |
| Other disposal of treasury shares | | 10 | 196 ² | |
| Cancellation of treasury shares related to the 2021 share repurchase program ⁶ | (7) | (554) | 1,115 | (554) |
| Share-based compensation expensed in the income statement | | 1,097 | | |
| Tax (expense) / benefit | | 19 | | |
| Dividends | | (839) ³ | | (839) ³ |
| Equity classified as obligation to purchase own shares | | 11 | | |
| Translation effects recognized directly in retained earnings | | | | 150 |
| Share of changes in retained earnings of associates and joint ventures | | | | (1) |
| Share capital currency change | 49 | (49) | | |
| New consolidations / (deconsolidations) and other increases / (decreases) | | 53 ⁷ | | |
| Total comprehensive income for the year | | | | 26,121 |
| <i>of which: net profit / (loss)</i> | | | | 27,849 |
| <i>of which: OCI, net of tax</i> | | | | (1,729) |
| Balance as of 31 December 2023 | 346 | 13,216 | (4,796) | 74,880 |

1 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings. 2 Includes treasury shares acquired and disposed of by the Investment Bank in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments. These acquisitions and disposals are reported based on the sum of the net monthly movements. 3 Reflects the payment of an ordinary cash dividend of USD 0.55 (2022: USD 0.50, 2021: USD 0.37) per dividend-bearing share. Swiss tax law requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to pay no more than 50% of dividends from capital contribution reserves, with the remainder required to be paid from retained earnings. 4 Includes the effects related to the launch of UBS's operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. in 2021. 5 Refer to Note 2 for more information. 6 Reflects the cancellation of 62,548,000 shares purchased under UBS's 2021 share repurchase program as approved by shareholders at the 2023 Annual General Meeting. Swiss tax law requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to reduce capital contribution reserves by at least 50% of the total capital reduction amount exceeding the nominal value upon cancellation of the shares. 7 Includes an increase of USD 45m related to the issuance of high-trigger loss-absorbing additional tier 1 capital with an equity conversion feature. 8 Includes an increase of USD 285m in the second quarter of 2023 due to the acquisition of the Credit Suisse Group.

| Other comprehensive income recognized directly in equity, net of tax ¹ | <i>of which: foreign currency translation</i> | <i>of which: financial assets at fair value through OCI</i> | <i>of which: cash flow hedges</i> | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|-----------------------------------|---|---------------------------|---------------|
| 7,647 | 5,188 | 151 | 2,321 | 59,445 | 319 | 59,765 |
| | | | | (3,521) | | (3,521) |
| | | | | 114 | | 114 |
| | | | | 88 | | 88 |
| | | | | 0 | | 0 |
| | | | | 643 | | 643 |
| | | | | (88) | | (88) |
| | | | | (1,301) | (4) | (1,305) |
| | | | | (7) | | (7) |
| (18) | | 0 | (18) | 0 | | 0 |
| | | | | 1 | | 1 |
| | | | | 182 | 12 | 193 |
| (2,393) | (535) | (157) | (1,675) | 5,106 | 13 | 5,119 |
| | | | | 7,457 | 29 | 7,486 |
| (2,393) | (535) | (157) | (1,675) | (2,351) | (16) | (2,367) |
| 5,236 | 4,653 | (7) | 628 | 60,662 | 340 | 61,002 |
| | | | | (6,262) | | (6,262) |
| | | | | 115 | | 115 |
| | | | | 163 | | 163 |
| | | | | 0 | | 0 |
| | | | | 716 | | 716 |
| | | | | 13 | | 13 |
| | | | | (1,668) | (9) | (1,677) |
| | | | | (15) | | (15) |
| (69) | | 0 | (69) | 0 | | 0 |
| | | | | 0 | | 0 |
| (3) | | (3) | | 4 | (7) | (3) |
| (5,267) | (525) | 6 | (4,793) | 3,149 | 18 | 3,167 |
| | | | | 7,630 | 32 | 7,661 |
| (5,267) | (525) | 6 | (4,793) | (4,481) | (14) | (4,494) |
| (103) | 4,128 | (4) | (4,234) | 56,876 | 342 | 57,218 |
| | | | | 3,547 | | 3,547 |
| | | | | 162 | | 162 |
| | | | | (61) | | (61) |
| | | | | (3,070) | | (3,070) |
| | | | | 112 | | 112 |
| | | | | 206 | | 206 |
| | | | | 0 | | 0 |
| | | | | 1,097 | | 1,097 |
| | | | | 19 | | 19 |
| | | | | (1,679) | (4) | (1,683) |
| | | | | 11 | | 11 |
| (150) | | 0 | (150) | 0 | | 0 |
| | | | | (1) | | (1) |
| | | | | 0 | | 0 |
| | | | | 53 | 172 ⁸ | 224 |
| 2,715 | 1,456 | 4 | 1,275 | 28,836 | 22 | 28,857 |
| | | | | 27,849 | 16 | 27,866 |
| 2,715 | 1,456 | 4 | 1,275 | 986 | 5 | 991 |
| 2,462 | 5,584 | (1) | (3,109) | 86,108 | 531 | 86,639 |

Share information and earnings per share

Ordinary share capital

As of 31 December 2023, UBS Group AG had 3,462,087,722 issued shares (31 December 2022: 3,524,635,722 shares). In the second quarter of 2023, the share capital currency of UBS Group AG was changed from the Swiss franc to the US dollar, as approved by shareholders at the 2023 Annual General Meeting (the AGM). As a result, the nominal value per share has changed from CHF 0.10 to USD 0.10, resulting in a reclassification between share capital and capital contribution reserve (presented as share premium in the consolidated financial statements) and leading to a share capital of USD 346,208,772.20. Shares issued decreased by 62,548,000 shares and share capital decreased by USD 7m in 2023, as the shares acquired under the 2021 share repurchase program were canceled by means of a capital reduction, as approved by shareholders at the 2023 AGM.

Conditional share capital

As of 31 December 2023, the following conditional share capital was available to the Board of Directors (the BoD) of UBS Group AG.

- A maximum of USD 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of USD 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments by UBS Group AG or another member of the Group on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting (the EGM) held on 26 November 2014, having originally been approved at the AGM of UBS AG on 14 April 2010. The BoD has not made use of such allowance.
- A maximum of USD 12,170,583 represented by 121,705,830 fully paid registered shares with a nominal value of USD 0.10 each, to be issued upon exercise of employee options and stock appreciation rights issued to employees and members of the management and of the BoD of UBS Group AG and its subsidiaries. This conditional capital allowance was approved by the shareholders at the same EGM in 2014.

Capital band, conversion capital and reserve capital

As of 31 December 2023, UBS Group AG had not introduced any capital band, any conversion capital or any reserve capital.

Share repurchase programs

In February 2021, UBS initiated a share repurchase program of up to CHF 4bn which concluded on 29 March 2022. A total of 177,787,273 shares repurchased under this program for a total acquisition cost of USD 3,022m (CHF 2,775m) were canceled by means of a capital reduction in 2022, as approved by shareholders at the 2022 AGM. Remaining 62,548,000 shares purchased under the 2021 program for a total acquisition cost of USD 1,115m (CHF 1,035m) were canceled by means of a capital reduction in the second quarter of 2023, as approved by shareholders at the 2023 AGM.

In March 2022, UBS commenced a new two-year share repurchase program of up to USD 6bn. Under this program, UBS repurchased 64.6m shares in 2023 for a total acquisition cost of USD 1,300m (CHF 1,202m). A total of 178m shares repurchased under the 2022 program and originally intended for cancellation purposes were repurchased for the acquisition of the Credit Suisse Group and 176m shares were transferred to Credit Suisse Group shareholders in an exchange of shares as consideration for the acquisition of the Credit Suisse Group. UBS also intends to cancel the remaining shares purchased under the 2022 program by means of a capital reduction, pending approval by shareholders at a future AGM.

A new, two-year share repurchase program of up to USD 6bn was approved by shareholders at the 2023 AGM. However, repurchases under the share repurchase programs were temporarily suspended due to the acquisition of the Credit Suisse Group.

| | As of or for the year ended | | |
|---|-----------------------------|----------------------------|----------------------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Shares outstanding | | | |
| Shares issued | | | |
| Balance at the beginning of the year | 3,524,635,722 | 3,702,422,995 | 3,859,055,395 |
| Shares canceled | (62,548,000) ¹ | (177,787,273) ² | (156,632,400) ³ |
| Balance at the end of the year | 3,462,087,722 | 3,524,635,722 | 3,702,422,995 |
| Treasury shares | | | |
| Balance at the beginning of the year | 416,909,010 | 302,815,328 | 307,477,002 |
| Acquisitions | 138,791,939 | 359,378,093 | 214,270,175 |
| Disposals | (64,270,031) | (67,497,138) | (62,299,449) |
| Cancellation of second trading line treasury shares | (62,548,000) ¹ | (177,787,273) ² | (156,632,400) ³ |
| Shares transferred to Credit Suisse Group shareholders as consideration for the acquisition of the Credit Suisse Group ⁴ | (175,649,481) | | |
| Balance at the end of the year | 253,233,437 | 416,909,010 | 302,815,328 |
| Shares outstanding | 3,208,854,285 | 3,107,726,712 | 3,399,607,667 |
| Basic and diluted earnings (USD m) | | | |
| Net profit / (loss) attributable to shareholders for basic EPS | 27,849 | 7,630 | 7,457 |
| Less: (profit) / loss on own equity derivative contracts | 0 | 0 | 0 |
| Net profit / (loss) attributable to shareholders for diluted EPS | 27,849 | 7,630 | 7,457 |
| Weighted average shares outstanding | | | |
| Weighted average shares outstanding for basic EPS ⁵ | 3,152,579,449 | 3,260,938,561 | 3,482,963,682 |
| Effect of dilutive potential shares resulting from notional employee shares, in-the-money options and warrants outstanding ⁶ | 143,416,753 | 136,531,654 | 144,277,693 |
| Weighted average shares outstanding for diluted EPS | 3,295,996,202 | 3,397,470,215 | 3,627,241,375 |
| Earnings per share (USD) | | | |
| Basic | 8.83 | 2.34 | 2.14 |
| Diluted | 8.45 | 2.25 | 2.06 |
| Potentially dilutive instruments⁷ | | | |
| Employee share-based compensation awards | 2,807,589 | 4,182,799 | 5,886,945 |
| Other equity derivative contracts | 2,831,228 | 1,690,247 | 6,553,051 |
| Total | 5,638,817 | 5,873,046 | 12,439,996 |

¹ Reflects the cancellation of shares purchased under UBS's 2021 share repurchase program as approved by shareholders at the 2023 Annual General Meeting (the AGM). ² Reflects the cancellation of shares purchased under UBS's 2021 share repurchase program as approved by shareholders at the 2022 AGM. ³ Reflects the cancellation of shares purchased under UBS's 2018–2021 share repurchase program as approved by shareholders at the 2021 AGM. ⁴ Refer to Note 2 for more information. ⁵ The weighted average shares outstanding for basic EPS are calculated by taking the number of shares at the beginning of the period, adjusted by the number of shares acquired or issued during the period, multiplied by a time-weighted factor for the period outstanding. As a result, balances are affected by the timing of acquisitions and issuances during the period. ⁶ The weighted average number of shares for notional employee awards with performance conditions reflects all potentially dilutive shares that are expected to vest under the terms of the awards. ⁷ Reflects potential shares that could dilute basic earnings per share in the future, but were not dilutive for the periods presented.

Statement of cash flows

| USD m | For the year ended | | |
|---|---------------------------|-----------------|----------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Cash flow from / (used in) operating activities | | | |
| Net profit / (loss) | 27,866 | 7,661 | 7,486 |
| Non-cash items included in net profit and other adjustments: | | | |
| Depreciation, amortization and impairment of non-financial assets | 3,750 | 2,061 | 2,118 |
| Credit loss expense / (release) | 1,037 | 29 | (148) |
| Share of net (profits) / loss of associates and joint ventures and impairment related to associates | 348 | (32) | (105) |
| Deferred tax expense / (benefit) | (694) | 494 | 434 |
| Net loss / (gain) from investing activities | (102) | (1,470) | (230) |
| Net loss / (gain) from financing activities | 8,534 | (16,587) | 100 |
| Negative goodwill ¹ | (27,748) | | |
| Other net adjustments ² | (15,175) | 5,844 | 3,802 |
| Net change in operating assets and liabilities:^{2,3} | | | |
| Amounts due from banks and amounts due to banks | 3,291 | (1,088) | 2,148 |
| Receivables from securities financing transactions measured at amortized cost | (3,503) | 5,690 | (1,565) |
| Payables from securities financing transactions measured at amortized cost | (2,014) | (1,247) | (751) |
| Cash collateral on derivative instruments | 96 | 76 | (3,312) |
| Loans and advances to customers | 27,877 | 3,529 | (27,460) |
| Customer deposits | 52,786 | (8,692) | 29,825 |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | 3,674 | 8,006 | (10,516) |
| Brokerage receivables and payables | (5,962) | 6,019 | 8,115 |
| Financial assets at fair value not held for trading and other financial assets and liabilities | 9,938 | 5,678 | 19,609 |
| Provisions and other non-financial assets and liabilities | 3,920 | 257 | 3,010 |
| Income taxes paid, net of refunds | (1,852) | (1,582) | (1,134) |
| Net cash flow from / (used in) operating activities | 86,068⁴ | 14,647 | 31,425 |
| Cash flow from / (used in) investing activities | | | |
| Cash and cash equivalents acquired upon the acquisition of the Credit Suisse Group ¹ | 108,510 | | |
| Purchase of subsidiaries, associates and intangible assets | (4) | (3) | (1) |
| Disposal of subsidiaries, associates and intangible assets | 121 | 1,730 | 593 |
| Purchase of property, equipment and software | (1,685) | (1,643) | (1,841) |
| Disposal of property, equipment and software | 65 | 161 | 295 |
| Net (purchase) / redemption of financial assets measured at fair value through other comprehensive income | 30 | (699) | (750) |
| Purchase of debt securities measured at amortized cost | (14,244) | (30,792) | (4,922) |
| Disposal and redemption of debt securities measured at amortized cost | 10,435 | 18,799 | 4,507 |
| Net cash flow from / (used in) investing activities | 103,228 | (12,447) | (2,119) |

Statement of cash flows (continued)

Statement of cash flows (continued)

Table continues below.

| USD m | For the year ended | | |
|--|--------------------|----------------|----------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Cash flow from / (used in) financing activities | | | |
| Repayment of Swiss National Bank funding | (56,516) | | |
| Net issuance (repayment) of short-term debt measured at amortized cost | 3,169 | (12,249) | (3,093) |
| Net movements in treasury shares and own equity derivative activity | (2,779) | (6,006) | (3,341) |
| Distributions paid on UBS shares | (1,679) | (1,668) | (1,301) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost | 109,735 | 79,115 | 98,272 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost | (109,471) | (67,670) | (79,909) |
| Net cash flows from other financing activities | (721) | (617) | (282) |
| Net cash flow from / (used in) financing activities | (58,262) | (9,094) | 10,345 |
| Total cash flow | | | |
| Cash and cash equivalents at the beginning of the year | 195,321 | 207,875 | 173,531 |
| Net cash flow from / (used in) operating, investing and financing activities | 131,035 | (6,895) | 39,651 |
| Effects of exchange rate differences on cash and cash equivalents ² | 13,955 | (5,659) | (5,307) |
| Cash and cash equivalents at the end of the year⁵ | 340,311 | 195,321 | 207,875 |
| <i>of which: cash and balances at central banks⁶</i> | <i>314,065</i> | <i>169,363</i> | <i>192,706</i> |
| <i>of which: amounts due from banks⁶</i> | <i>19,227</i> | <i>13,450</i> | <i>13,942</i> |
| <i>of which: money market paper^{6,7}</i> | <i>7,018</i> | <i>12,508</i> | <i>1,227</i> |

Additional information

Net cash flow from / (used in) operating activities includes:

| | | | |
|--|--------|--------|--------|
| Interest received in cash | 44,581 | 15,718 | 11,163 |
| Interest paid in cash | 35,969 | 8,198 | 4,707 |
| Dividends on equity investments, investment funds and associates received in cash ⁸ | 2,296 | 1,907 | 2,531 |

1 Consideration for the acquisition of the Credit Suisse Group was non-cash in entirety and included UBS's ordinary shares of USD 3,547m. Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 2 Foreign currency translation and foreign exchange effects on operating assets and liabilities and on cash and cash equivalents are presented within the Other net adjustments line. Does not include foreign currency hedge effects related to foreign exchange swaps. 3 Effective from 2023, UBS has refined the presentation in the statement of cash flows and now presents cash flows from Loans and advances to customers, Customer deposits, Receivables from securities financing transactions measured at amortized cost and Payables from securities financing transactions measured at amortized cost as separate lines. The presentation change has had no effect on Net cash flows from / (used in) operating activities. Prior periods have been aligned with this change in presentation. 4 Includes cash receipts from the sale of loans and loan commitments of USD 4,289m within the Non-core and Legacy business division. 5 USD 4,944m, USD 4,253m and USD 3,408m of Cash and cash equivalents (mainly reflected in Amounts due from banks) were restricted as of 31 December 2023, 31 December 2022 and 31 December 2021, respectively. Refer to Note 23 for more information. Cash and cash equivalents as of 31 December 2023 includes USD 149,645m related to Credit Suisse. 6 Includes only balances with an original maturity of three months or less. 7 Money market paper is included in the balance sheet under Financial assets at fair value not held for trading (31 December 2023: USD 6,345m; 31 December 2022: USD 6,048m; 31 December 2021: USD 1,066m), Other financial assets measured at amortized cost (31 December 2023: USD 415m; 31 December 2022: USD 6,459m; 31 December 2021: USD 141m) and Financial assets at fair value held for trading (31 December 2023: USD 259m; 31 December 2022: USD 2m; 31 December 2021: USD 20m). 8 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

Changes in liabilities arising from financing activities

| USD m | Debt issued measured at amortized cost | of which: short-term ¹ | of which: long-term ² | Debt issued designated at fair value | Swiss National Bank funding ³ | Over-the-counter debt instruments ⁴ | Total |
|--|--|-----------------------------------|----------------------------------|--------------------------------------|--|--|-----------------|
| Balance as of 1 January 2022 | 139,155 | 43,098 | 96,057 | 73,799 | | 2,128 | 215,082 |
| Cash flows | (14,333) | (12,249) | (2,084) | 13,782 | | (253) | (804) |
| Non-cash changes | (10,201) | (1,173) | (9,028) | (13,944) | | (190) | (24,335) |
| <i>of which: foreign currency translation</i> | <i>(3,526)</i> | <i>(1,173)</i> | <i>(2,353)</i> | <i>(1,394)</i> | | <i>(115)</i> | <i>(5,035)</i> |
| <i>of which: fair value changes</i> | | | | <i>(12,550)</i> | | <i>(75)</i> | <i>(12,625)</i> |
| <i>of which: hedge accounting and other effects</i> | <i>(6,675)</i> | | <i>(6,675)</i> | | | | <i>(6,675)</i> |
| Balance as of 31 December 2022 | 114,621 | 29,676 | 84,945 | 73,638 | | 1,684 | 189,943 |
| Changes arising upon the acquisition of the Credit Suisse Group ⁵ | 110,491 | 5,303 | 105,188 | 44,909 | 97,146 | 4,872 | 257,418 |
| Cash flows | 5,062 | 3,169 | 1,893 | (520) | (56,516) | (1,109) | (53,083) |
| Non-cash changes | 7,644 | 381 | 7,263 | 10,262 | 4,224 | 178 | 22,308 |
| <i>of which: foreign currency translation</i> | <i>5,291</i> | <i>408</i> | <i>4,882</i> | <i>1,780</i> | <i>4,224</i> | <i>(99)</i> | <i>11,195</i> |
| <i>of which: fair value changes</i> | | | | <i>8,507</i> | | <i>172</i> | <i>8,679</i> |
| <i>of which: hedge accounting and other effects</i> | <i>2,353</i> | <i>(27)</i> | <i>2,380</i> | <i>(25)</i> | | <i>105</i> | <i>2,434</i> |
| Balance as of 31 December 2023 | 237,817 | 38,530 | 199,288 | 128,289 | 44,854 | 5,625 | 416,586 |
| <i>of which: Credit Suisse⁵</i> | <i>46,884</i> | <i>1,245</i> | <i>45,640</i> | <i>37,154</i> | <i>44,854</i> | <i>4,060</i> | <i>132,953</i> |

1 Debt with an original contractual maturity of less than one year. 2 Debt with an original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Included in balance sheet line Amounts due to banks. 4 Included in balance sheet line Other financial liabilities designated at fair value. 5 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Notes to the UBS Group AG consolidated financial statements

Note 1 Summary of material accounting policies

The following table provides an overview of information included in this Note.

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Note 1 Summary of material accounting policies (continued)

a) Material accounting policies

This Note describes the material accounting policies applied in the preparation of the consolidated financial statements (the Financial Statements) of UBS Group AG and its subsidiaries (UBS or the Group). On 21 March 2024, the Financial Statements were authorized for issue by the UBS Group AG Board of Directors (the BoD).

Basis of accounting

The Financial Statements have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars.

Disclosures marked as audited in the "Risk, capital, liquidity and funding, and balance sheet" section of this report form an integral part of the Financial Statements. These disclosures relate to requirements under IFRS 7, *Financial Instruments: Disclosures*, and IAS 1, *Presentation of Financial Statements*, and are not repeated in this section.

The accounting policies described in this Note have been applied consistently in all years presented unless otherwise stated in Note 1b.

Critical accounting estimates and judgments

Preparation of these Financial Statements under IFRS Accounting Standards requires management to apply judgment and make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities, and may involve significant uncertainty at the time they are made. Such estimates and assumptions are based on the best available information. UBS regularly reassesses such estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, updating them as necessary. Changes in those estimates and assumptions may have a significant effect on the Financial Statements. Furthermore, actual results may differ significantly from UBS's estimates, which could result in significant losses to the Group, beyond what was anticipated or provided for.

The following areas contain estimation uncertainty or require critical judgment and have a significant effect on amounts recognized in the Financial Statements:

- provisional amounts of identifiable assets acquired and liabilities assumed for the acquisition of the Credit Suisse Group (refer to item 1 in this Note and to Note 2);
- expected credit loss measurement (refer to item 2g in this Note and to Note 20);
- fair value measurement (refer to item 2f in this Note and to Note 21);
- income taxes (refer to item 6 in this Note and to Note 9);
- provisions and contingent liabilities (refer to item 10 in this Note and to Note 18);
- post-employment benefit plans (refer to item 5 in this Note and to Note 27);
- goodwill (refer to item 9 in this Note and to Note 13); and
- consolidation of structured entities (refer to item 1 in this Note and to Note 29).

1) Consolidation and business combinations

Consolidation

The Financial Statements include the financial statements of the parent company (UBS Group AG) and its subsidiaries, presented as a single economic entity; intercompany transactions and balances have been eliminated. UBS consolidates all entities that it controls, including structured entities (SEs), which is the case when it has: (i) power over the relevant activities of the entity; (ii) exposure to the entity's variable returns; and (iii) the ability to use its power to affect its own returns.

Consideration is given to all facts and circumstances to determine whether the Group has power over another entity, i.e., the current ability to direct the relevant activities of an entity when decisions about those activities need to be made.

Subsidiaries, including SEs, are consolidated from the date when control is gained and deconsolidated from the date when control ceases. Control, or the lack thereof, is reassessed if facts and circumstances indicate that there is a change to one or more elements required to establish that control is present.

› Refer to Note 29 for more information

Critical accounting estimates and judgments

Each individual entity is assessed for consolidation in line with the aforementioned consolidation principles. The assessment of control can be complex and requires the use of significant judgment, in particular in determining whether UBS has power over the entity. As the nature and extent of UBS's involvement is unique for each entity, there is no uniform consolidation outcome by entity. Certain entities within a class may be consolidated while others may not. When carrying out the consolidation assessment, judgment is exercised considering all the relevant facts and circumstances, including the nature and activities of the investee, as well as the substance of voting and similar rights.

› Refer to Note 29 for more information

Note 1 Summary of material accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method, as prescribed by IFRS 3, *Business Combinations*. Under this method, any excess of the acquisition-date amounts of the identifiable net assets acquired over the fair value of the consideration transferred results in negative goodwill that is recognized in the income statement on the date of the acquisition, with transaction costs expensed as incurred. Provisional amounts of identifiable assets acquired, liabilities assumed and purchase consideration determined as of the acquisition date may be subject to adjustments within a maximum of one year from the acquisition date (referred to in this report as measurement period adjustments).

The amount of non-controlling interests, if any, is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Critical accounting estimates and judgments

When complete information about all relevant facts and circumstances of the acquisition date is not practically available to UBS at the time when the initial acquisition accounting was applied in the period of acquisition, the amounts that form part of the business combination accounting are considered provisional and subject to further measurement period adjustments if new information about facts and circumstances existing on the date of the acquisition is obtained within one year from the acquisition date. In addition, the use of valuation techniques, modeling assumptions and estimates of unobservable market inputs in determining fair values require significant judgment and could affect the provisional amounts of identifiable assets acquired, liabilities assumed and purchase consideration, thereby affecting the resulting goodwill / negative goodwill arising from the business combination.

› Refer to Note 2 for more information relating to the acquisition of the Credit Suisse Group

2) Financial instruments

a. Recognition

UBS generally recognizes financial instruments when it becomes a party to contractual provisions of an instrument. However, UBS does not recognize assets received in transfers that do not qualify for derecognition by the transferor (applying derecognition principles under IFRS Accounting Standards as described in item 2e below). UBS applies settlement date accounting to all standard purchases and sales of non-derivative financial instruments.

UBS may act in a fiduciary capacity, which results in it holding or placing assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Unless these items meet the definition of an asset and the recognition criteria are satisfied, they are not recognized on UBS's balance sheet and the related income is excluded from the Financial Statements.

Client cash balances associated with derivatives clearing and execution services are not recognized on the balance sheet if, through contractual agreement, regulation or practice, UBS neither obtains benefits from nor controls such cash balances.

b. Classification, measurement and presentation

Financial assets

Where the contractual terms of a debt instrument result in cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, the debt instrument is classified as measured at amortized cost if it is held within a business model that has an objective of holding financial assets to collect contractual cash flows, or at fair value through other comprehensive income (FVOCI) if it is held within a business model with the objective of both collecting contractual cash flows and selling financial assets.

All other financial assets are measured at fair value through profit or loss (FVTPL), including those held for trading or those managed on a fair value basis, except for derivatives designated in certain hedge accounting relationships (refer to item 2j in this Note for more information).

Business model assessment and contractual cash flow characteristics

UBS determines the nature of a business model by considering the way financial assets are managed to achieve a particular business objective at the time an asset is recognized.

In assessing whether contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument. This assessment includes contractual cash flows that may vary due to environmental, social and governance (ESG) triggers.

Note 1 Summary of material accounting policies (continued)

Financial liabilities

Financial liabilities measured at amortized cost

Debt issued measured at amortized cost includes contingent capital instruments issued prior to November 2023 that contain contractual provisions under which the principal amounts would be written down upon either a specified common equity tier 1 (CET1) ratio breach or a determination by the Swiss Financial Market Supervisory Authority (FINMA) that a viability event has occurred. Such contractual provisions are not derivatives, as the underlying is deemed to be a non-financial variable specific to a party to the contract. Issuances after November 2023 include a contractual equity conversion feature with the same triggers, i.e., a CET1 ratio breach or FINMA viability event. When the debt is issued in US dollars, these conversion features are classified as equity and are accounted for in *Share premium* separately from the amortized cost debt host.

When the legal bail-in mechanism for write-down or conversion into equity does not form part of the contractual terms of issued debt instruments, it does not affect the accounting classification of these instruments as debt or equity.

If a debt were to be written down or converted into equity in a future period, it would be partially or fully derecognized, with the difference between its carrying amount and the fair value of any equity issued recognized in the income statement.

Financial liabilities measured at fair value through profit or loss

UBS designates certain issued debt instruments as financial liabilities at fair value through profit or loss, on the basis that such financial instruments include embedded derivatives that are not closely related and which significantly impact the cash flows of the instrument and / or are managed on a fair value basis (refer to the table below for more information). Financial instruments including embedded derivatives arise predominantly from the issuance of certain structured debt instruments.

Measurement and presentation

After initial recognition, UBS classifies, measures and presents its financial assets and liabilities in accordance with IFRS 9, as described in the table below.

Classification, measurement and presentation of financial assets

| Financial assets classification | Significant items included | Measurement and presentation |
|-----------------------------------|---|---|
| Measured at amortized cost | <p>This classification includes:</p> <ul style="list-style-type: none"> – cash and balances at central banks; – amounts due from banks; – receivables from securities financing transactions; – cash collateral receivables on derivative instruments; – residential and commercial mortgages; – corporate loans; – secured loans, including Lombard loans, and unsecured loans; – loans to financial advisors; and – debt securities held as high-quality liquid assets (HQLA). | <p>Measured at amortized cost using the effective interest method less allowances for expected credit losses (ECL) (refer to items 2d and 2g in this Note for more information).</p> <p>The following items are recognized in the income statement:</p> <ul style="list-style-type: none"> – interest income, which is accounted for in accordance with item 2d in this Note; – ECL and reversals; and – foreign exchange (FX) translation gains and losses. <p>When a financial asset at amortized cost is derecognized, the gain or loss is recognized in the income statement.</p> <p>For amounts arising from settlement of certain derivatives, see below in this table.</p> |
| Measured at FVOCI | <p>Debt instruments measured at FVOCI</p> <p>This classification primarily includes debt securities held as HQLA.</p> | <p>Measured at fair value, with unrealized gains and losses reported in <i>Other comprehensive income</i>, net of applicable income taxes, until such investments are derecognized. Upon derecognition, any accumulated balances in <i>Other comprehensive income</i> are reclassified to the income statement and reported within <i>Other income</i>.</p> <p>The following items, which are determined on the same basis as for financial assets measured at amortized cost, are recognized in the income statement:</p> <ul style="list-style-type: none"> – interest income, which is accounted for in accordance with item 2d in this Note; – ECL and reversals; and – FX translation gains and losses. |

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial assets

| Financial assets classification | Significant items included | Measurement and presentation | |
|---------------------------------|---------------------------------------|--|---|
| Measured at FVTPL | Held for trading | <p>Financial assets held for trading include:</p> <ul style="list-style-type: none"> – all derivatives with a positive replacement value, except those that are designated and effective hedging instruments; and – other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included in this category are debt instruments (including those in the form of securities, money market paper, and traded corporate and bank loans) and equity instruments. | <p>Measured at fair value, with changes recognized in the income statement.</p> <p>Derivative assets (including derivatives that are designated and effective hedging instruments) are generally presented as <i>Derivative financial instruments</i>, except those exchange-traded derivatives (ETD) and over-the-counter (OTC)-cleared derivatives that are legally settled on a daily basis or economically net settled on a daily basis, which are presented within <i>Cash collateral receivables on derivative instruments</i>.</p> |
| | Mandatorily measured at FVTPL – Other | <p>Financial assets mandatorily measured at FVTPL that are not held for trading include:</p> <ul style="list-style-type: none"> – certain structured instruments, certain commercial loans, and receivables from securities financing transactions that are managed on a fair value basis; – loans managed on a fair value basis, including those hedged with credit derivatives; – certain debt securities held as HQLA and managed on a fair value basis; – certain investment fund holdings and assets held to hedge delivery obligations related to cash-settled employee compensation plans; – brokerage receivables, for which contractual cash flows do not meet the SPPI criterion because the aggregate balance is accounted for as a single unit of account, with interest being calculated on the individual components; – auction rate securities, for which contractual cash flows do not meet the SPPI criterion because interest may be reset at rates that contain leverage; – equity instruments; and – assets held under unit-linked investment contracts. | <p>Changes in fair value, initial transaction costs, dividends and gains and losses arising on disposal or redemption are recognized in <i>Other net income from financial instruments measured at fair value through profit or loss</i>, except interest income on instruments other than derivatives (refer to item 2d in this Note), interest on derivatives designated as hedging instruments in hedges of interest rate risk and forward points on certain short- and long-duration FX contracts acting as economic hedges, which are reported in <i>Net interest income</i>.</p> <p>Changes in the fair value of derivatives that are designated and effective hedging instruments are presented either in the income statement or <i>Other comprehensive income</i>, depending on the type of hedge relationship (refer to item 2j in this Note for more information).</p> |

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial liabilities

| Financial liabilities classification | Significant items included | Measurement and presentation | |
|--------------------------------------|--|--|---|
| Measured at amortized cost | <p>This classification includes:</p> <ul style="list-style-type: none"> – demand and time deposits; – retail savings / deposits; – sweep deposits; – payables from securities financing transactions; – non-structured debt issued; – subordinated debt; – commercial paper and certificates of deposit; and – cash collateral payables on derivative instruments. | <p>Measured at amortized cost using the effective interest method.</p> <p>When a financial liability at amortized cost is derecognized, the gain or loss is recognized in the income statement.</p> <p>Interest income generated from client deposits derecognized pursuant to certain deposit sweep programs is presented within <i>Net interest income from financial instruments measured at fair value through profit or loss and other</i>.</p> | |
| Measured at FVTPL | Held for trading | <p>Financial liabilities held for trading include:</p> <ul style="list-style-type: none"> – all derivatives with a negative replacement value (including certain loan commitments), except those that are designated and effective hedging instruments; and – obligations to deliver financial instruments, such as debt and equity instruments, that UBS has sold to third parties but does not own (short positions). | <p>Measurement and presentation of financial liabilities classified at FVTPL follow the same principles as for financial assets classified at FVTPL, except that the amount of change in the fair value of a financial liability designated at FVTPL that is attributable to changes in UBS's own credit risk is presented in <i>Other comprehensive income</i> directly within <i>Retained earnings</i> and is never reclassified to the income statement.</p> |
| | Designated at FVTPL | <p>Financial liabilities designated at FVTPL include:</p> <ul style="list-style-type: none"> – issued hybrid debt instruments, primarily equity-linked, credit-linked and rates-linked bonds or notes; – issued debt instruments managed on a fair value basis; – certain payables from securities financing transactions; – amounts due under unit-linked investment contracts, the cash flows of which are linked to financial assets measured at FVTPL and eliminate an accounting mismatch; and – brokerage payables, which arise in conjunction with brokerage receivables and are measured at FVTPL to achieve measurement consistency. | <p>Derivative liabilities (including derivatives that are designated and effective hedging instruments) are generally presented as <i>Derivative financial instruments</i>, except those exchange-traded and OTC-cleared derivatives that are legally settled on a daily basis or economically net settled on a daily basis, which are presented within <i>Cash collateral payables on derivative instruments</i>.</p> |

Note 1 Summary of material accounting policies (continued)

c. Loan commitments and financial guarantees

Loan commitments are arrangements to provide credit under defined terms and conditions. Irrevocable loan commitments are classified as: (i) derivative loan commitments measured at fair value through profit or loss; (ii) loan commitments designated at fair value through profit or loss; or (iii) loan commitments not measured at fair value. Financial guarantee contracts are contracts that require UBS to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument.

d. Interest income and expense

Interest income and expense are recognized in the income statement based on the effective interest method. When calculating the effective interest rate (the EIR) for financial instruments (other than credit-impaired financial instruments), UBS estimates future cash flows considering all contractual terms of the instrument, but not expected credit losses, with the EIR applied to the gross carrying amount of the financial asset or the amortized cost of a financial liability. However, when a financial asset becomes credit impaired after initial recognition, interest income is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for any credit loss allowance.

Upfront fees, including fees on loan commitments not measured at fair value where a loan is expected to be issued, and direct costs are included within the initial measurement of a financial instrument measured at amortized cost or FVOCI and recognized over the expected life of the instrument as part of its EIR.

Fees related to loan commitments where no loan is expected to be issued, as well as loan syndication fees where UBS does not retain a portion of the syndicated loan or where UBS does retain a portion of the syndicated loan at the same effective yield for comparable risk as other participants, are included in *Net fee and commission income* and either recognized over the life of the commitment or when syndication occurs.

› Refer to item 3 in this Note for more information

Interest income on financial assets, excluding derivatives, is included in interest income when positive and in interest expense when negative. Similarly, interest expense on financial liabilities, excluding derivatives, is included in interest expense, except when interest rates are negative, in which case it is included in interest income.

› Refer to item 2b in this Note and Note 4 for more information

e. Derecognition

Financial assets

UBS derecognizes a transferred financial asset, or a portion of a financial asset, if the purchaser has obtained substantially all the risks and rewards of the asset or a significant part of the risks and rewards combined with a practical ability to sell or pledge the asset.

Where financial assets have been pledged as collateral or in similar arrangements, they are considered to have been transferred if the counterparty has received the contractual rights to the cash flows of the pledged assets, as may be evidenced by, for example, the counterparty's right to sell or repledge the assets. In transfers where control over the financial asset is retained, UBS continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset following the transfer.

› Refer to Note 23 for more information

Financial liabilities

UBS derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, canceled or expires. When an existing financial liability is exchanged for a new one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability recognized with any difference in the respective carrying amounts recorded in the income statement.

Certain OTC derivative contracts and most exchange-traded futures and option contracts cleared through central clearing counterparties and exchanges are considered to be settled on a daily basis, as the payment or receipt of a variation margin on a daily basis represents a legal or economic settlement, which results in derecognition of the associated derivatives.

› Refer to Note 22 for more information

f. Fair value of financial instruments

UBS accounts for a significant portion of its assets and liabilities at fair value. Fair value is the price on the measurement date that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market in the absence of a principal market.

› Refer to Note 21 for more information

Note 1 Summary of material accounting policies (continued)

Critical accounting estimates and judgments

The use of valuation techniques, modeling assumptions and estimates of unobservable market inputs in the fair valuation of financial instruments requires significant judgment and could affect the amount of gain or loss recorded for a particular position. Valuation techniques that rely more heavily on unobservable inputs and sophisticated models inherently require a higher level of judgment and may require adjustment to reflect factors that market participants would consider in estimating fair value, such as close-out costs, which are presented in Note 21d.

UBS's governance framework over fair value measurement is described in Note 21b, and UBS provides a sensitivity analysis of the estimated effects arising from changing significant unobservable inputs in Level 3 financial instruments to reasonably possible alternative assumptions in Note 21f.

› Refer to Note 21 for more information

g. Allowances and provisions for expected credit losses

ECL are recognized for financial assets measured at amortized cost, financial assets measured at FVOCI, fee and lease receivables, financial guarantees, and loan commitments not measured at fair value. ECL are also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include UBS's credit card limits and master credit facilities, as UBS is exposed to credit risk because the borrower has the ability to draw down funds before UBS can take credit risk mitigation actions.

Recognition of expected credit losses

ECL are recognized on the following basis.

- Stage 1 instruments: Maximum 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime ECL that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- Stage 2 instruments: Lifetime ECL are recognized if a significant increase in credit risk (an SICR) is observed subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. When an SICR is no longer observed, the instrument will move back to stage 1.
- Stage 3 instruments: Lifetime ECL are always recognized for credit-impaired financial instruments, as determined by the occurrence of one or more loss events, by estimating expected cash flows based on a chosen recovery strategy. Credit-impaired exposures may include positions for which no allowance has been recognized, for example because they are expected to be fully recoverable through collateral held.
- Changes in lifetime ECL since initial recognition are also recognized for assets that are purchased credit impaired (PCI). PCI financial instruments include those that are purchased at a deep discount or newly originated with a defaulted counterparty; they remain a separate category until derecognition.

Consistent with the requirements of IFRS 3 and IFRS 9, immediately after the application of the acquisition method to the business combination, acquired financial instruments carried at amortized cost or FVOCI that are not deemed credit impaired are classified as stage 1 financial instruments and a maximum 12-month ECL is recognized, resulting in a carrying amount of the respective financial instruments below their acquisition-date fair value.

All or part of a financial asset is written off if it is deemed uncollectible or forgiven. Write-offs reduce the principal amount of a claim and are charged against related allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to *Credit loss expense / (release)*.

ECL are recognized in the income statement in *Credit loss expense / (release)*. A corresponding ECL allowance is reported as a decrease in the carrying amount of financial assets measured at amortized cost on the balance sheet. For financial assets that are measured at FVOCI, the carrying amount is not reduced, but an accumulated amount is recognized in *Other comprehensive income*. For off-balance sheet financial instruments and other credit lines, provisions for ECL are presented in *Provisions*.

Default and credit impairment

UBS applies a single definition of default for credit risk management purposes, regulatory reporting and ECL, with a counterparty classified as defaulted based on quantitative and qualitative criteria.

› Refer to the "Risk management and control" section of this report for more information

Note 1 Summary of material accounting policies (continued)

Measurement of expected credit losses

IFRS 9 ECL reflect an unbiased, probability-weighted estimate based on loss expectations resulting from default events. The method used to calculate ECL applies the following principal factors: probability of default (PD), loss given default (LGD) and exposure at default (EAD). Parameters are generally determined on an individual financial asset level. Based on the materiality of the portfolio, for credit card exposures and personal account overdrafts in Switzerland, a portfolio approach is applied that derives an average PD and LGD for the entire portfolio. PDs and LGDs used in the ECL calculation are point-in-time (PIT)-based for key portfolios and consider both current conditions and expected cyclical changes. For material portfolios, PDs and LGDs are determined for different scenarios, whereas EAD projections are treated as scenario independent.

For the purpose of determining the ECL-relevant parameters, UBS leverages its Basel III advanced internal ratings-based (A-IRB) models that are also used in determining expected loss (EL) and risk-weighted assets under the Basel III framework and Pillar 2 stress loss models. Adjustments have been made to these models and IFRS 9-related models have been developed that consider the complexity, structure and risk profile of relevant portfolios and take account of the fact that PDs and LGDs used in the ECL calculation are PIT-based, as opposed to the corresponding Basel III through-the-cycle (TTC) parameters. All models that are relevant for measuring expected credit losses are subject to UBS's model validation and oversight processes.

Probability of default: PD represents the probability of a default over a specified time period. A 12-month PD represents the probability of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. PIT PDs are derived from TTC PDs and scenario forecasts. The modeling is region, industry and client segment specific and considers both macroeconomic scenario dependencies and client-idiosyncratic information.

Exposure at default: EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring, considering expected repayments, interest payments and accruals, discounted at the EIR. Future drawdowns on facilities are considered through a credit conversion factor (a CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

Loss given default: LGD represents an estimate of the loss at the time of a potential default occurring, taking into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims. LGD is commonly expressed as a percentage of EAD.

Estimation of expected credit losses

Number of scenarios and estimation of scenario weights

Determination of probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions, especially with a view to modeling the non-linear effect of assumptions about macroeconomic factors on the estimate.

To accommodate this requirement, UBS uses different economic scenarios in the ECL calculation. Each scenario is represented by a specific scenario narrative, which is relevant considering the exposure of key portfolios to economic risks, and for which a set of consistent macroeconomic variables is determined. The estimation of the appropriate weights for these scenarios is predominantly judgment based. The assessment is based on a holistic review of the prevailing economic or political conditions, which may exhibit different levels of uncertainty. It takes into account the impact of changes in the nature and severity of the underlying scenario narratives and the projected economic variables.

The determined weights constitute the probabilities that the respective set of macroeconomic conditions will occur and not that the chosen particular narratives with the related macroeconomic variables will materialize.

Macroeconomic and other factors

The range of macroeconomic, market and other factors that is modeled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases, requiring an increase in judgment. For cycle-sensitive PD and LGD determination purposes, UBS projects the relevant economic factors for a period of three years before reverting, over a specified period, to cycle-neutral PD and LGD for longer-term projections.

Factors relevant for ECL calculation vary by type of exposure. Regional and client-segment characteristics are generally taken into account, with specific focus on Switzerland and the US, considering UBS's key ECL-relevant portfolios.

For UBS, the following forward-looking macroeconomic variables represent the most relevant factors for ECL calculation:

- gross domestic product (GDP) growth rates, given their significant effect on borrowers' performance;
- unemployment rates, given their significant effect on private clients' ability to meet contractual obligations;
- house price indices, given their significant effect on mortgage collateral valuations;
- interest rates, given their significant effect on counterparties' abilities to service debt;
- consumer price indices, given their overall relevance for companies' performance, private clients' purchasing power and economic stability; and
- equity indices, given that they are an important factor in UBS's corporate rating tools.

Note 1 Summary of material accounting policies (continued)

Scenario generation, review process and governance

A team of economists, which is part of Group Risk Control, develops the forward-looking macroeconomic assumptions with involvement from a broad range of experts.

The scenarios, their weights and the key macroeconomic and other factors are subject to a critical assessment by the IFRS 9 Scenario Sounding Sessions and ECL Management Forum, which include senior management from Group Risk and Group Finance. Important aspects for the review include whether there may be particular credit risk concerns that may not be capable of being addressed systematically and require post-model adjustments for stage allocation and ECL allowance.

The Group Model Governance Committee (the GMGC), as the highest authority under UBS's model governance framework, ratifies the decisions taken by the ECL Management Forum.

› Refer to Note 20 for more information

ECL measurement period

The period for which lifetime ECL are determined is based on the maximum contractual period that UBS is exposed to credit risk, taking into account contractual extension, termination and prepayment options. For irrevocable loan commitments and financial guarantee contracts, the measurement period represents the maximum contractual period for which UBS has an obligation to extend credit.

Additionally, some financial instruments include both an on-demand loan and a revocable undrawn commitment, where the contractual cancellation right does not limit UBS's exposure to credit risk to the contractual notice period, as the client has the ability to draw down funds before UBS can take risk-mitigating actions. In such cases UBS is required to estimate the period over which it is exposed to credit risk. This applies to UBS's credit card limits, which do not have a defined contractual maturity date, are callable on demand and where the drawn and undrawn components are managed as one exposure. The exposure arising from UBS's credit card limits is not significant and is managed at a portfolio level, with credit actions triggered when balances are past due. An ECL measurement period of seven years is applied for credit card limits, capped at 12 months for stage 1 balances, as a proxy for the period that UBS is exposed to credit risk.

Customary master credit agreements in the Swiss corporate market also include on-demand loans and revocable undrawn commitments. For smaller commercial facilities, a risk-based monitoring (RbM) approach is in place that highlights negative trends as risk events, at an individual facility level, based on a combination of continuously updated risk indicators. The risk events trigger additional credit reviews by a risk officer, enabling informed credit decisions to be taken. Larger corporate facilities are not subject to RbM, but are reviewed at least annually through a formal credit review. UBS has assessed these credit risk management practices and considers both the RbM approach and formal credit reviews as substantive credit reviews resulting in a re-origination of the given facility. Following this, a 12-month measurement period from the reporting date is used for both types of facilities as an appropriate proxy of the period over which UBS is exposed to credit risk, with 12 months also used as a look-back period for assessing an SICR, always from the respective reporting date.

Significant increase in credit risk

Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a maximum 12-month ECL continues to be appropriate, an assessment is made as to whether an SICR has occurred since initial recognition of the financial instrument, applying both quantitative and qualitative factors.

Primarily, UBS assesses changes in an instrument's risk of default on a quantitative basis by comparing the annualized forward-looking and scenario-weighted lifetime PD of an instrument determined at two different dates:

- at the reporting date; and
- at inception of the instrument.

If, based on UBS's quantitative modeling, an increase exceeds a set threshold, an SICR is deemed to have occurred and the instrument is transferred to stage 2 with lifetime ECL recognized.

The threshold applied varies depending on the original credit quality of the borrower, with a higher SICR threshold set for those instruments with a low PD at inception. The SICR assessment based on PD changes is made at an individual financial asset level. A high-level overview of the SICR trigger, which is a multiple of the annualized remaining lifetime PIT PD expressed in rating downgrades, is provided in the "SICR thresholds" table below. The actual SICR thresholds applied are defined on a more granular level by interpolating between the values shown in the table.

Note 1 Summary of material accounting policies (continued)

SICR thresholds

| Internal rating at origination of the instrument | Rating downgrades / SICR trigger |
|--|----------------------------------|
| 0–3 | 3 |
| 4–8 | 2 |
| 9–13 | 1 |

› Refer to the “Risk management and control” section of this report for more details about UBS’s internal rating system

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased for an instrument if contractual payments are more than 30 days past due. For certain less material portfolios, specifically the Swiss credit card portfolio, the 30-day past due criterion is used as the primary indicator of an SICR. Where instruments are transferred to stage 2 due to the 30-day past due criterion, a minimum period of six months is applied before a transfer back to stage 1 can be triggered, where applicable. For instruments in Personal & Corporate Banking and Global Wealth Management Region Switzerland that are between 90 and 180 days past due but have not been reclassified to stage 3, a one-year period is applied before a transfer back to stage 1 can be triggered.

Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for an SICR. Exception management is further applied, allowing for individual and collective adjustments on exposures sharing the same credit risk characteristics to take account of specific situations that are not otherwise fully reflected.

In general, the overall SICR determination process does not apply to Lombard loans, securities financing transactions and certain other asset-based lending transactions, because of the risk management practices adopted, including daily monitoring processes with strict margining. If margin calls are not satisfied, a position is closed out and classified as a stage 3 position. In exceptional cases, an individual adjustment and a transfer into stage 2 may be made to take account of specific facts.

Credit risk officers are responsible for the identification of an SICR, which for accounting purposes is in some respects different from internal credit risk management processes. This difference mainly arises because ECL accounting requirements are instrument-specific, such that a borrower can have multiple exposures allocated to different stages, and maturing loans in stage 2 will migrate to stage 1 upon renewal irrespective of the actual credit risk at that time. Under a risk-based approach, a holistic counterparty credit assessment and the absolute level of risk at any given date will determine what risk-mitigating actions may be warranted.

› Refer to the “Risk management and control” section of this report for more information

Critical accounting estimates and judgments

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that can result in significant changes to the timing and the amount of ECL recognized.

Determination of a significant increase in credit risk

IFRS 9 does not include a definition of what constitutes an SICR, with UBS’s assessment considering qualitative and quantitative criteria. An IFRS 9 ECL Management Forum has been established to review and challenge the SICR results.

Scenarios, scenario weights and macroeconomic variables

ECL reflect an unbiased and probability-weighted amount, which UBS determines by evaluating a range of possible outcomes. Management selects forward-looking scenarios that include relevant macroeconomic variables and management’s assumptions around future economic conditions. IFRS 9 Scenario Sounding Sessions, in addition to the IFRS 9 ECL Management Forum, are in place to derive, review and challenge the scenario selection and weights, and to determine whether any additional post-model adjustments are required that may significantly affect ECL.

ECL measurement period

Lifetime ECL are generally determined based upon the contractual maturity of the transaction, which significantly affects ECL. For credit card limits and Swiss callable master credit facilities, judgment is required, as UBS must determine the period over which it is exposed to credit risk. A seven-year period is applied for credit card limits, capped at 12 months for stage 1 positions, and a 12-month period applied for master credit facilities.

Modeling and post-model adjustments

A number of complex models have been developed or modified to calculate ECL, with additional post-model adjustments required that may significantly affect ECL. The models are governed by UBS’s model validation controls and approved by the GMGC. The post-model adjustments are approved by the ECL Management Forum and endorsed by the GMGC.

A sensitivity analysis covering key macroeconomic variables, scenario weights and SICR trigger points on ECL measurement is provided in Note 20f.

› Refer to Note 20 for more information

Note 1 Summary of material accounting policies (continued)

h. Restructured and modified financial assets

When payment default is expected, or where default has already occurred, UBS may grant concessions to borrowers in financial difficulties that it would not consider in the normal course of its business, such as preferential interest rates, extension of maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc.

› Refer to the “Risk management and control” section of this report for more information

Modifications result in an alteration of future contractual cash flows and can occur within UBS’s normal risk tolerance or as part of a credit restructuring where a counterparty is in financial difficulties. The restructuring or modification of a financial asset could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognized and a new financial asset being recognized. Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying amount of the given financial asset is recognized in the income statement as a modification gain or loss.

i. Offsetting

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

In assessing whether UBS intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously, emphasis is placed on the effectiveness of operational settlement mechanics in eliminating substantially all credit and liquidity exposure between the counterparties. This condition precludes offsetting on the balance sheet for substantial amounts of UBS’s financial assets and liabilities, even though they may be subject to enforceable netting arrangements. Repurchase arrangements and securities financing transactions are presented net only to the extent that the settlement mechanism eliminates, or results in insignificant, credit and liquidity risk, and processes the receivables and payables in a single settlement process or cycle.

› Refer to Note 22 for more information

j. Hedge accounting

The Group applies hedge accounting requirements of IFRS 9 where the criteria for documentation and hedge effectiveness are met. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Voluntary discontinuation of hedge accounting is not permitted under IFRS 9.

Fair value hedges of interest rate risk related to debt instruments and loan assets

The fair value change of the hedged item attributable to a hedged risk is reflected as an adjustment to the carrying amount of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument.

Fair value hedges of FX risk related to debt instruments

The fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the designation and accounted for as a cost of hedging with amounts deferred in *Other comprehensive income* within *Equity*. These amounts are released to the income statement over the term of the hedged item.

Discontinuation of fair value hedges

Discontinuations for reasons other than derecognition of the hedged item result in an adjustment to the carrying amount, which is amortized to the income statement over the remaining life of the hedged item using the effective interest method. If the hedged item is derecognized, the unamortized fair value adjustment or deferred cost of hedging amount is recognized immediately in the income statement as part of any derecognition gain or loss.

Cash flow hedges of forecast transactions

Fair value gains or losses associated with the effective portion of derivatives designated as cash flow hedges for cash flow repricing risk are recognized initially in *Other comprehensive income* within *Equity* and reclassified to *Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income* or *Interest expense from financial instruments measured at amortized cost* in the periods when the hedged forecast cash flows affect profit or loss, including discontinued hedges for which forecast cash flows are expected to occur. If the forecast transactions are no longer expected to occur, the deferred gains or losses are immediately reclassified to the income statement.

Hedges of net investments in foreign operations

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

Note 1 Summary of material accounting policies (continued)

Interest Rate Benchmark Reform

UBS continued hedge accounting during the period of uncertainty before existing interest rate benchmarks were replaced with alternative risk-free interest rates. During this period, UBS assumed that the current benchmark rates would continue to exist, such that forecast transactions were considered highly probable and hedge relationships remain, with little or no consequential impact on the financial statements. Upon replacement of existing interest rate benchmarks by alternative risk-free interest rates, UBS applied the requirements of *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2)*, where applicable.

› Refer to Note 26 for more information

3) Fee and commission income and expenses

UBS earns fee income from the diverse range of services it provides to its clients. Fee income can be divided into two broad categories: fees earned from services that are provided over a certain period of time, such as management of clients' assets, custody services and certain advisory services; and fees earned from PIT services, such as underwriting fees, deal-contingent merger and acquisitions fees, and brokerage fees (e.g., securities and derivatives execution and clearing). UBS recognizes fees earned from PIT services when it has fully provided the service to the client. Where the contract requires services to be provided over time, income is recognized on a systematic basis over the life of the agreement.

Consideration received is allocated to the separately identifiable performance obligations in a contract. Owing to the nature of UBS's business, contracts that include multiple performance obligations are typically those that are considered to include a series of similar performance obligations fulfilled over time with the same pattern of transfer to the client, e.g., management of client assets and custodial services. As a consequence, UBS is not required to apply significant judgment in allocating the consideration received across the various performance obligations.

PIT services are generally for a fixed price or dependent on deal size, e.g., a fixed number of basis points of trade size, where the amount of revenue is known when the performance obligation is met. Fixed-over-time fees are recognized on a straight-line basis over the performance period. Custodial and asset management fees can be variable through reference to the size of the customer portfolio. However, they are generally billed on a monthly or quarterly basis once the customer's portfolio size is known or known with near certainty and therefore also recognized ratably over the performance period. UBS does not recognize performance fees related to management of clients' assets or fees related to contingencies beyond UBS's control until such uncertainties are resolved.

UBS's fees are generally earned from short-term contracts. As a result, UBS's contracts do not include a financing component or result in the recognition of significant receivables or prepayment assets. Furthermore, due to the short-term nature of such contracts, UBS has not capitalized any material costs to obtain or fulfill a contract or generated any significant contract assets or liabilities.

UBS presents expenses primarily in line with their nature in the income statement, differentiating between expenses that are directly attributable to the satisfaction of specific performance obligations associated with the generation of revenues, which are generally presented within *Total revenues as Fee and commission expense*, and those that are related to personnel, general and administrative expenses, or depreciation and amortization, which are presented within *Operating expenses*. For derivatives execution and clearing services (where UBS acts as an agent), UBS only records its specific fees in the income statement, with fees payable to other parties not recognized as an expense but instead directly offset against the associated income collected from the given client.

› Refer to Note 5 for more information, including the disaggregation of revenues

4) Share-based and other deferred compensation plans

UBS recognizes expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Where the service period is shortened, for example in the case of employees affected by restructuring programs or mutually agreed termination provisions, recognition of such expense is accelerated to the termination date. Where no future service is required, such as for employees who are eligible for retirement or who have met certain age and length-of-service criteria, the services are presumed to have been received and compensation expense is recognized over the performance year or, in the case of off-cycle awards, immediately on the grant date.

Share-based compensation plans

Share-based compensation expense is measured by reference to the fair value of the equity instruments on the date of grant, taking into account the terms and conditions inherent in the award, including, where relevant, dividend rights, transfer restrictions in effect beyond the vesting date, market conditions, and non-vesting conditions.

For equity-settled awards, fair value is not remeasured unless the terms of the award are modified such that there is an incremental increase in value. Expenses are recognized, on a per-tranche basis, over the service period based on an estimate of the number of instruments expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions.

Note 1 Summary of material accounting policies (continued)

For equity-settled awards, forfeiture events resulting from a breach of a non-vesting condition (i.e., one that does not relate to a service or performance condition) do not result in any adjustment to the share-based compensation expense.

For cash-settled share-based awards, fair value is remeasured at each reporting date, so that the cumulative expense recognized equals the cash distributed.

Other deferred compensation plans

Compensation expense for other deferred compensation plans is recognized on a per-tranche or straight-line basis, depending on the nature of the plan. The amount recognized is measured based on the present value of the amount expected to be paid under the plan and is remeasured at each reporting date, so that the cumulative expense recognized equals the cash or the fair value of respective financial instruments distributed.

› Refer to Note 28 for more information

5) Post-employment benefit plans

Defined benefit plans

Defined benefit plans specify an amount of benefit that an employee will receive, which usually depends on one or more factors, such as age, years of service and compensation. The defined benefit liability recognized in the balance sheet is the present value of the defined benefit obligation, measured using the projected unit credit method, less the fair value of the plan's assets at the balance sheet date, with changes resulting from remeasurements recorded immediately in *Other comprehensive income*. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Calculation of the net defined benefit obligation or asset takes into account the specific features of each plan, including risk sharing between employee and employer, and is calculated periodically by independent qualified actuaries.

Critical accounting estimates and judgments

The net defined benefit liability or asset at the balance sheet date and the related personnel expense depend on the expected future benefits to be provided, determined using a number of economic and demographic assumptions. A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit liability or asset and pension expense recognized. The most significant assumptions include life expectancy, discount rate, expected salary increases, pension increases and interest credits on retirement savings account balances. Sensitivity analysis for reasonable possible movements in each significant assumption for UBS's post-employment obligations is provided in Note 27.

› Refer to Note 27 for more information

Defined contribution plans

A defined contribution plan pays fixed contributions into a separate entity from which post-employment and other benefits are paid. UBS has no legal or constructive obligation to pay further amounts if the plan does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. Compensation expense is recognized when the employees have rendered services in exchange for contributions. This is generally in the year of contribution. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

6) Income taxes

UBS is subject to the income tax laws of Switzerland and those of the non-Swiss jurisdictions in which UBS has business operations.

The Group's provision for income taxes is composed of current and deferred taxes. Current income taxes represent taxes to be paid or refunded for the current period or previous periods.

Deferred tax assets (DTAs) and deferred tax liabilities (DTLs) are recognized for temporary differences between the carrying amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively in future periods. DTAs may also arise from other sources, including unused tax losses and unused tax credits. DTAs and DTLs are measured using the applicable tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and that will be in effect when such differences are expected to reverse.

DTAs are recognized only to the extent it is probable that sufficient taxable profits will be available against which these differences can be used. When an entity or tax group has a history of recent losses, DTAs are only recognized to the extent that there are sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized.

Deferred and current tax assets and liabilities are offset when: (i) they arise in the same tax reporting group; (ii) they relate to the same tax authority; (iii) the legal right to offset exists; and (iv) with respect to current taxes they are intended to be settled net or realized simultaneously.

Note 1 Summary of material accounting policies (continued)

Current and deferred taxes are recognized as income tax benefit or expense in the income statement, except for current and deferred taxes recognized in relation to: (i) the acquisition of a subsidiary (for which such amounts would affect the amount of goodwill arising from the acquisition); (ii) gains and losses on the sale of treasury shares (for which the tax effects are recognized directly in *Equity*); (iii) unrealized gains or losses on financial instruments that are classified at FVOCI; (iv) changes in fair value of derivative instruments designated as cash flow hedges; (v) remeasurements of defined benefit plans; or (vi) certain foreign currency translations of foreign operations. Amounts relating to points (iii) through (vi) above are recognized in *Other comprehensive income* within *Equity*.

UBS reflects the potential effect of uncertain tax positions for which acceptance by the relevant tax authority is not considered probable by adjusting current or deferred taxes, as applicable, using either the most likely amount or expected value methods, depending on which method is deemed a better predictor of the basis on which, and extent to which, the uncertainty will be resolved.

Critical accounting estimates and judgments

Tax laws are complex, and judgment and interpretations about the application of such laws are required when accounting for income taxes. UBS considers the performance of its businesses and the accuracy of historical forecasts and other factors when evaluating the recoverability of its DTAs, including the remaining tax loss carry-forward period, and its assessment of expected future taxable profits in the forecast period used for recognizing DTAs. Estimating future profitability and business plan forecasts is inherently subjective and is particularly sensitive to future economic, market and other conditions.

Forecasts are reviewed annually, but adjustments may be made at other times, if required. If recent losses have been incurred, convincing evidence is required to prove there is sufficient future profitability given that the value of UBS's DTAs may be affected, with effects primarily recognized through the income statement.

In addition, judgment is required to assess the expected value of uncertain tax positions and the related probabilities, including interpretation of tax laws, the resolution of any income tax-related appeals and litigation.

› Refer to Note 9 for more information

7) Investments in associates

Interests in entities where UBS has significant influence over the financial and operating policies of these entities but does not have control are classified as investments in associates and accounted for under the equity method of accounting. Typically, UBS has significant influence when it holds, or has the ability to hold, between 20% and 50% of an entity's voting rights. Investments in associates are initially recognized at cost, and the carrying amount is increased or decreased after the date of acquisition to recognize the Group's share of the investee's comprehensive income and any impairment losses. The net investment in an associate is impaired if there is objective evidence of a loss event and the carrying amount of the investment in the associate exceeds its recoverable amount.

› Refer to Note 29 for more information

8) Property, equipment and software

Property, equipment and software is measured at cost less accumulated depreciation and impairment losses. Software development costs are capitalized only when the costs can be measured reliably and it is probable that future economic benefits will arise. Depreciation of property, equipment and software begins when they are available for use and is calculated on a straight-line basis over an asset's estimated useful life.

Property, equipment and software are generally tested for impairment at the appropriate cash-generating unit level, alongside goodwill and intangible assets as described in item 9 in this Note. An impairment charge is recognized for such assets if the recoverable amount is below its carrying amount. The recoverable amounts of such assets, other than property that has a market price, are generally determined using a replacement cost approach that reflects the amount that would be currently required by a market participant to replace the service capacity of the asset. If such assets are no longer used, they are tested individually for impairment.

› Refer to Note 12 for more information

9) Goodwill and other separately identifiable intangible assets

Goodwill represents the excess of the consideration over the fair value of identifiable assets, liabilities and contingent liabilities acquired that arises in a business combination. Goodwill is not amortized but is assessed for impairment at the end of each reporting period, or when indicators of impairment exist. UBS tests goodwill for impairment annually, irrespective of whether there is any indication of impairment. An impairment charge is recognized in the income statement if the carrying amount exceeds the recoverable amount of a cash-generating unit.

Negative goodwill, generally determined based on the difference between the (provisional) fair values for the identifiable assets acquired and liabilities assumed and consideration transferred, is recognized in the income statement on the acquisition date.

Note 1 Summary of material accounting policies (continued)

Separately from goodwill, UBS recognizes identifiable intangible assets acquired in a business combination that were not previously recognized in the financial statements of the acquiree. Amortization of these intangible assets is recognized on a straight-line basis over their estimated useful life. These assets are tested for impairment at the appropriate cash-generating-unit level.

Critical accounting estimates and judgments

UBS's methodology for goodwill impairment testing is based on a model that is most sensitive to the following key assumptions: (i) forecasts of earnings available to shareholders (typically estimated on a discrete basis for years one to three but could extend up to five years, as permitted under IFRS Accounting Standards, in order to reflect facts and circumstances specific to a cash-generating unit); (ii) changes in the discount rates; and (iii) changes in the long-term growth rate.

Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the BoD. The discount rates and growth rates are determined using external information, and also considering inputs from both internal and external analysts and the view of management.

The key assumptions used to determine the recoverable amounts of each cash-generating unit are tested for sensitivity by applying reasonably possible changes to those assumptions.

› Refer to Notes 3 and 13 for more information

10) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount, and are generally recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, when: (i) UBS has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.

The majority of UBS's provisions relate to litigation, regulatory and similar matters, restructuring, and employee benefits. Restructuring provisions are generally recognized as a consequence of management agreeing to materially change the scope of the business or the manner in which it is conducted, including changes in management structures. Provisions for employee benefits relate mainly to service anniversaries and sabbatical leave, and are recognized in accordance with measurement principles set out in item 4 in this Note. In addition, UBS presents expected credit loss allowances within *Provisions* if they relate to a loan commitment, financial guarantee contract or a revolving revocable credit line. Consistent with this presentational approach, fair value of loans commitments and financial guarantees acquired through a business combination is also presented in *Provisions*.

IAS 37 provisions are measured considering the best estimate of the consideration required to settle the present obligation at the balance sheet date.

When conditions required to recognize a provision are not met, a contingent liability is disclosed, unless the likelihood of an outflow of resources is remote. Contingent liabilities are also disclosed for possible obligations that arise from past events, the existence of which will be confirmed only by uncertain future events not wholly within the control of UBS.

Contingent liabilities, more specifically in relation to litigations, recognized in a business combination are initially measured at fair value. Subsequently, they are measured at the higher of the initial fair value and the amount that would be recognized in accordance with the requirements for provisions outlined above, until the contingency is resolved.

Critical accounting estimates and judgments

Recognition of provisions often involves significant judgment in assessing the existence of an obligation that results from past events and in estimating the probability, the timing and the amount of any outflows of resources. This is particularly the case for litigation, regulatory and similar matters, which, due to their nature, are subject to many uncertainties, making their outcome difficult to predict.

The amount of any provision recognized is sensitive to the assumptions used, and there could be a wide range of possible outcomes for any particular matter.

Management regularly reviews all the available information regarding such matters, including legal advice, to assess whether the recognition criteria for provisions have been satisfied and to determine the timing and the amount of any potential outflows.

› Refer to item 1 in this Note, Note 2 and Note 18 for more information

11) Foreign currency translation

Transactions denominated in a foreign currency are translated into the functional currency of the reporting entity at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets, including those at FVOCI, and monetary liabilities denominated in foreign currency are translated into the functional currency using the closing exchange rate. Translation differences are reported in *Other net income from financial instruments measured at fair value through profit or loss*.

Note 1 Summary of material accounting policies (continued)

Non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction.

Upon consolidation, assets and liabilities of foreign operations are translated into US dollars, UBS's presentation currency, at the closing exchange rate on the balance sheet date, and income and expense items and other comprehensive income are translated at the average rate for the period. The resulting foreign currency translation differences are recognized in *Equity* and reclassified to the income statement when UBS disposes of, partially or in its entirety, the foreign operation and UBS no longer controls the foreign operation.

Share capital issued, share premium and treasury shares held are translated at the historic average rate, with the difference between the historic average rate and the spot rate realized upon repayment of share capital or disposal of treasury shares reported as *Share premium*. Cumulative amounts recognized in *Other comprehensive income* in respect of cash flow hedges and financial assets measured at FVOCI are translated at the closing exchange rate as of the balance sheet dates, with any translation effects adjusted through *Retained earnings*.

› Refer to Note 33 for more information

12) UBS Group AG shares held (treasury shares)

UBS Group AG shares held by the Group, including those purchased as part of market-making activities, are presented in *Equity* as *Treasury shares* at their acquisition cost and are deducted from *Equity* until they are canceled or reissued. The difference between the proceeds from sales of treasury shares and their weighted average cost (net of tax, if any) is reported as *Share premium*.

b) Changes in accounting policies, comparability and other adjustments

New or amended accounting standards

IFRS 17, *Insurance Contracts*

Effective from 1 January 2023, UBS has adopted IFRS 17, *Insurance Contracts*, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. The adoption has had no material effect on the Group's financial statements.

Amendments to IAS 12, *Income Taxes*

In May 2023, the IASB issued amendments to IAS 12, *Income Taxes*, in relation to top-up taxes on income under Global Anti-Base Erosion Rules that is imposed under legislation that has been enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Certain countries in which the Group operates had enacted such legislation by 31 December 2023, including Switzerland, which introduced a tax with effect from 1 January 2024 that is expected to be a qualified domestic minimum top-up tax, and other countries (including Germany, France and Italy) also introduced top-up taxes in respect of a non-domestic group's worldwide operations with effect from 1 January 2025. Moreover, it is expected that other countries will enact such legislation in 2024.

The amendments to IAS 12 introduced an exception, whereby deferred tax assets and deferred tax liabilities should not be recognized or disclosed in respect of top-up taxes, which has been applied for the purposes of these financial statements.

An assessment was performed of the Group's potential exposure to top-up taxes under legislation that was enacted or substantively enacted to implement the Pillar Two model rules by 31 December 2023, reflecting country-by-country reporting and, also, the corporate tax expenses of Group entities for recent years and those expected in future years. This assessment indicated that the Group's profits in future years are expected to be almost entirely earned in countries with corporate tax expenses that are at a tax rate of 15% or more and will not, therefore, be subject to top-up taxes. Consequently, the Group is not expected to have a material annual exposure to top-up taxes for future years under this legislation.

c) IFRS Accounting Standards and Interpretations to be adopted in 2024 and later and other changes

Other amendments to IFRS Accounting Standards

The IASB has issued a number of minor amendments to IFRS Accounting Standards, effective from 1 January 2024 and later. These amendments are not expected to have a significant effect on the Group when they are adopted.

Note 2 Accounting for the acquisition of the Credit Suisse Group

The transaction

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG (the Transaction).

The acquisition followed a request from the Swiss Federal Department of Finance, the Swiss National Bank and the Swiss Financial Market Supervisory Authority (FINMA) to both firms to duly consider the Transaction in order to restore necessary confidence in the stability of the Swiss economy and banking system and to serve the best interests of the shareholders and stakeholders of UBS and Credit Suisse. The firms subsequently entered into a merger agreement on 19 March 2023.

Upon the completion of the Transaction, each outstanding registered Credit Suisse Group AG share converted to the right to receive, subject to the payment of certain fees to the Credit Suisse Depository in the case of Credit Suisse American depository shares, a merger consideration consisting of 1/22.48 UBS Group AG shares. In aggregate, Credit Suisse Group AG shareholders received 5.1% of the outstanding UBS Group AG shares on the acquisition date, with a purchase price of USD 3.7bn.

Accounting principles: conversion from US GAAP to IFRS Accounting Standards of the Credit Suisse Group and IFRS 3 purchase price allocation

The acquisition of the Credit Suisse Group constitutes a business combination under IFRS 3, *Business Combinations*, and is required to be accounted for by applying the acquisition method of accounting.

As part of the acquisition method of accounting, the assets and liabilities of the Credit Suisse Group have been converted from US generally accepted accounting principles (GAAP) to IFRS Accounting Standards. The most material conversion impact arose from the different derivative netting rules, resulting in an increase in *Total assets* of USD 70bn, with no impact on *Equity*. Other conversion adjustments arose from the removal of the Swiss pension surplus and the different methods used to calculate expected credit losses.

- › Refer to Note 20 for more information about the expected credit losses recognized as an additional measurement adjustment following the acquisition date

Remeasurement of assets, liabilities and off-balance sheet arrangements at the acquisition date as part of the IFRS 3 purchase price allocation

Financial instruments

The financial assets and liabilities of the Credit Suisse Group have been remeasured to fair value as of the acquisition date, resulting in the provisional fair values disclosed below, with negative fair value adjustments of USD 14.9bn, including USD 4.8bn recognized on financial instruments that are classified at fair value through profit or loss and fair value adjustments of USD 10.1bn recognized on financial instruments at amortized cost and off-balance sheet commitments and guarantees. Fair value adjustments on financial instruments measured at fair value on the acquisition date were primarily driven by a change in management's view of the principal and most advantageous markets and to reflect additional liquidity adjustments.

In particular, material fair value adjustments have been made regarding the Credit Suisse Group lending portfolio, including mortgages and corporate lending, to bring the financial instruments from amortized cost to fair value. Fair value adjustments applied to amortized-cost financial instruments and lending arrangements that are fair valued through profit or loss will generally accrete to par over their expected lives through *Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income*, *Fee and commission income* and *Other net income from financial instruments measured at fair value through profit or loss* in the income statement if the instruments continue to be held.

- › Refer to Note 21 for more information

Adjustments have also been made to other asset and liability categories, with new intangible assets of USD 0.9bn and additional litigation provisions and contingent liabilities of USD 5.4bn recognized as detailed below. Furthermore, Credit Suisse Group goodwill has been derecognized, the fair value of its internally generated software has been marked down in consideration of how market participants would value acquired software, and its real estate held and leased has been revalued.

With the acquisition date of 12 June 2023, for convenience the Credit Suisse Group was consolidated from 31 May 2023, as the impact of transactions and activities in the period from 31 May 2023 to 12 June 2023 on the consolidated financial statements was not material.

Note 2 Accounting for the acquisition of the Credit Suisse Group (continued)

Intangible assets

Included in *Intangible assets* is a fair value of USD 0.9bn for core deposits and customer relationship intangibles, which were recognized as part of the acquisition of the Credit Suisse Group. These assets were not previously recognized in the financial statements of the Credit Suisse Group. The fair value of the core deposits intangible asset was determined using the after-tax cost savings method under the income approach. After-tax cost savings were estimated by comparing the cost of the existing deposits (including the cost of maintaining them) to the cost of obtaining alternative funds from a mix of diversified funding sources available to market participants. The core deposits intangible asset represents the present value of the after-tax cost savings expected to be realized over the remaining useful life of the deposits. The fair value of the customer relationship intangible asset was determined using the multi-period excess earnings method (an income-based valuation methodology), by discounting estimated after-tax excess earnings attributable to existing customer relationships over their remaining useful lives. Both intangible asset valuations include assumptions consistent with how a market participant would estimate fair values, such as growth and attrition rates and projected fee and interest income, as well as related costs to service the relationships and deposits, and discount rates.

Also included in *Intangible assets* are mortgage-servicing rights (MSRs) of USD 0.4bn, which represent the right to perform specified mortgage-servicing activities on behalf of third parties, generating income through servicing fees. The MSRs were valued using a discounted cash flow model.

Additional provisions and contingent liabilities

Included in *Provisions and contingent liabilities* is USD 5.4bn for additional litigation provisions and contingent liabilities, which includes USD 1.6bn for litigation provisions, in addition to the existing USD 1.3bn provision previously recorded by the Credit Suisse Group to reflect management's assessment of the associated probability, timing and amount considering new information, and USD 3.8bn contingent liabilities for certain obligations in respect of litigation, regulatory and similar matters identified in the purchase price allocation. The timing and actual amount of outflows associated with litigation matters are uncertain. UBS has continued to assess the development of these obligations and the amount and timing of potential outflows. The USD 3.8bn contingent liabilities reflects an increase of USD 0.8bn from the previously reported USD 3.0bn, with an additional USD 45m increase in litigation provisions recognized, following publication of the UBS Group fourth quarter report as detailed in the table on the following page.

In addition, UBS has also recognized USD 4.5bn for fair value adjustments on acquired loan commitments and guarantees recognized under IFRS Accounting Standards as a consequence of the acquisition, of which USD 2.3bn is included in *Provisions and contingent liabilities* and USD 2.2bn is included as fair value loan commitments within *Derivative financial instruments* liabilities, consistent with the classification of financial assets that arise from drawdowns of these loan commitments.

- › Refer to "IFRS 3 measurement period adjustments in the third and fourth quarters of 2023 for the acquisition of the Credit Suisse Group" in this Note
- › Refer to Note 18 for more information

Determination of the purchase price consideration

| | Measure | |
|---|----------------------|--------------|
| Credit Suisse Group ordinary shares outstanding, 12 June 2023 | Number of shares (m) | 3,949 |
| Exchange ratio (1 to 22.48) | Ratio | 0.04 |
| UBS ordinary shares | Number of shares (m) | 176 |
| UBS ordinary share price | CHF | 18.35 |
| Purchase price consideration, before consideration of share-based compensation awards | CHF m | 3,223 |
| Purchase price consideration, before consideration of share-based compensation awards using an exchange rate of 1.10¹ | USD m | 3,547 |
| Impact of share-based compensation awards ² | USD m | 162 |
| Purchase price consideration, after consideration of share-based compensation awards | USD m | 3,710 |
| Settlement of pre-existing relationships | USD m | 135 |
| Provisional purchase price consideration, after consideration of pre-existing relationships | USD m | 3,845 |
| Net cash and cash equivalents acquired with the Credit Suisse Group (included in cash flows from investing activities) | USD m | 108,510 |
| <i>of which: cash and balances at central banks</i> | USD m | 93,012 |
| <i>of which: amounts due from banks</i> | USD m | 12,601 |
| <i>of which: money market paper</i> | USD m | 2,897 |

¹ The purchase price consideration is reflected as a reduction to treasury shares of the Group at their weighted average cost, with the difference between the fair value of UBS shares on the closing date and the weighted average cost of treasury shares in the UBS Group balance sheet on the closing date taken as an adjustment to share premium. As of 12 June 2023, this resulted in a total purchase price of approximately USD 3.7bn, based on the UBS Group AG share price on 12 June 2023 and before considering the effect of pre-existing relationships. ² Represents the value of share-based compensation awards outstanding to Credit Suisse employees attributable to the service period completed on the date of acquisition.

IFRS 3 measurement period adjustments for the acquisition of the Credit Suisse Group

The acquisition of Credit Suisse AG was made without the ordinary due diligence procedures and outside the conventional time frame for an acquisition of this scale and nature. As such, complete information about all relevant facts and circumstances of the acquisition date were not practically available to UBS at the time when the initial acquisition accounting was applied for the purpose of the UBS Group second quarter 2023 report, third quarter 2023 report and fourth quarter 2023 report. Due to the complexity and size of the transaction and the integration process, it is possible that new information about relevant facts and circumstances of the acquisition date becomes available to the management after the date of issuance of these financial statements. Consequently, the amounts that form part of the business combination accounting are considered provisional and may be subject to further measurement period adjustments if new information about the facts and circumstances existing on the date of the acquisition is obtained within one year from the acquisition date.

In the second half of 2023, in light of the additional information about circumstances existing on the acquisition date that became available to the management, IFRS 3 measurement period adjustments were made in Non-core and Legacy, reflecting additional decisions to sell acquired loans and off-balance sheet loan commitments. In addition, further IFRS 3 measurement period adjustments have been made to the acquisition date fair value of certain loans and off-balance sheet loan commitments following a detailed review in Non-core and Legacy, Personal & Corporate Banking and Global Wealth Management, and to litigation contingent liabilities in Non-core and Legacy.

Additionally, several presentational changes resulted in a reclassification of financial assets reported at fair value not held for trading to financial assets at fair value held for trading in the acquisition date balance sheet to align with presentational approaches followed by the UBS Group.

Previously reported financial information has been revised for these effects as set out in the table below.

Note 2 Accounting for the acquisition of the Credit Suisse Group (continued)

Effect of measurement period and presentation adjustments on the acquisition date balance sheet

The table below sets out the identifiable net assets attributable to the acquisition of the Credit Suisse Group as of the acquisition date and includes the effects of adjustments on the acquisition date balance sheet made during the measurement period and detailed below.

USD m

Purchase price consideration, after consideration of share-based compensation awards 3,710

Credit Suisse Group net identifiable assets on the acquisition date

| Assets | As previously reported in the second quarter 2023 report | Measurement period adjustments | Reference number | Revised |
|---|--|--------------------------------|------------------|----------------|
| Cash and balances at central banks | 93,012 | | | 93,012 |
| Amounts due from banks | 13,590 | | | 13,590 |
| Receivables from securities financing transactions measured at amortized cost | 26,194 | | | 26,194 |
| Cash collateral receivables on derivative instruments | 20,878 | | | 20,878 |
| Loans and advances to customers | 261,839 | (14,620) | 2, 4 | 247,219 |
| Other financial assets measured at amortized cost | 13,440 | (12) | 2 | 13,428 |
| Total financial assets measured at amortized cost¹ | 428,954 | (14,632) | | 414,322 |
| Financial assets at fair value held for trading | 35,046 | 21,191 | 2, 3 | 56,237 |
| Derivative financial instruments | 62,162 | | | 62,162 |
| Brokerage receivables | 366 | | | 366 |
| Financial assets at fair value not held for trading | 61,305 | (7,106) | 3 | 54,199 |
| Total financial assets measured at fair value through profit or loss | 158,879 | 14,085 | | 172,964 |
| Financial assets measured at fair value through other comprehensive income¹ | 0 | | | 0 |
| Investments in associates | 1,657 | (88) | | 1,569 |
| Property, equipment and software | 6,055 | | | 6,055 |
| Intangible assets | 1,287 | | | 1,287 |
| Deferred tax assets | 942 | 56 | | 998 |
| Other non-financial assets | 6,892 | | | 6,892 |
| Total assets | 604,667 | (579) | | 604,088 |
| Liabilities | | | | |
| Amounts due to banks | 107,617 | | | 107,617 |
| Payables from securities financing transactions measured at amortized cost | 11,911 | | | 11,911 |
| Cash collateral payables on derivative instruments | 10,939 | | | 10,939 |
| Customer deposits | 183,119 | | | 183,119 |
| Debt issued measured at amortized cost | 110,491 | | | 110,491 |
| Other financial liabilities measured at amortized cost | 7,992 | | | 7,992 |
| Total financial liabilities measured at amortized cost | 432,070 | | | 432,070 |
| Financial liabilities at fair value held for trading | 5,711 | | | 5,711 |
| Derivative financial instruments | 66,091 | 1,691 | 2 | 67,782 |
| Brokerage payables designated at fair value | 316 | | | 316 |
| Debt issued designated at fair value | 44,909 | | | 44,909 |
| Other financial liabilities designated at fair value | 7,574 | | | 7,574 |
| Total financial liabilities measured at fair value through profit or loss | 124,601 | 1,691 | | 126,292 |
| Provisions and contingent liabilities | 11,052 | (1,107) | 2, 4 | 9,945 |
| Other non-financial liabilities | 3,888 | 13 | | 3,901 |
| Total liabilities | 571,611 | 598 | | 572,209 |
| Non-controlling interests | (285) | | | (285) |
| Fair value of net assets acquired | 32,771 | (1,177) | | 31,594 |
| Settlement of pre-existing relationships | 135 | | | 135 |
| Provisional negative goodwill resulting from the acquisition | 28,925 | (1,177) | | 27,748 |

¹ Refer to Note 10 for information about credit quality of financial assets, including purchased credit-impaired positions.

Note 2 Accounting for the acquisition of the Credit Suisse Group (continued)

The table below provides details of the measurement period adjustments shown above.

| Reference | Measurement period adjustment |
|-----------|--|
| 2 | <p>The application of measurement period adjustments to the accounting for the acquisition of the Credit Suisse Group resulted in the following classification and measurement changes in accordance with IFRS 9 in 2023, with respective application in the acquisition date balance sheet:</p> <ul style="list-style-type: none">– USD 14.3bn of loans and advances to customers and USD 12m of other financial assets measured at amortized cost in Non-core and Legacy previously reported in the UBS Group second quarter 2023 report as accounted for on an amortized-cost basis were reclassified in the UBS Group third and fourth quarter 2023 reports to financial assets measured at fair value held for trading;– USD 27.5bn notional value of loan commitments and a corresponding USD 2.0bn fair value, previously not subject to ongoing remeasurement at fair value, were reclassified to derivative loan commitments measured at fair value through profit or loss in the UBS Group third quarter 2023 report; and– USD 0.3bn of derivative liabilities decreased, with a corresponding decrease of USD 0.3bn in financial assets measured at fair value held for trading in the acquisition date balance sheet, in the UBS Group fourth quarter 2023 report. <p>As a consequence of the classification and measurement adjustments, USD 0.1bn of stage 1 and 2 expected credit losses have been reversed from the income statement and, accordingly, a USD 0.1bn increase in net profit recognized in the second quarter of 2023. Additionally, interest income of USD 0.2bn for the quarter ended 30 September 2023 (USD 0.1bn for the quarter ended 30 June 2023) was reclassified from <i>Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</i> to <i>Net interest income from financial instruments measured at fair value through profit or loss and other</i>, with no impact on <i>Net interest income</i>.</p> |
| 3 | <p>A reclassification of USD 7.1bn of financial assets reported at fair value not held for trading to financial assets at fair value held for trading was performed in the fourth quarter of 2023 to align with the presentation approach followed by the UBS Group.</p> |
| 4 | <p>After the publication of the UBS Group fourth quarter 2023 report and following the completion of detailed assessments and reviews of acquisition date fair values, several measurement period adjustments were approved by management, mainly resulting in the following changes:</p> <ul style="list-style-type: none">– a USD 0.3bn decrease in the fair value for loans and advances to customers measured at amortized cost as of 31 May 2023 mainly following individual counterparty credit assessments; and– a USD 0.9bn increase in provisions and contingent liabilities related to litigation recognized in accordance with IFRS 3 as of 31 May 2023 following further comprehensive reviews, including of additional information, which impact the assessment of possible and probable outcomes as of the acquisition date. USD 0.8bn of the USD 0.9bn increase relates to contingent liabilities, with the remaining USD 45m from litigation provisions. <p>These changes have resulted in a net USD 1.2bn reduction to negative goodwill resulting from the acquisition compared with the amount originally published in the UBS Group second quarter 2023 report.</p> |

Determination of negative goodwill

The acquisition of the Credit Suisse Group on 12 June 2023 resulted in provisional negative goodwill of USD 27.7bn. This negative goodwill represents the difference between the fair values for the identifiable assets acquired and liabilities assumed, except for amounts related to leases and employee benefits, which have been determined by applying the requirements in IFRS 16 and IAS 19, respectively, and consideration transferred.

The USD 27.7bn provisional negative goodwill is USD 1.2bn lower than the previously reported USD 28.9bn provisional negative goodwill following further measurement period adjustments concluded after publication of the UBS Group fourth quarter 2023 report as detailed in the table above.

The negative goodwill has been recognized as of the acquisition date in the income statement on a separate line, *Negative goodwill*. The pre-tax gain arising from negative goodwill on the acquisition of the Credit Suisse Group did not result in any tax expense.

Acquisition-related costs to effect the acquisition

UBS incurred certain acquisition-related costs to effect the acquisition. These consisted primarily of advisory, legal and consulting fees. These costs were expensed as incurred. In 2023, a total of USD 0.2bn was included in *General and administrative expenses* in the income statement.

Derecognition of loans and loan commitments

During the second half of 2023, the Group recognized gains on the early termination and natural roll-off, accelerated by actions to actively unwind the portfolio in Non-core and Legacy on loans and loan commitments of USD 0.1bn and USD 0.6bn, respectively.

Pro forma financial information

From the date of acquisition until 31 December 2023, the Credit Suisse Group contributed USD 7.6bn of net revenues and an overall net loss of USD 3.5bn to the net profit of the UBS Group. For illustration purposes, the pro forma net revenues and net loss for the UBS Group for the year ended 31 December 2023 if the business combination had taken place on 1 January 2023 are estimated as USD 46.1bn and USD 2.1bn, respectively.

Note 2 Accounting for the acquisition of the Credit Suisse Group (continued)

This pro forma information is based on the actual annual results of the consolidated UBS Group, as reported (including Credit Suisse for the seven months since the acquisition), and the Credit Suisse US GAAP results for the first five months of 2023, adjusted for the estimated effect of conversion to IFRS Accounting Standards and the effects from purchase price allocation adjustments under IFRS 3, *Business Combinations*.

The pro forma net revenues and net loss exclude the impact from negative goodwill recognized from the acquisition of the Credit Suisse Group of USD 27.7bn and certain items recognized by the Credit Suisse Group in 2023 prior to the acquisition date, including a gain from the write-down of additional tier 1 (AT1) capital notes of USD 16.4bn, a goodwill impairment charge, mostly related to Wealth Management (Credit Suisse), of USD 1.4bn and a gain from the reversal of contingent compensation award accruals of USD 0.4bn. These items are considered non-recurring and therefore not representative of the normal course of business.

The pro forma net revenues and net loss do not purport to represent what UBS's actual results of operations would have been had the transaction occurred on the date indicated, nor are they necessarily indicative of future results of operations. The pro forma net revenues and net loss also do not consider any potential impacts of current market conditions on revenues, assets or liabilities. Nor do they reflect expense efficiencies, asset dispositions or business reorganizations that are or may be contemplated, or any cost or revenue synergies, including further potential restructuring actions, associated with the acquisition of the Credit Suisse Group.

Segment reporting – integration of UBS's and Credit Suisse's businesses and establishment of Non-core and Legacy

Prior to the third quarter of 2023, UBS's businesses were organized globally into four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank), each qualifying as a reportable segment, and Group Functions. Credit Suisse's businesses were organized globally into five reportable segments (Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse), Asset Management (Credit Suisse), the Investment Bank (Credit Suisse) and the Capital Release Unit (Credit Suisse)), and the Corporate Center (Credit Suisse).

As the integration of the UBS and Credit Suisse businesses continues, beginning with the third quarter of 2023, the Group reports five business divisions, each of which qualify as a reportable segment: Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank, and Non-core and Legacy.

Non-core and Legacy includes positions and businesses not aligned with the Group's strategy and policies. Those consist of the assets and liabilities reported as part of the former Capital Release Unit (Credit Suisse) and certain assets and liabilities of the former Investment Bank (Credit Suisse), Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse) and Asset Management (Credit Suisse) divisions, as well as of the former Corporate Center (Credit Suisse). Also included are the remaining assets and liabilities of UBS's Non-core and Legacy Portfolio, previously reported in Group Functions, and smaller amounts of assets and liabilities of UBS's business divisions that have been assessed as not strategic in light of the acquisition of the Credit Suisse Group.

Group Functions has been renamed Group Items and excludes UBS's former Non-core and Legacy Portfolio and includes certain of the assets and liabilities of the former Corporate Center (Credit Suisse).

The above reflects how financial information is presented effective from the third quarter of 2023 in the internal management reports to the Group Executive Board, which is considered the "chief operating decision-maker" pursuant to IFRS 8, *Operating Segments*.

Information for prior periods has been revised and presents Non-core and Legacy separately from Group Items.

As UBS executes its integration plans, the expectation is that allocation methodologies for profit and loss and balance sheet to the business divisions and into Group Items will continue to be reviewed and refined.

› Refer to Note 3 for more information

› Refer to the "Acquisition and integration of Credit Suisse" section and the "Our businesses" section for more information about Non-core and Legacy and other changes in the composition of reportable segments in 2023

Note 2 Accounting for the acquisition of the Credit Suisse Group (continued)

Pre-existing relationships

As of 12 June 2023, UBS had the following pre-existing relationships with the Credit Suisse Group.

| <i>USD m</i> | |
|--|--------------|
| Cash collateral receivables on derivative instruments | 7 |
| Derivative financial instruments | 1,476 |
| Debt instruments issued by the Credit Suisse Group and held by UBS | 98 |
| Total assets | 1,581 |
| Cash collateral payables on derivative instruments | 572 |
| Derivative financial instruments | 813 |
| Total liabilities | 1,385 |
| Treasury shares | (61) |
| Total equity | (61) |
| Total net pre-existing relationships | 135 |

Such balances are eliminated in the consolidated financial statements.

Retention awards of approximately USD 0.5bn were offered to selected employees of the Credit Suisse Group prior to the acquisition date to support the completion of the transaction and the early phase of integration. These awards were contingent on the completion of the acquisition and are delivered 50% in cash (in general vesting 60 days from the completion of the acquisition) and 50% in shares (in general vesting on the first anniversary of the completion of the acquisition). Vesting periods are longer for certain regulated employees. Expenses associated with these awards are recognized between the date of acquisition and the applicable vesting dates and were USD 0.3bn in 2023.

Note 3a Segment reporting

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

- **Global Wealth Management** provides financial services, advice and solutions to private wealth clients. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management and banking products and services.
- **Personal & Corporate Banking** serves its private, corporate, and institutional clients' needs, from banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.
- **Asset Management** is a global, large-scale and diversified asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients.
- The **Investment Bank** provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offering includes research, advisory services, facilitating clients raising debt and equity from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.
- **Non-core and Legacy** includes positions and businesses not aligned with the Group's strategy and policies. Those consist of the assets and liabilities that prior to the acquisition were reported as part of the Capital Release Unit (Credit Suisse) and certain assets and liabilities of the Investment Bank (Credit Suisse), Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse) and Asset Management (Credit Suisse) divisions, as well as of the Corporate Center (Credit Suisse). Also included are the remaining assets and liabilities of UBS's Non-core and Legacy Portfolio, previously reported in Group Functions (now renamed to Group Items), and smaller amounts of assets and liabilities of UBS's business divisions that have been assessed as not strategic in light of the acquisition of the Credit Suisse Group.
- Our Group functions are support and control functions that provide services to the Group. Virtually all costs incurred by the support and control functions are allocated to the business divisions, leaving a residual amount that we refer to as **Group Items** in our segment reporting. Group functions is made up of the following major areas: Group Services (which consists of the Group Operations and Technology Office, Corporate Services, Compliance, Regulatory & Governance, Finance, Risk Control, Human Resources, Communications & Branding, Legal, the Group Integration Office, Group Sustainability and Impact, and Chief Strategy Office) and Group Treasury.

Financial information about the five business divisions and Group Items is presented separately in internal management reports to the Group Executive Board (the GEB), which is considered the "chief operating decision-maker" pursuant to IFRS 8, *Operating Segments*.

Note 3a Segment reporting (continued)

UBS's internal accounting policies, which include management accounting policies and service level agreements, determine the revenues and expenses directly attributable to each reportable segment. Transactions between the reportable segments are carried out at internally agreed rates and are reflected in the operating results of the reportable segments. Revenue-sharing agreements are used to allocate external client revenues to reportable segments where several reportable segments are involved in the value creation chain. Total intersegment revenues for the Group are immaterial, as the majority of the revenues are allocated across the segments by means of revenue-sharing agreements. Interest income earned from managing UBS's consolidated equity is allocated to the reportable segments based on average attributed equity and currency composition. Assets and liabilities of the reportable segments are funded through and invested with Group functions, and the net interest margin is reflected in the results of each reportable segment.

Segment assets are based on a third-party view and do not include intercompany balances. This view is in line with internal reporting to the GEB. If one operating segment is involved in an external transaction together with another operating segment or Group function, additional criteria are considered to determine the segment that will report the associated assets. This will include a consideration of which segment's business needs are being addressed by the transaction and which segment is providing the funding and / or resources. Allocation of liabilities follows the same principles.

Non-current assets disclosed for segment reporting purposes represent assets that are expected to be recovered more than 12 months after the reporting date, excluding financial instruments, deferred tax assets and post-employment benefits.

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | Negative goodwill ² | UBS |
|---|--------------------------|------------------------------|--------------------|-----------------|----------------------------------|--------------------------|--------------------------------|---------------|
| For the year ended 31 December 2023 | | | | | | | | |
| Total revenues | 21,190 | 8,436 | 2,639 | 8,661 | 741 | (833) | | 40,834 |
| Negative goodwill | | | | | | | 27,748 | 27,748 |
| Credit loss expense / (release) | 147 | 501 | 0 | 190 | 193 | 6 | | 1,037 |
| Operating expenses | 17,454 | 4,787 | 2,321 | 8,515 | 5,290 | 440 | | 38,806 |
| Operating profit / (loss) before tax | 3,589 | 3,148 | 318 | (44) | (4,741) | (1,279) | 27,748 | 28,739 |
| Tax expense / (benefit) | | | | | | | | 873 |
| Net profit / (loss) | | | | | | | | 27,866 |
| Additional information | | | | | | | | |
| Total assets | 469,240 | 470,526 | 21,804 | 399,348 | 172,862 | 183,465 | | 1,717,246 |
| Additions to non-current assets | 2,584 | 3,279 | 709 | 530 | 3,062 | 550 | | 10,714 |
| <i>of which Credit Suisse³</i> | <i>1,795</i> | <i>3,020</i> | <i>626</i> | <i>3</i> | <i>3,062</i> | <i>550</i> | | <i>9,056</i> |
| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | | UBS |
| For the year ended 31 December 2022 | | | | | | | | |
| Total revenues | 18,967 | 4,302 | 2,961 ⁴ | 8,717 | 237 | (622) | | 34,563 |
| Credit loss expense / (release) | 0 | 39 | 0 | (12) | 2 | 1 | | 29 |
| Operating expenses | 13,989 | 2,452 | 1,564 | 6,832 | 104 | (12) | | 24,930 |
| Operating profit / (loss) before tax | 4,977 | 1,812 | 1,397 | 1,897 | 131 | (611) | | 9,604 |
| Tax expense / (benefit) | | | | | | | | 1,942 |
| Net profit / (loss) | | | | | | | | 7,661 |
| Additional information | | | | | | | | |
| Total assets | 388,530 | 235,226 | 17,348 | 391,320 | 13,367 | 58,574 | | 1,104,364 |
| Additions to non-current assets | 42 | 13 | 1 | 34 | 0 | 1,970 | | 2,060 |
| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ¹ | Group Items ¹ | | UBS |
| For the year ended 31 December 2021 | | | | | | | | |
| Total revenues | 19,419 | 4,263 | 2,617 | 9,454 | 60 | (419) | | 35,393 |
| Credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | 0 | | (148) |
| Operating expenses | 14,665 | 2,618 | 1,586 | 6,858 | 138 | 191 | | 26,058 |
| Operating profit / (loss) before tax | 4,783 | 1,731 | 1,030 | 2,630 | (79) | (611) | | 9,484 |
| Tax expense / (benefit) | | | | | | | | 1,998 |
| Net profit / (loss) | | | | | | | | 7,486 |
| Additional information | | | | | | | | |
| Total assets ⁵ | 395,235 | 225,370 | 25,639 | 346,431 | 25,153 | 99,354 | | 1,117,182 |
| Additions to non-current assets | 56 | 16 | 1 | 30 | 0 | 1,989 | | 2,091 |

1 As of or for the year ended 31 December 2023, Non-core and Legacy (previously reported within Group Functions) became a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been revised to reflect these changes. 2 Negative goodwill arising from the acquisition of the Credit Suisse Group is not allocated to the business divisions, as it relates to the Group. For further details, refer to Note 2. 3 Non-current assets acquired with the Credit Suisse Group are included in additions to non-current assets. Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 4 Includes an USD 848m gain in Asset Management related to the sale of UBS's shareholding in Mitsubishi Corp.-UBS Realty Inc. 5 During 2022, UBS refined the methodology applied to allocate balance sheet resources from Group Items to the business divisions, with prospective effect. If the new methodology had been applied as of 31 December 2021, balance sheet assets allocated to business divisions would have been USD 26bn higher, of which USD 14bn would have related to the Investment Bank.

Note 3b Segment reporting by geographic location

The operating regions shown in the table below correspond to the regional management structure of the Group. The geographic analysis of non-current assets is based on the location of the entity in which the given assets are recorded.

The allocation of total revenues by geographical region for the Credit Suisse sub-group is not available on the same allocation basis as for the UBS Group for 2023 and the cost to develop this information would be excessive, therefore, as permitted under IFRS 8, the respective information is not disclosed. UBS AG and Credit Suisse AG disclose total revenues by geographical region in their annual reports according to their respective allocation methodologies.

- › Refer to "UBS AG consolidated financial information" in the "Consolidated financial statements" section of the UBS AG Annual Report 2023 for more information on total revenues by geographical region for UBS AG
- › Refer to the Credit Suisse AG consolidated financial statements, available under "Annual reports" at credit-suisse.com/about-us/en/investor-relations.html, for more information on total revenues by geographical region for Credit Suisse AG

Total non-current assets

| | 31.12.23 | | 31.12.22 | | 31.12.21 | |
|--|-------------|------------|-------------|------------|-------------|------------|
| | USD bn | Share % | USD bn | Share % | USD bn | Share % |
| Americas ¹ | 9.4 | 34 | 8.9 | 46 | 9.0 | 44 |
| Asia Pacific | 1.7 | 6 | 1.5 | 8 | 1.5 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 3.3 | 12 | 2.9 | 15 | 2.9 | 14 |
| Switzerland | 13.3 | 48 | 6.3 | 32 | 7.1 | 35 |
| Global | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 |
| Total | 27.7 | 100 | 19.7 | 100 | 20.5 | 100 |

¹ Predominantly related to the USA.

Income statement notes

Note 4 Net interest income and other net income from financial instruments measured at fair value through profit or loss

| USD m | For the year ended | | |
|--|--------------------|---------------|--------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 3,770 | 1,403 | 1,431 |
| Other net income from financial instruments measured at fair value through profit or loss ¹ | 11,583 | 7,517 | 5,850 |
| Total net income from financial instruments measured at fair value through profit or loss and other | 15,353 | 8,920 | 7,281 |
| Net interest income | | | |
| Interest income from loans and deposits ² | 28,569 | 9,612 | 6,488 |
| Interest income from securities financing transactions measured at amortized cost ³ | 3,948 | 1,378 | 513 |
| Interest income from other financial instruments measured at amortized cost | 1,187 | 545 | 284 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 103 | 74 | 115 |
| Interest resulting from derivative instruments designated as cash flow hedges | (2,064) | 173 | 1,133 |
| Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 31,743 | 11,782 | 8,533 |
| Interest expense on loans and deposits ⁴ | 15,011 | 2,579 | 523 |
| Interest expense on securities financing transactions measured at amortized cost ⁵ | 1,968 | 1,089 | 1,102 |
| Interest expense on debt issued | 11,072 | 2,803 | 1,533 |
| Interest expense on lease liabilities | 166 | 92 | 102 |
| Total interest expense from financial instruments measured at amortized cost | 28,216 | 6,564 | 3,259 |
| Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3,527 | 5,218 | 5,274 |
| Total net interest income from financial instruments measured at fair value through profit or loss and other | 3,770 | 1,403 | 1,431 |
| Total net interest income | 7,297 | 6,621 | 6,705 |

1 Includes net losses from financial liabilities designated at fair value of USD 4,843m (net gains of USD 17,037m in 2022 and net losses of USD 6,582m in 2021). This complementary "of which" information for financial liabilities designated at fair value excludes fair value changes on hedges related to financial liabilities designated at fair value, and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within Other net income from financial instruments measured at fair value through profit or loss. Net gains / (losses) from financial liabilities designated at fair value included net losses of 2,045m (net gains of USD 4,112m and net losses of USD 2,068m in 2022 and 2021, respectively) from financial liabilities related to unit-linked investment notes issued by UBS's Asset Management business. These gains / (losses) are fully offset within Other net income from financial instruments measured at fair value through profit or loss by the fair value change on the financial assets hedging the unit-linked investment contracts, which are not disclosed as part of Net gains / (losses) from financial liabilities designated at fair value. 2 Consists of interest income from cash and balances at central banks, amounts due from banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. 3 Includes negative interest, including fees, on payables from securities financing transactions measured at amortized cost. 4 Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, and customer deposits, as well as negative interest on cash and balances at central banks, amounts due from banks, and cash collateral receivables on derivative instruments. 5 Includes negative interest, including fees, on receivables from securities financing transactions measured at amortized cost.

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increased by USD 4,743m to USD 18,880m, mainly driven by the consolidation of USD 4,302m of Credit Suisse revenues, and included USD 1,533m of accretion from purchase price allocation (PPA) adjustments on financial instruments and other effects. Accretion from PPA adjustments is included within *Interest income from loans and deposits*.

Note 5 Net fee and commission income

| USD m | For the year ended | | |
|--|--------------------|---------------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Underwriting fees | 568 | 579 | 1,463 |
| M&A and corporate finance fees | 840 | 804 | 1,102 |
| Brokerage fees | 3,542 | 3,484 | 4,382 |
| Investment fund fees | 4,837 | 4,942 | 5,790 |
| Portfolio management and related services | 10,673 | 9,059 | 9,762 |
| Other | 3,306 | 1,920 | 1,874 |
| Total fee and commission income¹ | 23,766 | 20,789 | 24,372 |
| <i>of which: recurring</i> | <i>15,911</i> | <i>14,229</i> | <i>15,410</i> |
| <i>of which: transaction-based</i> | <i>7,761</i> | <i>6,492</i> | <i>8,692</i> |
| <i>of which: performance-based</i> | <i>94</i> | <i>68</i> | <i>269</i> |
| Fee and commission expense | 2,195 | 1,823 | 1,985 |
| Net fee and commission income | 21,570 | 18,966 | 22,387 |

1 For the year ended 31 December 2023, reflects third-party fee and commission income of USD 13,753m for Global Wealth Management, USD 2,733m for Personal & Corporate Banking, USD 3,325m for Asset Management, USD 3,955m for the Investment Bank, negative USD 128m for Group Items and USD 128m for Non-core and Legacy (for the year ended 31 December 2022: USD 12,990m for Global Wealth Management, USD 1,654m for Personal & Corporate Banking, USD 2,840m for Asset Management, USD 3,296m for the Investment Bank, USD 10m for Group Items and USD 0m for Non-core and Legacy; for the year ended 31 December 2021: USD 14,545m for Global Wealth Management, USD 1,644m for Personal & Corporate Banking, USD 3,337m for Asset Management, USD 4,814m for the Investment Bank, USD 33m for Group Items and USD 0m for Non-core and Legacy). For the year ended 31 December 2023, Non-core and Legacy (previously reported within Group Functions) represents a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been revised to reflect these changes.

Note 5 Net fee and commission income (continued)

Total net fee and commission income increased by USD 2,604m to USD 21,570m, largely attributable to the consolidation of USD 3,010m of Credit Suisse revenues.

Included in *Other* is USD 747m of accretion of purchase price allocation (PPA) adjustments on financial instruments measured at amortized cost, including off-balance sheet positions and other related effects, arising from the acquisition of the Credit Suisse Group. Accretion of PPA adjustments on financial instruments is accelerated when the related financial instrument is terminated or disposed of before its contractual maturity.

Note 6 Other income

| USD m | For the year ended | | |
|---|--------------------|------------------|------------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Associates, joint ventures and subsidiaries | | | |
| Net gains / (losses) from acquisitions and disposals of subsidiaries ¹ | 24 | 148 | (11) |
| Net gains / (losses) from disposals of investments in associates and joint ventures | 4 | 844 ² | 41 |
| Share of net profits of associates and joint ventures | (348) ³ | 32 | 105 |
| Total | (319) | 1,024 | 135 |
| Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income | 3 | (1) | 9 |
| Income from properties ⁴ | 39 | 20 | 23 |
| Net gains / (losses) from properties held for sale | 12 | 24 | 100 ⁵ |
| Other ⁶ | 648 ⁷ | 391 ⁸ | 185 ⁹ |
| Total other income | 384 | 1,459 | 452 |

¹ Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. Refer to Note 30 for more information about UBS's acquisitions and disposals of subsidiaries and businesses. ² Includes an USD 848m gain related to the sale of UBS's shareholding in Mitsubishi Corp.-UBS Realty Inc. ³ Includes a USD 508m share of proportionate impairment losses reflected in the SIX Group profit and loss, of which USD 317m reported in Personal and Corporate Banking and USD 190m reported in Global Wealth Management. ⁴ Includes rent received from third parties. ⁵ Mainly relates to the sale of a property in Basel. ⁶ Includes gains of USD 160m related to the repurchase of UBS's own debt instruments (compared with gains of USD 98m in 2022 and losses of USD 60m in 2021). ⁷ Includes USD 174m of mortgage servicing rights fee income from the Credit Suisse Group. ⁸ Mainly relates to a portion of the total USD 133m gain on the sale of UBS's domestic wealth management business in Spain of USD 111m (with the remaining amount disclosed within Net gains / (losses) from acquisitions and disposals of subsidiaries), income of USD 111m related to a legacy litigation settlement and a legacy bankruptcy claim, and gains of USD 98m related to the repurchase of UBS's own debt instruments (compared with losses of USD 60m in 2021). ⁹ Includes a gain of USD 100m from the sale of UBS's domestic wealth management business in Austria.

Note 7 Personnel expenses

| USD m | For the year ended | | |
|---|--------------------|---------------|---------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Salaries ¹ | 10,997 | 7,045 | 7,339 |
| Variable compensation ² | 9,845 | 7,954 | 8,280 |
| <i>of which: performance awards</i> | 3,986 | 3,205 | 3,190 |
| <i>of which: financial advisors³</i> | 4,549 | 4,508 | 4,860 |
| <i>of which: other</i> | 1,310 | 241 | 229 |
| Contractors | 334 | 323 | 381 |
| Social security | 1,473 | 944 | 978 |
| Post-employment benefit plans ⁴ | 1,361 | 794 | 833 |
| <i>of which: defined benefit plans</i> | 847 | 437 | 470 |
| <i>of which: defined contribution plans</i> | 514 | 357 | 363 |
| Other personnel expenses | 890 | 621 | 576 |
| Total personnel expenses | 24,899 | 17,680 | 18,387 |

¹ Includes role-based allowances. ² Refer to Note 28 for more information. ³ Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ⁴ Refer to Note 27 for more information. Includes curtailment gains of USD 29m for the year ended 31 December 2023 (for the year ended 31 December 2022: USD 20m; for the year ended 31 December 2021: USD 80m), which represent a reduction in the defined benefit obligation related to the Swiss pension plans resulting from a decrease in headcount following restructuring activities.

Personnel expenses increased by USD 7,219m to USD 24,899m, mainly due to the consolidation of Credit Suisse expenses of USD 6,330m, and included integration-related expenses of USD 2,192m covering post-employment benefit plans, awards granted to employees to support retention and operational stability, severance expenses, and the alignment of Credit Suisse processes to the UBS variable compensation framework.

Note 8 General and administrative expenses

| USD m | For the year ended | | |
|---|--------------------|--------------|--------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Outsourcing costs | 1,492 | 896 | 893 |
| Technology costs | 1,851 | 1,146 | 1,055 |
| Consulting, legal and audit fees | 1,619 | 592 | 540 |
| Real estate and logistics costs | 1,342 | 605 | 634 |
| Market data services | 684 | 419 | 417 |
| Marketing and communication | 408 | 265 | 242 |
| Travel and entertainment | 278 | 172 | 72 |
| Litigation, regulatory and similar matters ¹ | 809 | 348 | 911 |
| Other | 1,673 ² | 746 | 788 |
| Total general and administrative expenses | 10,156 | 5,189 | 5,553 |

¹ Reflects the net increase, including recoveries from third parties, in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 18 for more information. ² Includes USD 296m attributable to setting up a provision related to onerous contracts.

General and administrative expenses increased by USD 4,967m to USD 10,156m, largely due to the consolidation of Credit Suisse expenses of USD 3,000m, and included total integration-related expenses of USD 1,436m, mainly from higher consulting and real estate costs, as well as acquisition-related costs of USD 202m, also mainly related to consulting fees.

Note 9 Income taxes

| USD m | For the year ended | | |
|--|--------------------|--------------|--------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Tax expense / (benefit) | | | |
| Swiss | | | |
| Current | 883 | 730 | 680 |
| Deferred | 152 | (15) | 34 |
| Total Swiss | 1,035 | 715 | 714 |
| Non-Swiss | | | |
| Current | 684 | 718 | 884 |
| Deferred | (846) | 509 | 400 |
| Total non-Swiss | (162) | 1,227 | 1,284 |
| Total income tax expense / (benefit) recognized in the income statement | 873 | 1,942 | 1,998 |

Income tax recognized in the income statement

The Swiss current tax expenses related to taxable profits of UBS Switzerland AG and other Swiss entities.

The Swiss deferred tax expenses primarily related to the amortization of deferred tax assets (DTAs), as deductions related to temporary differences were made against profits.

The non-Swiss current tax expenses related to expenses of USD 100m in respect of US corporate alternative minimum tax (CAMT) and USD 584m in respect of other taxable profits of non-Swiss subsidiaries and branches.

The non-Swiss net deferred tax benefit primarily related to a benefit of USD 754m in respect of remeasurements of DTAs, which included USD 480m in respect of net upward revaluations of DTAs for certain entities in connection with the Group's business planning process and USD 274m in respect of an increase in DTAs that resulted from an increase in the expected value of future tax deductions for deferred compensation awards due to an increase in the Group's share price during the year. In addition, the net deferred tax benefit also included a benefit of USD 100m in respect of the recognition of DTAs for tax credits carried forward in respect of CAMT, which was partly offset by a net deferred tax expense of USD 8m.

The low effective tax rate for the year of 3.0% primarily reflected that the negative goodwill gain that was recorded in the income statement did not result in any tax expense, as well as the aforementioned tax benefit of USD 754m in respect of the remeasurement of DTAs. However, these benefits were partly offset by the impact of operating losses that were incurred by certain entities, reflecting integration-related expenses and restructuring costs, that did not result in any tax benefits because they cannot be offset with profits of other group entities and they did not result in any DTA recognition. If further such operating losses are incurred in 2024, the Group's tax expense for the year may be significantly higher than the Group's structural rate of 23%, but the Group's effective tax rate is expected to decrease towards the structural rate in subsequent years, as such losses decrease.

Note 9 Income taxes (continued)

| USD m | For the year ended | | |
|---|--------------------|--------------|--------------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Operating profit / (loss) before tax | 28,739 | 9,604 | 9,484 |
| of which: Swiss | 32,300 | 4,425 | 3,334 |
| of which: non-Swiss | (3,561) | 5,178 | 6,150 |
| Income taxes at Swiss tax rate of 18.5% for 2023, 18% for 2022 and 18.5% for 2021 | 5,317 | 1,729 | 1,755 |
| Increase / (decrease) resulting from: | | | |
| Non-Swiss tax rates differing from Swiss tax rate | (224) | 284 | 234 |
| Tax effects of losses not recognized | 1,584 | 74 | 124 |
| Previously unrecognized tax losses now utilized | (401) | (217) | (179) |
| Non-taxable and lower-taxed income ¹ | (5,730) | (335) | (278) |
| Non-deductible expenses and additional taxable income | 1,651 | 429 | 510 |
| Adjustments related to prior years, current tax | (87) | (41) | (40) |
| Adjustments related to prior years, deferred tax | (1) | 13 | (10) |
| Change in deferred tax recognition | (1,288) | (217) | (342) |
| Adjustments to deferred tax balances arising from changes in tax rates | 26 | 0 | (5) |
| Other items | 25 | 222 | 231 |
| Income tax expense / (benefit) | 873 | 1,942 | 1,998 |

¹ The reconciling item for non-taxable and lower-taxed income for 2023 primarily reflects that the negative goodwill gain that was recorded in the income statement in relation to the acquisition of Credit Suisse did not result in any tax expense.

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Swiss tax rate, are provided in the table above and explained below.

| Component | Description |
|---|--|
| Non-Swiss tax rates differing from the Swiss tax rate | To the extent that Group profits or losses arise outside Switzerland, the applicable local tax rate may differ from the Swiss tax rate. This item reflects, for such profits, an adjustment from the tax expense that would arise at the Swiss tax rate to the tax expense that would arise at the applicable local tax rate. Similarly, it reflects, for such losses, an adjustment from the tax benefit that would arise at the Swiss tax rate to the tax benefit that would arise at the applicable local tax rate. |
| Tax effects of losses not recognized | This item relates to tax losses of entities arising in the year that are not recognized as DTAs and where no tax benefit arises in relation to those losses. Therefore, the tax benefit calculated by applying the local tax rate to those losses as described above is reversed. |
| Previously unrecognized tax losses now utilized | This item relates to taxable profits of the year that are offset by tax losses of previous years for which no DTAs were previously recorded. Consequently, no current tax or deferred tax expense arises in relation to those taxable profits and the tax expense calculated by applying the local tax rate on those profits is reversed. |
| Non-taxable and lower-taxed income | This item relates to tax deductions for the year in respect of permanent differences. These include deductions in respect of profits that are either not taxable or are taxable at a lower rate of tax than the local tax rate. They also include deductions made for tax purposes, which are not reflected in the accounts. |
| Non-deductible expenses and additional taxable income | This item relates to additional taxable income for the year in respect of permanent differences. These include income that is recognized for tax purposes by an entity but is not included in its profit that is reported in the financial statements, as well as expenses for the year that are non-deductible (e.g., client entertainment costs are not deductible in certain locations). |
| Adjustments related to prior years, current tax | This item relates to adjustments to current tax expense for prior years (e.g., if the tax payable for a year is agreed with the tax authorities in an amount that differs from the amount previously reflected in the financial statements). |
| Adjustments related to prior years, deferred tax | This item relates to adjustments to deferred tax positions recognized in prior years (e.g., if a tax loss for a year is fully recognized and the amount of the tax loss agreed with the tax authorities is expected to differ from the amount previously recognized as DTAs in the accounts). |
| Change in deferred tax recognition | This item relates to changes in DTAs, including changes in DTAs previously recognized resulting from reassessments of expected future taxable profits. It also includes changes in temporary differences in the year, for which deferred tax is not recognized. |
| Adjustments to deferred tax balances arising from changes in tax rates | This item relates to remeasurements of DTAs and liabilities recognized due to changes in tax rates. These have the effect of changing the future tax saving that is expected from tax losses or deductible tax differences and therefore the amount of DTAs recognized or, alternatively, changing the tax cost of additional taxable income from taxable temporary differences and therefore the deferred tax liability. |
| Other items | Other items include other differences between profits or losses at the local tax rate and the actual local tax expense or benefit, including movements in provisions for uncertain positions in relation to the current year and other items. |

Income tax recognized directly in equity

A net tax expense of USD 314m was recognized in *Other comprehensive income* (2022: net benefit of USD 1,116m) and a net tax benefit of USD 19m was recognized in *Share premium* (2022: net benefit of USD 13m).

Note 9 Income taxes (continued)

Deferred tax assets and liabilities

The Group has gross DTAs, valuation allowances and recognized DTAs related to tax loss carry-forwards and deductible temporary differences, as well as deferred tax liabilities in respect of taxable temporary differences, as shown in the table below. The valuation allowances reflect DTAs that were not recognized because, as of the last remeasurement period, management did not consider it probable that there would be sufficient future taxable profits available to utilize the related tax loss carry-forwards and deductible temporary differences.

The recognition of DTAs is supported by forecasts of taxable profits for the entities concerned. In addition, tax planning opportunities are available that would result in additional future taxable income and these would be utilized, if necessary.

Deferred tax liabilities are recognized in respect of investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that the Group can control the timing of the reversal of the associated taxable temporary difference and it is probable that such will not reverse in the foreseeable future. However, as of 31 December 2023, this exception was not considered to apply to any taxable temporary differences.

| USD m | 31.12.23 | | | 31.12.22 | | |
|---|---------------|---------------------|---------------------------|---------------|---------------------|--------------------------|
| | Gross | Valuation allowance | Recognized | Gross | Valuation allowance | Recognized |
| Deferred tax assets¹ | | | | | | |
| Tax loss carry-forwards | 19,070 | (16,078) | 2,992 | 12,708 | (8,720) | 3,988 |
| Unused tax credits | 95 | 0 | 95 | 0 | 0 | 0 |
| Temporary differences | 11,159 | (3,564) | 7,595 | 5,814 | (414) | 5,400 |
| <i>of which: related to real estate costs capitalized for US tax purposes</i> | 2,703 | 0 | 2,703 | 2,485 | 0 | 2,485 |
| <i>of which: related to compensation and benefits</i> | 1,795 | (471) | 1,324 | 1,194 | (175) | 1,018 |
| <i>of which: related to cash flow hedges</i> | 765 | (139) | 626 | 947 | 0 | 947 |
| <i>of which: other</i> | 5,896 | (2,954) | 2,942 | 1,188 | (238) | 950 |
| Total deferred tax assets | 30,324 | (19,642) | 10,682² | 18,522 | (9,134) | 9,389² |
| <i>of which: related to the US</i> | | | 9,023 | | | 8,294 |
| <i>of which: related to other locations</i> | | | 1,659 | | | 1,095 |

Deferred tax liabilities

| | | |
|---------------------------------------|------------|------------|
| Total deferred tax liabilities | 325 | 236 |
|---------------------------------------|------------|------------|

¹ After offset of DTLs, as applicable. ² As of 31 December 2023, the Group recognized DTAs of USD 426m (31 December 2022: USD 471m) in respect of entities that incurred losses in either the current or preceding year.

In general, US federal tax losses incurred prior to 31 December 2017 can be carried forward for 20 years. US federal tax losses incurred after that date can be carried forward indefinitely, although the utilization of such losses is limited to 80% of the entity's future year taxable profits. UK tax losses can also be carried forward indefinitely; they can shelter up to either 25% or 50% of future year taxable profits, depending on when the tax losses arose. The amounts of US tax loss carry-forwards that are included in the table below are based on their amount for federal tax purposes rather than for state and local tax purposes.

Unrecognized tax loss carry-forwards

| USD m | 31.12.23 | 31.12.22 |
|--|---------------|---------------|
| Within 1 year | 342 | 231 |
| From 2 to 5 years | 10,839 | 2,184 |
| From 6 to 10 years | 7,114 | 11,106 |
| From 11 to 20 years | 1,818 | 1,610 |
| No expiry | 44,222 | 16,960 |
| Total | 64,335 | 32,091 |
| <i>of which: related to the US¹</i> | 12,354 | 13,350 |
| <i>of which: related to the UK</i> | 37,773 | 14,332 |
| <i>of which: related to other locations</i> | 14,208 | 4,409 |

¹ Related to UBS AG's US branch.

Balance sheet notes

Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement

The tables below provide information about financial instruments and certain credit lines that are subject to expected credit loss (ECL) requirements. UBS's ECL disclosure segments, or "ECL segments" are aggregated portfolios based on shared risk characteristics and on the same or similar rating methods applied. The key segments are presented in the table below.

› Refer to Note 20 for more information about expected credit loss measurement

| Segment | Segment description | Description of credit risk sensitivity | Business division |
|---|---|--|--|
| Private clients with mortgages | Lending to private clients secured by owner-occupied real estate and personal account overdrafts of those clients | Sensitive to the Swiss GDP, interest rate environment, unemployment levels, real estate collateral values and other regional aspects | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management |
| Real estate financing | Rental or income-producing real estate financing to private and corporate clients secured by real estate | Sensitive to Swiss GDP, unemployment levels, the interest rate environment, real estate collateral values and other regional aspects | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management – Investment Bank |
| Large corporate clients | Lending to large corporate and multi-national clients | Sensitive to GDP developments, unemployment levels, CDS indices, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking – Investment Bank – Global Wealth Management – Non-core and Legacy |
| SME clients | Lending to small and medium-sized corporate clients | Sensitive to GDP developments, unemployment levels, the interest rate environment and, to some extent, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Lombard | Loans secured by pledges of marketable securities, guarantees and other forms of collateral (including concentration in hedge funds, private equity and unlisted equities), as well as unsecured recourse lending | Sensitive to equity and debt markets (e.g., changes in collateral values) | <ul style="list-style-type: none"> – Global Wealth Management – Non-core and Legacy |
| Credit cards | Credit card solutions in Switzerland and the US | Sensitive to unemployment levels | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management |
| Commodity trade finance | Working capital financing of commodity traders, generally extended on a self-liquidating transactional basis | Sensitive primarily to the strength of individual transaction structures and collateral values (price volatility of commodities), as the primary source for debt service is directly linked to the shipments financed | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Consumer financing | Consumer loans and car leasing | Sensitive to unemployment levels | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Ship financing | Ship financing mainly includes bulk carriers, oil tankers, containers and liquefied natural gas carriers | Sensitive to real GDP, earnings of tankers and earnings of bulk carriers | <ul style="list-style-type: none"> – Global Wealth Management – Non-core and Legacy |
| Aircraft financing | Corporate aircraft financing | Sensitive to collateral values | <ul style="list-style-type: none"> – Global Wealth Management – Non-core and Legacy |
| Financial intermediaries and hedge funds | Lending to financial institutions and pension funds, including exposures to broker-dealers and clearing houses | Sensitive to GDP development, CDS indices, the interest rate environment, price and volatility risks in financial markets, regulatory and political risk, and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking – Investment Bank – Global Wealth Management – Non-core and Legacy |

› Refer to Note 20f for more details regarding sensitivity

Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

The tables below provide ECL exposure and ECL allowance and provision information about financial instruments and certain non-financial instruments that are subject to ECLs.

| USD m | 31.12.23 | | | | | | | | | |
|---|------------------------------|------------------|---------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|
| | Carrying amount ¹ | | | | | ECL allowances | | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | PCI | Total | Stage 1 | Stage 2 | Stage 3 | PCI |
| Cash and balances at central banks | 314,148 | 314,025 | 18 | 0 | 106 | (48) | 0 | (26) | 0 | (22) |
| Amounts due from banks | 21,161 | 21,107 | 17 | 0 | 38 | (12) | (6) | (1) | 0 | (5) |
| Receivables from securities financing transactions measured at amortized cost | 99,039 | 99,039 | 0 | 0 | 0 | (2) | (2) | 0 | 0 | 0 |
| Cash collateral receivables on derivative instruments | 50,082 | 50,082 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 639,844 | 611,019 | 24,408 | 2,869 | 1,548 | (1,698) | (423) | (289) | (862) | (123) |
| <i>of which: Private clients with mortgages</i> | <i>268,616</i> | <i>256,614</i> | <i>10,695</i> | <i>929</i> | <i>378</i> | <i>(209)</i> | <i>(62)</i> | <i>(97)</i> | <i>(39)</i> | <i>(11)</i> |
| <i>of which: Real estate financing</i> | <i>97,817</i> | <i>92,084</i> | <i>5,367</i> | <i>270</i> | <i>97</i> | <i>(103)</i> | <i>(41)</i> | <i>(31)</i> | <i>(21)</i> | <i>(11)</i> |
| <i>of which: Large corporate clients</i> | <i>30,084</i> | <i>25,671</i> | <i>3,182</i> | <i>700</i> | <i>532</i> | <i>(575)</i> | <i>(105)</i> | <i>(70)</i> | <i>(312)</i> | <i>(89)</i> |
| <i>of which: SME clients</i> | <i>25,957</i> | <i>22,155</i> | <i>2,919</i> | <i>754</i> | <i>129</i> | <i>(402)</i> | <i>(71)</i> | <i>(42)</i> | <i>(277)</i> | <i>(13)</i> |
| <i>of which: Lombard</i> | <i>156,353</i> | <i>156,299</i> | <i>3</i> | <i>50</i> | <i>0</i> | <i>(41)</i> | <i>(13)</i> | <i>(11)</i> | <i>(17)</i> | <i>0</i> |
| <i>of which: Credit cards</i> | <i>2,041</i> | <i>1,564</i> | <i>438</i> | <i>39</i> | <i>0</i> | <i>(42)</i> | <i>(6)</i> | <i>(11)</i> | <i>(24)</i> | <i>0</i> |
| <i>of which: Commodity trade finance</i> | <i>5,727</i> | <i>5,662</i> | <i>25</i> | <i>22</i> | <i>18</i> | <i>(130)</i> | <i>(18)</i> | <i>(1)</i> | <i>(111)</i> | <i>0</i> |
| <i>of which: Ship / aircraft financing</i> | <i>9,214</i> | <i>8,920</i> | <i>273</i> | <i>4</i> | <i>17</i> | <i>(51)</i> | <i>(48)</i> | <i>(3)</i> | <i>0</i> | <i>(1)</i> |
| <i>of which: Consumer financing</i> | <i>2,982</i> | <i>2,795</i> | <i>92</i> | <i>38</i> | <i>57</i> | <i>(59)</i> | <i>(22)</i> | <i>(17)</i> | <i>(20)</i> | <i>0</i> |
| Other financial assets measured at amortized cost | 65,498 | 64,311 | 968 | 158 | 61 | (151) | (41) | (10) | (94) | (5) |
| <i>of which: Loans to financial advisors</i> | <i>2,615</i> | <i>2,422</i> | <i>79</i> | <i>114</i> | <i>0</i> | <i>(49)</i> | <i>(4)</i> | <i>(1)</i> | <i>(44)</i> | <i>0</i> |
| Total financial assets measured at amortized cost | 1,189,773 | 1,159,583 | 25,410 | 3,027 | 1,753 | (1,911) | (473) | (326) | (956) | (156) |
| Financial assets measured at fair value through other comprehensive income | 2,233 | 2,233 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets in scope of ECL requirements | 1,192,006 | 1,161,816 | 25,410 | 3,027 | 1,753 | (1,911) | (473) | (326) | (956) | (156) |
| <i>of which: Credit Suisse²</i> | <i>443,354</i> | <i>433,789</i> | <i>6,935</i> | <i>878</i> | <i>1,753</i> | <i>(855)</i> | <i>(277)</i> | <i>(109)</i> | <i>(314)</i> | <i>(156)</i> |
| Off-balance sheet (in scope of ECL) | Total exposure | | | | | ECL provisions | | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | PCI | Total | Stage 1 | Stage 2 | Stage 3 | PCI |
| Guarantees | 46,191 | 44,487 | 1,495 | 151 | 58 | (73) | (28) | (22) | (23) | 0 |
| <i>of which: Large corporate clients</i> | <i>9,267</i> | <i>8,138</i> | <i>1,023</i> | <i>89</i> | <i>17</i> | <i>(31)</i> | <i>(11)</i> | <i>(13)</i> | <i>(7)</i> | <i>0</i> |
| <i>of which: SME clients</i> | <i>2,839</i> | <i>2,469</i> | <i>337</i> | <i>31</i> | <i>2</i> | <i>(14)</i> | <i>(4)</i> | <i>(5)</i> | <i>(5)</i> | <i>0</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>22,922</i> | <i>22,876</i> | <i>46</i> | <i>0</i> | <i>0</i> | <i>(12)</i> | <i>(8)</i> | <i>(3)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Lombard</i> | <i>5,045</i> | <i>5,045</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>(1)</i> | <i>0</i> | <i>0</i> | <i>(1)</i> | <i>0</i> |
| <i>of which: Commodity trade finance</i> | <i>2,037</i> | <i>2,027</i> | <i>9</i> | <i>0</i> | <i>0</i> | <i>(1)</i> | <i>(1)</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Irrevocable loan commitments | 91,643 | 87,080 | 4,297 | 218 | 48 | (178) | (117) | (51) | (14) | 4 |
| <i>of which: Large corporate clients</i> | <i>50,696</i> | <i>46,708</i> | <i>3,881</i> | <i>59</i> | <i>48</i> | <i>(149)</i> | <i>(94)</i> | <i>(41)</i> | <i>(12)</i> | <i>(2)</i> |
| Forward starting reverse repurchase and securities borrowing agreements | 18,444 | 18,444 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unconditionally revocable loan commitments | 163,256 | 160,456 | 2,654 | 146 | 0 | (95) | (78) | (17) | 0 | 0 |
| <i>of which: Real estate financing</i> | <i>15,846</i> | <i>15,033</i> | <i>813</i> | <i>0</i> | <i>0</i> | <i>(14)</i> | <i>(11)</i> | <i>(3)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Large corporate clients</i> | <i>17,139</i> | <i>16,678</i> | <i>454</i> | <i>8</i> | <i>0</i> | <i>(23)</i> | <i>(17)</i> | <i>(6)</i> | <i>0</i> | <i>0</i> |
| <i>of which: SME clients</i> | <i>11,658</i> | <i>11,253</i> | <i>375</i> | <i>29</i> | <i>0</i> | <i>(38)</i> | <i>(33)</i> | <i>(5)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Lombard</i> | <i>77,618</i> | <i>77,618</i> | <i>0</i> | <i>1</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>of which: Credit cards</i> | <i>10,458</i> | <i>9,932</i> | <i>522</i> | <i>4</i> | <i>0</i> | <i>(10)</i> | <i>(8)</i> | <i>(2)</i> | <i>0</i> | <i>0</i> |
| Irrevocable committed prolongation of existing loans | 4,608 | 4,593 | 11 | 4 | 0 | (4) | (4) | 0 | 0 | 0 |
| Total off-balance sheet financial instruments and other credit lines | 324,141 | 315,060 | 8,456 | 519 | 106 | (350) | (226) | (90) | (37) | 3 |
| Total allowances and provisions | | | | | | (2,261) | (700) | (416) | (993) | (153) |
| <i>of which: Credit Suisse²</i> | <i>187,519</i> | <i>183,235</i> | <i>3,894</i> | <i>285</i> | <i>106</i> | <i>(1,018)</i> | <i>(392)</i> | <i>(143)</i> | <i>(330)</i> | <i>(153)</i> |

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances. ² Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| USD m | 31.12.22 | | | | | | | |
|---|------------------------------|----------------|---------------|--------------|----------------|--------------|--------------|--------------|
| | Carrying amount ¹ | | | | ECL allowances | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Financial instruments measured at amortized cost | | | | | | | | |
| Cash and balances at central banks | 169,445 | 169,402 | 44 | 0 | (12) | 0 | (12) | 0 |
| Amounts due from banks | 14,792 | 14,792 | 1 | 0 | (6) | (5) | (1) | 0 |
| Receivables from securities financing transactions measured at amortized cost | 67,814 | 67,814 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 35,032 | 35,032 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 387,220 | 370,095 | 15,587 | 1,538 | (783) | (129) | (180) | (474) |
| <i>of which: Private clients with mortgages</i> | 156,930 | 147,651 | 8,579 | 699 | (161) | (27) | (107) | (28) |
| <i>of which: Real estate financing</i> | 46,470 | 43,112 | 3,349 | 9 | (41) | (17) | (23) | 0 |
| <i>of which: Large corporate clients</i> | 12,226 | 10,733 | 1,189 | 303 | (130) | (24) | (14) | (92) |
| <i>of which: SME clients</i> | 13,903 | 12,211 | 1,342 | 351 | (251) | (26) | (22) | (203) |
| <i>of which: Lombard</i> | 132,287 | 132,196 | 0 | 91 | (26) | (9) | 0 | (17) |
| <i>of which: Credit cards</i> | 1,834 | 1,420 | 382 | 31 | (36) | (7) | (10) | (19) |
| <i>of which: Commodity trade finance</i> | 3,272 | 3,261 | 0 | 11 | (96) | (6) | 0 | (90) |
| Other financial assets measured at amortized cost | 53,264 | 52,704 | 413 | 147 | (86) | (17) | (6) | (63) |
| <i>of which: Loans to financial advisors</i> | 2,611 | 2,357 | 128 | 126 | (59) | (7) | (2) | (51) |
| Total financial assets measured at amortized cost | 727,568 | 709,839 | 16,044 | 1,685 | (889) | (154) | (199) | (537) |
| Financial assets measured at fair value through other comprehensive income | 2,239 | 2,239 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets within the scope of ECL requirements | 729,807 | 712,078 | 16,044 | 1,685 | (889) | (154) | (199) | (537) |
| | | Total exposure | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 22,167 | 19,805 | 2,254 | 108 | (48) | (13) | (9) | (26) |
| <i>of which: Large corporate clients</i> | 3,663 | 2,883 | 721 | 58 | (26) | (2) | (3) | (21) |
| <i>of which: SME clients</i> | 1,337 | 1,124 | 164 | 49 | (5) | (1) | (1) | (3) |
| <i>of which: Financial intermediaries and hedge funds</i> | 11,833 | 10,513 | 1,320 | 0 | (12) | (8) | (4) | 0 |
| <i>of which: Lombard</i> | 2,376 | 2,376 | 0 | 1 | (1) | 0 | 0 | (1) |
| <i>of which: Commodity trade finance</i> | 2,121 | 2,121 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,996 | 37,531 | 2,341 | 124 | (111) | (59) | (52) | 0 |
| <i>of which: Large corporate clients</i> | 23,611 | 21,488 | 2,024 | 99 | (93) | (49) | (45) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 3,801 | 3,801 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 41,390 | 39,521 | 1,833 | 36 | (40) | (32) | (8) | 0 |
| <i>of which: Real estate financing</i> | 8,711 | 8,528 | 183 | 0 | (6) | (6) | 0 | 0 |
| <i>of which: Large corporate clients</i> | 4,578 | 4,304 | 268 | 5 | (4) | (1) | (2) | 0 |
| <i>of which: SME clients</i> | 4,723 | 4,442 | 256 | 26 | (19) | (16) | (3) | 0 |
| <i>of which: Lombard</i> | 7,855 | 7,854 | 0 | 1 | 0 | 0 | 0 | 0 |
| <i>of which: Credit cards</i> | 9,390 | 8,900 | 487 | 3 | (7) | (5) | (2) | 0 |
| <i>of which: Commodity trade finance</i> | 327 | 327 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 4,696 | 4,600 | 94 | 2 | (2) | (2) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 112,050 | 105,258 | 6,522 | 270 | (201) | (106) | (69) | (26) |
| Total allowances and provisions | | | | | (1,091) | (259) | (267) | (564) |

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

Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of *Loans and advances to customers* and *Loans to financial advisors*.

These ratios are influenced by the following key factors:

- Lombard loans are generally secured with marketable securities in portfolios that are, as a rule, highly diversified, with strict lending policies that are intended to ensure that credit risk is minimal under most circumstances;
- mortgage loans to private clients and real estate financing are controlled by conservative eligibility criteria, including low loan-to-value ratios and strong debt service capabilities;
- the amount of unsecured retail lending (including credit cards and consumer financing) is not material;
- lending in Switzerland includes government-backed COVID-19 loans;
- contractual maturities in the loan portfolio, which are a factor in the calculation of ECLs, are generally short, with Lombard lending typically having average contractual maturities of 12 months or less, real estate lending generally between two and three years in Switzerland, with long dated maturities in the US, and corporate lending between one and two years with related loan commitments up to four years; and
- write-offs of ECL allowances against the gross loan balances when all or part of a financial asset is deemed uncollectible or forgiven, reduces the coverage ratios.

The total combined on- and off-balance sheet coverage ratio was 22 basis points as of 31 December 2023, 1 basis point higher than on 31 December 2022. The combined stage 1 and 2 ratio of 11 basis points, 1 basis point higher than on 31 December 2022; the stage 3 ratio was 21%, 1 percentage point lower than as of 31 December 2022, and the PCI ratio was 7%.

| On-balance sheet | 31.12.23 | | | | | | 31.12.23 | | | | | |
|--|--------------------------------|----------------|---------------|--------------|--------------|-----------|--------------------|------------|-----------|--------------|------------|---|
| | Gross carrying amount (USD m) | | | | | PCI | ECL coverage (bps) | | | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 | PCI | |
| Private clients with mortgages | 268,825 | 256,675 | 10,792 | 968 | 389 | 8 | 2 | 90 | 6 | 399 | 283 | |
| Real estate financing | 97,920 | 92,124 | 5,398 | 290 | 108 | 11 | 4 | 57 | 7 | 713 | 980 | |
| Total real estate lending | 366,745 | 348,800 | 16,190 | 1,258 | 497 | 9 | 3 | 79 | 6 | 472 | 434 | |
| Large corporate clients | 30,660 | 25,775 | 3,252 | 1,012 | 620 | 188 | 41 | 215 | 60 | 3,083 | 1,429 | |
| SME clients | 26,359 | 22,226 | 2,961 | 1,031 | 142 | 153 | 32 | 141 | 45 | 2,689 | 893 | |
| Total corporate lending | 57,019 | 48,001 | 6,213 | 2,042 | 762 | 172 | 37 | 180 | 53 | 2,884 | 1,329 | |
| Lombard | 156,394 | 156,312 | 15 | 67 | 0 | 3 | 1 | 7,616 | 2 | 2,487 | 0 | |
| Credit cards | 2,083 | 1,571 | 449 | 63 | 0 | 200 | 40 | 253 | 87 | 3,801 | 0 | |
| Commodity trade finance | 5,858 | 5,681 | 26 | 133 | 18 | 223 | 32 | 365 | 34 | 8,333 | 6 | |
| Ship / aircraft financing | 9,265 | 8,968 | 276 | 4 | 17 | 56 | 54 | 99 | 55 | 0 | 315 | |
| Consumer financing | 3,041 | 2,817 | 110 | 58 | 57 | 195 | 79 | 1,559 | 135 | 3,422 | 7 | |
| Other loans and advances to customers | 41,136 | 39,293 | 1,419 | 105 | 320 | 21 | 10 | 39 | 11 | 3,981 | 0 | |
| Loans to financial advisors | 2,665 | 2,426 | 80 | 159 | 0 | 185 | 17 | 122 | 20 | 2,793 | 0 | |
| Total other lending | 220,442 | 217,068 | 2,373 | 589 | 412 | 21 | 7 | 210 | 9 | 4,376 | 8 | |
| Total¹ | 644,206 | 613,869 | 24,777 | 3,889 | 1,671 | 27 | 7 | 117 | 11 | 2,329 | 737 | |
| Off-balance sheet | Gross exposure (USD m) | | | | | PCI | ECL coverage (bps) | | | | | |
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 | PCI | |
| | Private clients with mortgages | 9,782 | 9,505 | 261 | 15 | 0 | 6 | 5 | 27 | 6 | 40 | 0 |
| Real estate financing | 17,107 | 16,281 | 826 | 0 | 0 | 9 | 8 | 44 | 9 | 0 | 0 | |
| Total real estate lending | 26,889 | 25,786 | 1,088 | 15 | 0 | 8 | 7 | 40 | 8 | 40 | 0 | |
| Large corporate clients | 77,103 | 71,524 | 5,357 | 157 | 65 | 26 | 17 | 111 | 24 | 1,217 | 242 | |
| SME clients | 16,762 | 15,868 | 812 | 80 | 2 | 40 | 29 | 196 | 37 | 640 | 0 | |
| Total corporate lending | 93,865 | 87,392 | 6,170 | 236 | 67 | 29 | 19 | 122 | 26 | 1,022 | 221 | |
| Lombard | 86,173 | 86,173 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Credit cards | 10,458 | 9,932 | 522 | 4 | 0 | 10 | 8 | 35 | 10 | 0 | 0 | |
| Commodity trade finance | 4,640 | 4,628 | 13 | 0 | 0 | 6 | 5 | 151 | 6 | 0 | 0 | |
| Ship / aircraft financing | 1,053 | 1,053 | 0 | 0 | 0 | 26 | 26 | 0 | 26 | 0 | 0 | |
| Consumer financing | 153 | 153 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Financial intermediaries and hedge funds | 42,578 | 42,325 | 253 | 0 | 0 | 3 | 3 | 142 | 3 | 0 | 0 | |
| Other off-balance sheet commitments | 39,887 | 39,174 | 411 | 263 | 39 | 7 | 4 | 111 | 5 | 453 | 0 | |
| Total other lending | 184,944 | 183,438 | 1,199 | 268 | 39 | 3 | 2 | 85 | 3 | 486 | 0 | |
| Total² | 305,697 | 296,616 | 8,456 | 519 | 106 | 11 | 8 | 107 | 10 | 717 | 0 | |
| Total on- and off-balance sheet³ | 949,904 | 910,485 | 33,233 | 4,408 | 1,777 | 22 | 7 | 114 | 11 | 2,140 | 675 | |

¹ Includes Loans and advances to customers and Loans to financial advisors, which are presented on the balance sheet line Other financial assets measured at amortized cost. ² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance sheet exposure, gross and off-balance sheet exposure (notional) and the related ECL coverage ratio (bps).

Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| On-balance sheet | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
|---------------------------------------|-------------------------------|----------------|---------------|--------------|--------------------|----------|------------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| | | | | | 31.12.22 | | | | |
| Private clients with mortgages | 157,091 | 147,678 | 8,686 | 727 | 10 | 2 | 123 | 9 | 381 |
| Real estate financing | 46,511 | 43,129 | 3,372 | 9 | 9 | 4 | 70 | 9 | 232 |
| Total real estate lending | 203,602 | 190,807 | 12,059 | 736 | 10 | 2 | 108 | 9 | 379 |
| Large corporate clients | 12,356 | 10,757 | 1,204 | 395 | 105 | 22 | 120 | 32 | 2,325 |
| SME clients | 14,154 | 12,237 | 1,364 | 553 | 177 | 22 | 161 | 36 | 3,664 |
| Total corporate lending | 26,510 | 22,994 | 2,567 | 949 | 144 | 22 | 142 | 34 | 3,106 |
| Lombard | 132,313 | 132,205 | 0 | 108 | 2 | 1 | 0 | 1 | 1,580 |
| Credit cards | 1,869 | 1,427 | 393 | 50 | 190 | 46 | 256 | 91 | 3,779 |
| Commodity trade finance | 3,367 | 3,266 | 0 | 101 | 285 | 18 | 0 | 18 | 8,901 |
| Other loans and advances to customers | 20,342 | 19,525 | 748 | 68 | 21 | 7 | 38 | 8 | 3,769 |
| Loans to financial advisors | 2,670 | 2,364 | 130 | 176 | 221 | 28 | 124 | 33 | 2,870 |
| Total other lending | 160,561 | 158,787 | 1,270 | 503 | 16 | 3 | 114 | 4 | 4,016 |
| Total¹ | 390,672 | 372,588 | 15,896 | 2,188 | 22 | 4 | 114 | 8 | 2,398 |

| Off-balance sheet | Gross exposure (USD m) | | | | ECL coverage (bps) | | | | |
|--|------------------------|----------------|---------------|--------------|--------------------|-----------|------------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| | | | | | 31.12.22 | | | | |
| Private clients with mortgages | 6,535 | 6,296 | 236 | 3 | 5 | 4 | 18 | 4 | 1,183 |
| Real estate financing | 10,054 | 9,779 | 275 | 0 | 6 | 7 | 0 | 6 | 0 |
| Total real estate lending | 16,589 | 16,075 | 511 | 3 | 6 | 6 | 2 | 6 | 1,288 |
| Large corporate clients | 32,126 | 28,950 | 3,013 | 163 | 38 | 18 | 165 | 32 | 1,263 |
| SME clients | 7,122 | 6,525 | 499 | 98 | 47 | 30 | 214 | 43 | 304 |
| Total corporate lending | 39,247 | 35,475 | 3,513 | 260 | 40 | 20 | 172 | 34 | 903 |
| Lombard | 12,919 | 12,918 | 0 | 1 | 2 | 1 | 0 | 1 | 0 |
| Credit cards | 9,390 | 8,900 | 487 | 3 | 7 | 5 | 36 | 7 | 0 |
| Commodity trade finance | 2,459 | 2,459 | 0 | 0 | 3 | 3 | 0 | 3 | 0 |
| Financial intermediaries and hedge funds | 15,841 | 14,177 | 1,664 | 0 | 9 | 7 | 25 | 9 | 0 |
| Other off-balance sheet commitments | 11,803 | 11,454 | 346 | 3 | 11 | 8 | 68 | 9 | 0 |
| Total other lending | 52,412 | 49,907 | 2,498 | 7 | 7 | 5 | 33 | 6 | 0 |
| Total² | 108,249 | 101,457 | 6,522 | 270 | 19 | 10 | 106 | 16 | 980 |
| Total on- and off-balance sheet³ | 498,921 | 474,045 | 22,418 | 2,458 | 21 | 5 | 112 | 10 | 2,242 |

¹ Includes Loans and advances to customers and Loans to financial advisors, which are presented on the balance sheet line Other financial assets measured at amortized cost. ² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance sheet exposure, gross and off-balance sheet exposure (notional) and the related ECL coverage ratio (bps).

Note 11 Derivative instruments

Overview

Over-the-counter (OTC) derivative contracts are usually traded under a standardized International Swaps and Derivatives Association (ISDA) master agreement or other recognized local industry-standard master agreements between UBS and its counterparties. Terms are negotiated directly with counterparties and the contracts have industry-standard settlement mechanisms prescribed by ISDA or similar industry-standard solutions. Other OTC derivatives are cleared through clearing houses, in particular interest rate swaps with LCH, where a settled-to-market method has been generally adopted, under which cash collateral exchanged on a daily basis is considered to legally settle the market value of the derivatives. Regulators in various jurisdictions have introduced rules requiring the payment and collection of initial and variation margins on certain OTC derivative contracts, which may have a bearing on price and other relevant terms.

Exchange-traded derivatives (ETD) are standardized in terms of their amounts and settlement dates, and are bought and sold on regulated exchanges. Exchanges offer the benefits of pricing transparency, standardized daily settlement of changes in value and, consequently, reduced credit risk.

Most of the Group's derivative transactions relate to sales and market-making activity. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Market-making aims to directly support the facilitation and execution of client activity, and involves quoting bid and offer prices to other market participants with the aim of generating revenues based on spread and volume. The Group also uses various derivative instruments for hedging purposes.

- › Refer to Notes 16 and 21 for more information about derivative instruments
- › Refer to Note 26 for more information about derivatives designated in hedge accounting relationships

Note 11 Derivative instruments (continued)

Risks of derivative instruments

The derivative financial assets shown on the balance sheet can be an important component of the Group's credit exposure; however, the positive replacement values related to a respective counterparty are rarely an adequate reflection of the Group's credit exposure in its derivatives business with that counterparty. This is generally the case because, on the one hand, replacement values can increase over time (potential future exposure), while, on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements. Both the exposure measures used internally by the Group to control credit risk and the capital requirements imposed by regulators reflect these additional factors.

- › Refer to Note 22 for more information about derivative financial assets and liabilities after consideration of netting potential permitted under enforceable netting arrangements
- › Refer to the "Risk management and control" section of this report for more information about the risks arising from derivative instruments

Derivative instruments

| USD bn | 31.12.23 | | | | 31.12.22 | | | |
|---|-----------------------------|----------------------------------|--|---------------------------------------|-----------------------------|----------------------------------|--|---------------------------------------|
| | Derivative financial assets | Derivative financial liabilities | Notional amounts related to derivative financial assets and liabilities ^{1,2} | Other notional amounts ^{1,3} | Derivative financial assets | Derivative financial liabilities | Notional amounts related to derivative financial assets and liabilities ^{1,2} | Other notional amounts ^{1,3} |
| Interest rate | 55.6 | 52.9 | 3,524.1 | 20,073.9 | 39.8 | 37.5 | 2,080.3 | 11,255.4 |
| of which: forwards (OTC) ⁴ | 0.1 | 0.1 | 122.4 | 2,532.2 | 0.2 | 0.0 | 72.3 | 792.7 |
| of which: swaps (OTC) | 37.7 | 32.6 | 1,331.6 | 16,601.3 | 25.2 | 19.8 | 607.1 | 9,728.6 |
| of which: options (OTC) | 17.7 | 20.0 | 2,066.7 | | 14.2 | 17.5 | 1,392.5 | |
| of which: futures (ETD) | | | | 843.7 | | | | 606.3 |
| of which: options (ETD) | 0.0 | 0.0 | 3.4 | 96.1 | 0.0 | 0.0 | 8.3 | 127.7 |
| Credit derivatives | 4.0 | 4.7 | 274.9 | | 1.0 | 1.2 | 73.9 | |
| of which: credit default swaps (OTC) | 3.8 | 4.4 | 269.6 | | 0.9 | 1.0 | 71.0 | |
| of which: total return swaps (OTC) | 0.1 | 0.3 | 3.7 | | 0.1 | 0.2 | 1.2 | |
| Foreign exchange | 78.7 | 89.9 | 6,913.3 | 180.4 | 85.5 | 88.5 | 6,079.8 | 40.1 |
| of which: forwards (OTC) | 18.7 | 24.1 | 2,152.0 | | 26.5 | 28.6 | 1,763.6 | |
| of which: swaps (OTC) | 52.2 | 58.1 | 3,809.7 | 178.7 | 49.6 | 50.4 | 3,233.0 | 38.4 |
| of which: options (OTC) | 7.7 | 7.6 | 944.4 | | 9.3 | 9.2 | 1,073.2 | |
| Equity / index | 35.5 | 41.4 | 1,396.8 | 95.0 | 22.2 | 26.1 | 885.8 | 63.4 |
| of which: swaps (OTC) | 6.6 | 9.2 | 273.3 | | 5.3 | 6.6 | 217.5 | |
| of which: options (OTC) | 4.9 | 9.0 | 245.2 | | 2.8 | 4.4 | 140.6 | |
| of which: futures (ETD) | | | | 86.6 | | | | 52.2 |
| of which: options (ETD) | 15.4 | 14.3 | 876.6 | 8.5 | 9.0 | 8.1 | 526.7 | 11.2 |
| of which: client-cleared transactions (ETD) | 8.3 | 8.2 | | | 5.1 | 7.0 | | |
| Commodities | 2.0 | 1.6 | 142.9 | 16.4 | 1.4 | 1.4 | 132.3 | 17.6 |
| of which: swaps (OTC) | 0.9 | 0.7 | 50.0 | | 0.5 | 0.7 | 38.6 | |
| of which: options (OTC) | 0.6 | 0.3 | 42.3 | | 0.4 | 0.3 | 29.1 | |
| of which: futures (ETD) | | | | 13.7 | | | | 16.4 |
| of which: forwards (ETD) | 0.0 | 0.0 | 31.5 | | 0.0 | 0.0 | 47.7 | |
| of which: client-cleared transactions (ETD) | 0.2 | 0.3 | | | 0.2 | 0.3 | | |
| Other⁵ | 0.4 | 1.6 | 116.5 | | 0.2 | 0.1 | 49.8 | |
| Total derivative instruments, based on netting under IFRS Accounting Standards⁶ | 176.1 | 192.2 | 12,368.5 | 20,365.8 | 150.1 | 154.9 | 9,301.8 | 11,376.5 |
| of which: Credit Suisse ⁷ | 47.4 | 53.5 | 2,194.1 | 6,337.4 | | | | |

1 In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional amounts of the netted derivative financial instruments are still presented on a gross basis. 2 Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have significantly different risk profile. 3 Other notional amounts relate to derivatives that are cleared through either a central counterparty or an exchange and settled on a daily basis (except for OTC derivatives settled through collateralized-to-market arrangements, which are presented under Derivative financial assets and Derivative financial liabilities). The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for any of the periods presented. 4 Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. 5 Includes mainly derivative loan commitments measured at FVTPL, as well as unsettled purchases and sales of non-derivative financial instruments for which the changes in the fair value between trade date and settlement date are recognized as derivative financial instruments. 6 Derivative financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note 22 for more information on netting arrangements. 7 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 11 Derivative instruments (continued)

On a notional amount basis, approximately 50% of OTC interest rate contracts held as of 31 December 2023 (31 December 2022: 46%) mature within one year, 30% (31 December 2022: 32%) within one to five years and 20% (31 December 2022: 22%) after five years.

Notional amounts of interest rate contracts cleared through either a central counterparty or an exchange that are legally settled or economically net settled on a daily basis are presented under *Other notional amounts* in the table above and are categorized into maturity buckets on the basis of contractual maturities of the cleared underlying derivative contracts. Other notional amounts related to interest rate contracts increased by USD 8.8trn compared with 31 December 2022, mainly reflecting the acquisition of the Credit Suisse Group and lower compression activity, partly offset by lower business volume primarily due to the unwinding of Credit Suisse business.

Note 12 Property, equipment and software

At historical cost less accumulated depreciation

| USD m | Owned properties and equipment ¹ | Leased properties and equipment ² | Software | Projects in progress | 2023 ³ | 2022 ³ |
|---|---|--|--------------|------------------------|-------------------|-------------------|
| Historical cost | | | | | | |
| Balance at the beginning of the year | 11,587 | 4,459 | 9,944 | 1,136 | 27,127 | 27,113 |
| Balance recognized upon the acquisition of the Credit Suisse Group ⁴ | 2,975 | 1,941 | 949 | 190 | 6,055 | |
| Additions | 212 | 100 | 92 | 1,393 | 1,796 | 2,057 |
| Disposals / write-offs ⁵ | (428) | (67) | (1,295) | 0 | (1,791) | (501) |
| Reclassifications | 1,392 | 6 | 1,728 | (1,923) | 1,203 | (1,223) |
| Foreign currency translation | 972 | 174 | 309 | 68 | 1,523 | (319) |
| Balance at the end of the year | 16,710 | 6,613 | 11,726 | 863 | 35,913 | 27,127 |
| Accumulated depreciation | | | | | | |
| Balance at the beginning of the year | 7,425 | 1,714 | 5,699 | | 14,839 | 14,225 |
| Depreciation | 830 | 722 | 1,469 | | 3,022 | 2,033 |
| Impairment ⁶ | 189 | 125 | 279 | | 593 | 3 |
| Disposals / write-offs ⁵ | (420) | (66) | (1,296) | | (1,783) | (497) |
| Reclassifications | 673 | 5 | 9 | | 686 | (761) |
| Foreign currency translation | 510 | 45 | 152 | | 708 | (164) |
| Balance at the end of the year | 9,207 | 2,545 | 6,312 | | 18,064 | 14,839 |
| Net book value | | | | | | |
| Net book value at the beginning of the year | 4,162 | 2,746 | 4,245 | 1,136 | 12,288 | 12,888 |
| Net book value at the end of the year | 7,503 | 4,068 | 5,414 | 863⁷ | 17,849 | 12,288 |
| <i>of which: Credit Suisse⁴</i> | <i>3,060</i> | <i>1,647</i> | <i>805</i> | <i>120</i> | <i>5,631</i> | |

¹ Includes leasehold improvements and IT hardware. ² Represents right-of-use assets recognized by UBS as lessee. UBS predominantly enters into lease contracts, or contracts that include lease components, in relation to real estate, including offices, retail branches and sales offices. The total cash outflow for leases during 2023 was USD 878m (2022: USD 614m). Interest expense on lease liabilities is included within Interest expense from financial instruments measured at amortized cost and Lease liabilities are included within Other financial liabilities measured at amortized cost. Refer to Notes 4 and 19a, respectively. There were no material gains or losses arising from sale-and-leaseback transactions in 2023 and in 2022. ³ The total reclassification amount for the respective periods represents net reclassifications from / to Other non-financial assets. ⁴ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. ⁵ Includes write-offs of fully depreciated assets. ⁶ Impairment charges recorded in 2023 generally relate to assets that are no longer used, for which the recoverable amount based on a value-in-use approach was determined to be zero of which USD 26m for Global Wealth Management, USD 8m for Personal & Corporate Banking, USD 6m for Asset Management, USD 246m for Group Items and USD 307m for Non-core and Legacy. ⁷ Consists of USD 542m related to software and USD 322m related to Owned properties and equipment.

Note 13 Goodwill and intangible assets

Introduction

UBS performs an impairment test on its goodwill assets on an annual basis or when indicators of impairment exist.

UBS considers Asset Management, as reported in Note 3a, as a separate cash-generating unit (a CGU), as that is the level at which the performance of investment (and the related goodwill) is reviewed and assessed by management. Given that a significant amount of goodwill in Global Wealth Management relates to the acquisition of PaineWebber Group, Inc. in 2000, which mainly affected the Americas portion of the business, this goodwill remains separately monitored by the Americas, despite the formation of Global Wealth Management in 2018. Therefore, goodwill for Global Wealth Management is separately considered for impairment at the level of two CGUs: Americas; and Switzerland and International (consisting of EMEA, Asia Pacific and Global).

The impairment test is performed for each CGU to which goodwill is allocated by comparing the recoverable amount with the carrying amount of the respective CGU. UBS determines the recoverable amount of the respective CGUs based on their value in use. An impairment charge is recognized if the carrying amount exceeds the recoverable amount.

The acquisition of the Credit Suisse Group in 2023 resulted in negative goodwill, which was recognized in the income statement on the date of the acquisition. No goodwill related to the acquisition of the Credit Suisse Group was recognized on the balance sheet.

› Refer to Note 2 for more information about the acquisition of the Credit Suisse Group

Note 13 Goodwill and intangible assets (continued)

As of 31 December 2023, total goodwill recognized on the balance sheet was USD 6.0bn, of which USD 3.7bn was carried by the Global Wealth Management Americas CGU, USD 1.2bn was carried by the Global Wealth Management Switzerland and International CGU, and USD 1.1bn was carried by Asset Management. Based on the impairment testing methodology described below, UBS concluded that the goodwill balances as of 31 December 2023 allocated to these CGUs were not impaired. For each of the CGUs, the recoverable amount substantially exceeded the carrying value as of 31 December 2023 and there was no indication of a significant risk of goodwill impairment based on the testing performed as of 31 December 2023.

Methodology for goodwill impairment testing

The recoverable amounts are determined using a discounted cash flow model, which has been adapted to use inputs that consider features of the banking business and its regulatory environment. The recoverable amount of a CGU is the sum of the discounted earnings attributable to shareholders from the first three forecast years and the terminal value, adjusted for the effect of the capital assumed to be needed over the next three years and to support growth beyond that period. The terminal value, which covers all periods beyond the third year, is calculated on the basis of the forecast of the third-year profit, the discount rate and the long-term growth rate, as well as the implied perpetual capital growth. For the Global Wealth Management Americas CGU, the methodology is consistently applied, however, the forecast period was extended from three to five years (with a terminal value thereafter) in 2023 to provide for the CGU's specific planning assumptions, namely the ongoing investments in the core banking infrastructure in the US to enhance the product capabilities and offerings in this market in the mid-term. The extension of the forecast period from three to five years did not trigger, defer or avoid an impairment of goodwill as of 31 December 2023.

The carrying amount for each CGU is determined by reference to the Group's equity attribution framework. Within this framework, UBS attributes equity to the businesses on the basis of their risk-weighted assets and leverage ratio denominator (both metrics include resource allocations from Group Items to the business divisions), their goodwill and their intangible assets, as well as attributed equity related to certain common equity tier 1 deduction items. The framework is primarily used for the purpose of measuring the performance of the businesses and includes certain management assumptions. Attributed equity is equal to the capital a CGU requires to conduct its business and is currently considered a reasonable approximation of the carrying amount of the CGUs. The attributed equity methodology is also applied in the business planning process, the inputs from which are used in calculating the recoverable amounts of the respective CGU.

Assumptions

Valuation parameters used within the Group's impairment test model are linked to external market information, where applicable. The model used to determine the recoverable amount is most sensitive to changes in the forecast earnings available to shareholders in years one to three, to changes in the discount rates and to changes in the long-term growth rate. The applied long-term growth rate is based on long-term economic growth rates for different regions worldwide. Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors.

The discount rates are determined by applying a capital asset pricing model-based approach, as well as considering quantitative and qualitative inputs from both internal and external analysts and the view of management. They also take into account regional differences in risk-free rates at the level of the individual CGUs. In line with discount rates, long-term growth rates are determined at the regional level based on nominal GDP growth rate forecasts.

Key assumptions used to determine the recoverable amounts of each CGU are tested for sensitivity by applying a reasonably possible change to those assumptions. Forecast earnings available to shareholders were changed by 20%, the discount rates were changed by 1.5 percentage points, and the long-term growth rates were changed by 0.75 percentage points. Under all scenarios, reasonably possible changes in key assumptions did not result in an impairment of goodwill or intangible assets reported by Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management.

If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of goodwill attributable to Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of goodwill would reduce IFRS Accounting Standards equity and net profit. It would not affect cash flows and, as goodwill is required to be deducted from capital under the Basel III capital framework, no effect would be expected on the Group's capital ratios.

Discount and growth rates

| In % | Discount rates | | Growth rates | |
|--|----------------|----------|--------------|----------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Global Wealth Management Americas | 9.5 | 10.5 | 3.8 | 3.8 |
| Global Wealth Management Switzerland and International | 9.5 | 9.4 | 3.4 | 3.6 |
| Asset Management | 9.0 | 9.5 | 3.3 | 3.4 |

Note 13 Goodwill and intangible assets (continued)

| <i>USD m</i> | Goodwill | Intangible assets ¹ | 2023 | 2022 |
|---|--------------|--------------------------------|--------------|--------------|
| Historical cost | | | | |
| Balance at the beginning of the year | 6,043 | 1,598 | 7,641 | 7,739 |
| Acquisition of the Credit Suisse Group ² | 0 | 1,287 | 1,287 | 0 |
| Additions | 0 | 6 | 6 | 0 |
| Disposals ³ | (10) | (30) | (40) | (22) |
| Foreign currency translation | 10 | 102 | 112 | (76) |
| Balance at the end of the year | 6,043 | 2,964 | 9,006 | 7,641 |
| Accumulated amortization and impairment | | | | |
| Balance at the beginning of the year | 0 | 1,374 | 1,374 | 1,360 |
| Amortization | 0 | 134 | 134 | 26 |
| Impairment / (reversal of impairment) | 0 | 0 | 0 | (1) |
| Disposals ³ | 0 | (30) | (30) | 0 |
| Foreign currency translation | 0 | 13 | 13 | (11) |
| Balance at the end of the year | 0 | 1,491 | 1,491 | 1,374 |
| Net book value at the end of the year | 6,043 | 1,473 | 7,515 | 6,267 |
| <i>of which: Global Wealth Management Americas</i> | <i>3,712</i> | <i>36</i> | <i>3,748</i> | <i>3,740</i> |
| <i>of which: Global Wealth Management Switzerland and International</i> | <i>1,182</i> | <i>55</i> | <i>1,236</i> | <i>1,225</i> |
| <i>of which: Personal & Corporate Banking</i> | <i>0</i> | <i>908</i> | <i>908</i> | <i>0</i> |
| <i>of which: Asset Management</i> | <i>1,149</i> | <i>0</i> | <i>1,149</i> | <i>1,167</i> |
| <i>of which: Investment Bank</i> | <i>0</i> | <i>135</i> | <i>135</i> | <i>135</i> |
| <i>of which: Non-core and Legacy</i> | <i>0</i> | <i>339</i> | <i>339</i> | <i>0</i> |

1 Intangible assets mainly include customer relationships, core deposits, contractual rights and the fully amortized branch network intangible asset recognized in connection with the acquisition of PaineWebber Group, Inc. in 2000. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 3 Reflects the derecognition of goodwill allocated to business and intangible assets held by entities that have been disposed of. Refer to Note 30 for more information.

The table below presents estimated aggregated amortization expenses for intangible assets.

| <i>USD m</i> | Intangible assets |
|--|-------------------|
| Estimated aggregated amortization expenses for: | |
| 2024 | 211 |
| 2025 | 194 |
| 2026 | 181 |
| 2027 | 173 |
| 2028 | 161 |
| Thereafter | 551 |
| Not amortized due to indefinite useful life | 3 |
| Total | 1,473 |

Note 14 Other assets

a) Other financial assets measured at amortized cost

| <i>USD m</i> | 31.12.23 | 31.12.22 |
|--|--------------------|---------------|
| Debt securities | 45,057 | 44,594 |
| Loans to financial advisors | 2,615 | 2,611 |
| Fee- and commission-related receivables | 2,619 | 1,812 |
| Finance lease receivables | 6,288 | 1,315 |
| Settlement and clearing accounts | 338 | 1,175 |
| Accrued interest income | 3,163 | 1,259 |
| Other | 5,418 ¹ | 499 |
| Total other financial assets measured at amortized cost | 65,498 | 53,264 |
| <i>of which: Credit Suisse²</i> | <i>11,378</i> | |

1 Predominantly includes cash collateral provided to exchanges and clearing houses to secure securities trading activity through those counterparties. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Effective from 1 April 2022, UBS has reclassified a portfolio of financial assets from *Financial assets measured at fair value through other comprehensive income* with a fair value of USD 6.9bn (the Portfolio) to *Other financial assets measured at amortized cost*.

Note 14 Other assets (continued)

The Portfolio's cumulative fair value losses of USD 449m pre-tax and USD 333m post-tax, previously recognized in *Other comprehensive income*, have been removed from equity and adjusted against the value of the assets on the reclassification date, so that the Portfolio is measured as if the assets had always been classified at amortized cost, with a value of USD 7.4bn as on 1 April 2022. The reclassification had no effect on the income statement. The reclassified Portfolio is made up of high-quality liquid assets, primarily US government treasuries and US government agency mortgage-backed securities, held and separately managed by UBS Bank USA. The accounting reclassification has arisen as a direct result of the transformation of UBS's Global Wealth Management Americas business, which has significantly impacted UBS Bank USA. This includes initiatives approved by the Group Executive Board to significantly grow and extend the business, as disclosed on 1 February 2022 during UBS's fourth quarter 2021 earnings presentation. Over the two years preceding the reclassification date, UBS Bank USA's deposit base grew by more than 100% generating substantial cash balances, with a number of new products being launched, including new deposit types that are longer in duration, additional lending and a broader range of customer segments targeted. Following the commencement of these activities and the announcement made in the first quarter of 2022, the Portfolio is no longer held in a business model to collect the contractual cash flows and sell the assets but is instead solely held to collect the contractual cash flows until the assets mature, requiring a reclassification of the Portfolio in line with IFRS 9 with effect from 1 April 2022.

b) Other non-financial assets

| USD m | 31.12.23 | 31.12.22 |
|---|---------------|---------------|
| Precious metals and other physical commodities | 5,930 | 4,471 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters ¹ | 2,726 | 2,205 |
| Prepaid expenses | 2,080 | 1,076 |
| Current tax assets | 1,456 | 182 |
| VAT, withholding tax and other tax receivables | 1,327 | 1,286 |
| Properties and other non-current assets held for sale | 188 | 369 |
| Other | 2,342 | 578 |
| Total other non-financial assets | 16,049 | 10,166 |
| <i>of which: Credit Suisse²</i> | <i>7,099</i> | |

¹ Refer to Note 18 for more information. ² Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 15 Customer deposits

| USD m | 31.12.23 | 31.12.22 |
|--|----------------|----------------|
| Demand deposits | 240,942 | 180,822 |
| Retail savings / deposits | 186,087 | 149,310 |
| Sweep deposits | 41,045 | 69,223 |
| Time deposits ¹ | 323,955 | 125,696 |
| Total customer deposits | 792,029 | 525,051 |
| <i>of which: Credit Suisse²</i> | <i>236,049</i> | |

¹ Includes customer deposits in UBS AG Jersey Branch and Credit Suisse AG Guernsey Branch placed by UBS Switzerland AG on behalf of its clients. ² Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Customer deposits increased mainly due to the acquisition of Credit Suisse, net inflows into time deposit products, and positive foreign currency effects, partly offset by continued shifts into money market funds and US-government securities. In addition, customers continued to shift funds from demand and sweep deposits into time deposits.

Note 16 Debt issued designated at fair value

| USD m | 31.12.23 | 31.12.22 |
|--|----------------|---------------|
| Issued debt instruments | | |
| Equity-linked ¹ | 60,573 | 41,901 |
| Rates-linked | 28,883 | 16,276 |
| Credit-linked | 7,730 | 2,170 |
| Fixed-rate | 20,541 | 6,538 |
| Commodity-linked | 3,844 | 4,294 |
| Other | 6,718 | 2,459 |
| <i>of which: debt that contributes to total loss-absorbing capacity</i> | <i>4,629</i> | <i>1,959</i> |
| Total debt issued designated at fair value² | 128,289 | 73,638 |
| <i>of which: issued by UBS AG standalone with original maturity greater than one year³</i> | <i>73,544</i> | <i>57,750</i> |
| <i>of which: issued by Credit Suisse AG standalone with original maturity greater than one year³</i> | <i>29,948</i> | |
| <i>of which: issued by Credit Suisse International standalone with original maturity greater than one year³</i> | <i>1,471</i> | |

¹ Includes investment fund unit-linked instruments issued. ² Of which Credit Suisse: USD 37.2bn as of 31 December 2023. ³ Based on original contractual maturity without considering any early redemption features. As of 31 December 2023, 100% of the balance was unsecured in UBS AG standalone (31 December 2022: 100%), 100% was unsecured in Credit Suisse AG standalone and 65% was unsecured in Credit Suisse AG International.

Note 17 Debt issued measured at amortized cost

| USD m | 31.12.23 | 31.12.22 |
|--|----------------|----------|
| Short-term debt¹ | 38,530 | 29,676 |
| of which: Credit Suisse | 1,245 | |
| Senior unsecured debt | 147,547 | 59,965 |
| of which: contributes to total loss-absorbing capacity (TLAC) | 101,939 | 42,073 |
| of which: issued by UBS AG standalone with original maturity greater than one year | 18,446 | 17,892 |
| of which: issued by Credit Suisse AG standalone with original maturity greater than one year | 24,609 | |
| Covered bonds | 5,214 | 0 |
| Subordinated debt | 17,644 | 16,017 |
| of which: eligible as high-trigger loss-absorbing additional tier 1 capital instruments | 10,744 | 9,882 |
| of which: eligible as low-trigger loss-absorbing additional tier 1 capital instruments | 1,214 | 1,189 |
| of which: eligible as low-trigger loss-absorbing tier 2 capital instruments | 0 | 2,422 |
| of which: eligible as non-Basel III-compliant tier 2 capital instruments | 538 | 536 |
| Debt issued through the Swiss central mortgage institutions | 27,377 | 8,962 |
| Other long-term debt | 1,506 | |
| Long-term debt² | 199,288 | 84,945 |
| of which: Credit Suisse ³ | 45,640 | |
| Total debt issued measured at amortized cost^{4,5} | 237,817 | 114,621 |

1 Debt with an original contractual maturity of less than one year, includes mainly certificates of deposit and commercial paper. 2 Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 4 Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented. 5 Except for Covered bonds, Debt issued through the Swiss central mortgage institutions and Other long-term debt, 100% of the balance was unsecured as of 31 December 2023.

The Group uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, the Group applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 26. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of debt issued was a decrease of USD 3.0bn as of 31 December 2023 and a decrease of USD 6.1bn as of 31 December 2022, reflecting changes in fair value due to interest rate movements.

Subordinated debt consists of unsecured debt obligations that are contractually subordinated in right of payment to all other present and future non-subordinated obligations of the respective issuing entity. Materially all the subordinated debt instruments outstanding as of 31 December 2023 pay a fixed rate of interest.

› Refer to Note 24 for maturity information

Note 18 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions and contingent liabilities.

| USD m | 31.12.23 | 31.12.22 |
|---|---------------|----------|
| Provisions related to expected credit losses (IFRS 9, <i>Financial Instruments</i>) ¹ | 350 | 201 |
| Provisions related to Credit Suisse loan commitments (IFRS 3, <i>Business Combinations</i>) ² | 1,924 | |
| Provisions related to litigation, regulatory and similar matters (IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>) | 4,020 | 2,586 |
| Acquisition-related contingent liabilities (IFRS 3, <i>Business Combinations</i>) ³ | 3,832 | |
| Restructuring, real-estate and other provisions (IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>) | 2,123 | 456 |
| Total provisions and contingent liabilities | 12,250 | 3,243 |
| of which: Credit Suisse ⁴ | 9,681 | |

1 Refer to Note 10 for more information. 2 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

The table below presents additional information for provisions under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

| USD m | Litigation, regulatory and similar matters ¹ | Restructuring ² | Real estate ³ | Other ⁴ | Total 2023 |
|--|---|----------------------------|--------------------------|--------------------|--------------|
| Balance at the beginning of the year | 2,586 | 130 | 129 | 197 | 3,042 |
| Provisions recognized upon the acquisition of the Credit Suisse Group ⁵ | 2,883 | 68 | 108 | 578 | 3,637 |
| Increase in provisions recognized in the income statement | 909 | 1,031 | 12 | 492 | 2,444 |
| Release of provisions recognized in the income statement | (97) | (129) | (1) | (137) | (365) |
| Provisions used in conformity with designated purpose | (2,344) | (370) | (15) | (29) | (2,759) |
| Foreign currency translation and other movements | 85 | 12 | 27 | 21 | 145 |
| Balance at the end of the year | 4,020 | 741 | 259 | 1,123 | 6,144 |
| of which: Credit Suisse ⁵ | 2,210 | 519 | 114 | 918 | 3,762 |

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Consists of USD 448m of provisions for onerous contracts related to real estate as of 31 December 2023 (31 December 2022: USD 28m) and USD 294m of personnel-related restructuring provisions as of 31 December 2023 (31 December 2022: USD 102m). 3 Mainly includes provisions for reinstatement costs with respect to leased properties. 4 Mainly includes provisions related to onerous contracts and employee benefits. 5 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 18 Provisions and contingent liabilities (continued)

Restructuring provisions relate to onerous contracts for property and personnel-related provisions. Onerous contracts for property are recognized when UBS is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants. Personnel-related restructuring provisions are generally used within a short period of time. The level of personnel-related provisions can change when natural staff attrition reduces the number of people affected by a restructuring event, and therefore results in lower estimated costs.

Other provisions mainly include provisions related to onerous contracts, employee benefits and operational risks. Onerous contracts are recognized for certain contractual arrangements where the costs exceed the economic benefits expected to be received.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 18b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

The Group operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS Group AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group 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 the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against the Group, but are nevertheless expected to be, based on the Group's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance to the Group due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either: (a) we have not established a provision; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 18a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities beyond what has been identified as a consequence of the acquisition of Credit Suisse as set out below. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Note 18 Provisions and contingent liabilities (continued)

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital, liquidity and funding, and balance sheet" section of this report.

Matters related to Credit Suisse entities are separately described herein. The amounts shown in the table below reflect the provisions recorded under IFRS Accounting Standards accounting principles. In connection with the acquisition of Credit Suisse, UBS Group AG additionally has reflected in its purchase accounting under IFRS 3 a further valuation adjustment of USD 3.8bn reflecting an updated estimate of outflows relating to contingent liabilities for all present obligations included in the scope of the acquisition at fair value upon closing, even if it is not probable that they will result in an outflow of resources, significantly decreasing the recognition threshold for litigation liabilities beyond those that generally apply under IFRS Accounting Standards and US GAAP.

Provisions used in conformity with designated purpose include USD 1.4bn recorded in Non-core and Legacy from the settlement of the action by the DOJ under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of US residential mortgage-backed securities in 2006 and 2007.

Provisions for litigation, regulatory and similar matters by business division and in Group Items¹

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Non-core and Legacy ² | Group Items ² | Total 2023 |
|--|--------------------------|------------------------------|------------------|-----------------|----------------------------------|--------------------------|----------------|
| Balance at the beginning of the year | 1,182 | 159 | 8 | 308 | 771 | 158 | 2,586 |
| Provisions recognized upon the acquisition of the Credit Suisse Group ³ | 87 | 1 | 0 | 2 | 2,789 | 4 | 2,883 |
| Increase in provisions recognized in the income statement | 133 | 1 | 8 | 81 | 684 | 2 | 909 |
| Release of provisions recognized in the income statement | (8) | (10) | 0 | (3) | (48) | (29) | (97) |
| Provisions used in conformity with designated purpose | (199) | 0 | (1) | (106) | (2,036) | (1) | (2,344) |
| Foreign currency translation and other movements | 41 | 6 | (1) | 12 | 26 | 0 | 85 |
| Balance at the end of the year | 1,235 | 157 | 15 | 294 | 2,186 | 134 | 4,020 |
| <i>of which: Credit Suisse³</i> | <i>15</i> | <i>1</i> | <i>2</i> | <i>8</i> | <i>2,182</i> | <i>2</i> | <i>2,210</i> |

¹ Provisions, if any, for the matters described in items A2, B8 and B10 of this Note are recorded in Global Wealth Management; provisions, if any, for the matters described in items B1, B2, B3, B4, B5, B6, B7, B9, B11 and B12 of this Note are recorded in Non-core and Legacy; provisions, if any, for the matters described in items B13 and B14 of this Note are recorded in Group Items. Provisions, if any, for the matters described in items A1 and A4 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking; and provisions, if any, for the matters described in item A3 are allocated between the Investment Bank and Group Items. ² Starting with the third quarter of 2023, Non-core and Legacy represents a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been revised to reflect these changes. ³ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

A. Litigation, regulatory and similar matters involving UBS AG and subsidiaries

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France in relation to UBS's cross-border business with French clients. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("*caution*") of EUR 1.1bn.

In 2019, the court of first instance returned a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and of laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7bn on UBS AG and UBS (France) S.A. and awarded EUR 800m of civil damages to the French state. A trial in the Paris Court of Appeal took place in March 2021. In December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75m, the confiscation of EUR 1bn, and awarded civil damages to the French state of EUR 800m. UBS appealed the decision to the French Supreme Court. The Supreme Court rendered its judgment on 15 November 2023. It upheld the Court of Appeal's decision regarding unlawful solicitation and aggravated laundering of the proceeds of tax fraud, but overturned the confiscation of EUR 1bn, the penalty of EUR 3.75m and the EUR 800m of civil damages awarded to the French state. The case has been remanded to the Court of Appeal for a retrial regarding these overturned elements. The French state has reimbursed the EUR 800m of civil damages to UBS AG.

Note 18 Provisions and contingent liabilities (continued)

Our balance sheet at 31 December 2023 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

2. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1bn, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2bn. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125m of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

3. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses.

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

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In 2022, the court denied plaintiffs' motion for class certification. In March 2023, the court granted defendants' summary judgment motion, dismissing the case. Plaintiffs have appealed.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS was granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

Note 18 Provisions and contingent liabilities (continued)

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, Commodity Exchange Act claims, and state common law claims, and again dismissed the antitrust claims in 2016 following an appeal. In 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. The Second Circuit denied the petition to appeal. In 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. In September 2022, the court granted defendants' motion to dismiss the complaint in its entirety, while allowing plaintiffs the opportunity to file an amended complaint. Plaintiffs filed an amended complaint in October 2022, and defendants moved to dismiss the amended complaint. In October 2023, the court dismissed the amended complaint with prejudice. In January 2024, plaintiffs appealed the dismissal to the Ninth Circuit Court of Appeals. Defendants filed their response to the appeal in March 2024.

Other benchmark class actions in the US:

Yen LIBOR / Euroyen TIBOR – In 2017, the court dismissed one Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In 2020, the appeals court reversed the dismissal and, subsequently, plaintiffs in that action filed an amended complaint focused on Yen LIBOR. In 2022, the court granted UBS's motion for reconsideration and dismissed the case against UBS. The dismissal of the case against UBS could be appealed following the disposition of the case against the remaining defendant in the district court.

CHF LIBOR – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in 2019. Plaintiffs appealed. In 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings. Plaintiffs filed a third amended complaint in November 2022 and defendants moved to dismiss the amended complaint in January 2023.

EURIBOR – In 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed.

GBP LIBOR – The court dismissed the GBP LIBOR action in 2019. Plaintiffs have appealed.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint were granted in 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss later in 2021. In March 2022, the court granted defendants' motion to dismiss that complaint, and in February 2024, the Second Circuit affirmed the district court's dismissal. Similar class actions have been filed concerning European government bonds and other government bonds.

In 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172m. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 December 2023 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 18 Provisions and contingent liabilities (continued)

4. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and continues to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 31 December 2023 reflected a provision with respect to matters described in this item 4 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

B. Litigation regulatory and similar matters involving Credit Suisse entities

1. Mortgage-related matters

Government and regulatory related matters: DOJ RMBS settlement – In January 2017, Credit Suisse Securities (USA) LLC (CSS LLC) and its current and former US subsidiaries and US affiliates reached a settlement with the US Department of Justice (DOJ) related to its legacy Residential Mortgage-Backed Securities (RMBS) business, a business conducted through 2007. The settlement resolved potential civil claims by the DOJ related to certain of those Credit Suisse entities' packaging, marketing, structuring, arrangement, underwriting, issuance and sale of RMBS. Pursuant to the terms of the settlement a civil monetary penalty was paid to the DOJ in January 2017. The settlement also required the Credit Suisse entities to provide certain levels of consumer relief measures, including affordable housing payments and loan forgiveness, and the DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement. Credit Suisse continues to evaluate its approach toward satisfying its remaining consumer relief obligations, and Credit Suisse currently anticipates that it will take much longer than the five-year period provided in the settlement to satisfy in full its obligations in respect of these consumer relief measures, subject to risk appetite and market conditions. Credit Suisse expects to incur costs in relation to satisfying those obligations. The amount of consumer relief Credit Suisse must provide also increases after 2021 pursuant to the original settlement by 5% per annum of the outstanding amount due until these obligations are settled. The monitor publishes reports periodically on these consumer relief matters.

Civil litigation: Repurchase litigations – CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases currently include repurchase actions by RMBS trusts and/or trustees, in which plaintiffs generally allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in New York state court in: (i) one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages of not less than USD 374m in an amended complaint filed in August 2019; in January 2020, DLJ filed a motion to dismiss, which the court granted in part and denied in part in December 2023, dismissing with prejudice all notice-based claims; in February 2024, the parties filed notices of appeal; (ii) one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436m; (iii) one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 420m; in December 2018, the court denied DLJ's motion for partial summary judgment in this action, which was affirmed on appeal; in March 2022, the New York State Court of Appeals reversed the decision and ordered that DLJ's motion for partial summary judgment be granted; a non-jury trial in the action was held between January and February 2023, and a decision is pending; (iv) one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495m; and (v) one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. These actions are at various procedural stages.

DLJ was also a defendant in one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleged damages of not less than USD 206m. In March 2022, DLJ and the plaintiff executed an agreement to settle this action. In November 2023, the Minnesota state court approved the settlement through a trust instruction proceeding brought by the trustee of the plaintiff trust. The New York state court dismissed the underlying action with prejudice in January 2024.

Note 18 Provisions and contingent liabilities (continued)

2. Tax and securities law matters

In May 2014, Credit Suisse AG entered into settlement agreements with several US regulators regarding its US cross-border matters. As part of the agreements, Credit Suisse AG, among other things, engaged an independent corporate monitor that reports to the New York State Department of Financial Services. As of July 2018, the monitor concluded both his review and his assignment. Credit Suisse AG continues to report to and cooperate with US authorities in accordance with Credit Suisse AG's obligations under the agreements, including by conducting a review of cross-border services provided by Credit Suisse's Switzerland-based Israel Desk. Most recently, Credit Suisse AG has provided information to US authorities regarding potentially undeclared US assets held by clients at Credit Suisse AG since the May 2014 plea. Credit Suisse AG continues to cooperate with the authorities. In March 2023, the US Senate Finance Committee issued a report criticizing Credit Suisse AG's history regarding US tax compliance. The report called on the DOJ to investigate Credit Suisse AG's compliance with the 2014 plea.

In February 2021, a *qui tam* complaint was filed in the Eastern District of Virginia, alleging that Credit Suisse AG had violated the False Claims Act by failing to disclose all US accounts at the time of the 2014 plea, which allegedly allowed Credit Suisse AG to pay a criminal fine in 2014 that was purportedly lower than it should have been. The DOJ moved to dismiss the case, and the Court summarily dismissed the suit. The case is now on appeal with the US Federal Court of Appeals for the Fourth Circuit.

3. Rates-related matters

Regulatory matters: Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including Credit Suisse Group AG, which was a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR). Credit Suisse is cooperating fully with these investigations.

Regulatory authorities in a number of jurisdictions, including WEKO, the European Commission (Commission), the South African Competition Commission and the Brazilian Competition Authority have been conducting investigations into the trading activities, information sharing and the setting of benchmark rates in the foreign exchange (including electronic trading) markets. Credit Suisse continues to cooperate with ongoing investigations.

Credit Suisse Group AG, Credit Suisse AG and Credit Suisse Securities (Europe) Limited (CSSEL) received a Statement of Objections and a Supplemental Statement of Objections from the Commission in July 2018 and March 2021, respectively, alleging that Credit Suisse entities engaged in anticompetitive practices in connection with their foreign exchange trading business. In December 2021, the Commission issued a formal decision imposing a fine of EUR 83.3m. In February 2022, Credit Suisse appealed this decision to the EU General Court.

The reference rates investigations have also included information requests from regulators concerning supranational, sub-sovereign and agency (SSA) bonds and commodities markets. Credit Suisse Group AG and CSSEL received a Statement of Objections from the Commission in December 2018, alleging that Credit Suisse entities engaged in anticompetitive practices in connection with their SSA bonds trading business. In April 2021, the Commission issued a formal decision imposing a fine of EUR 11.9m. In July 2021, Credit Suisse appealed this decision to the EU General Court.

Civil litigation:

USD LIBOR litigation – Beginning in 2011, certain Credit Suisse entities were named in various putative class and individual lawsuits filed in the US, alleging banks on the US dollar LIBOR panel manipulated US dollar LIBOR to benefit their reputation and increase profits. All remaining matters have been consolidated for pre-trial purposes into a multi-district litigation in the US District Court for the Southern District of New York (SDNY).

In a series of rulings between 2013 and 2019 on motions to dismiss, the SDNY (i) narrowed the claims against the Credit Suisse entities and the other defendants (dismissing antitrust, Racketeer Influenced and Corrupt Organizations Act (RICO), Commodity Exchange Act, and state law claims), (ii) narrowed the set of plaintiffs who may bring claims, and (iii) narrowed the set of defendants in the LIBOR actions (including the dismissal of several Credit Suisse entities from various cases on personal jurisdiction and statute of limitation grounds). After a number of putative class and individual plaintiffs appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit (Second Circuit), in December 2021, the Second Circuit affirmed in part and reversed in part the district court's decision and remanded the case to the SDNY.

Separately, in May 2017, the plaintiffs in three putative class actions moved for class certification. In February 2018, the SDNY denied certification in two of the actions and granted certification over a single antitrust claim in an action brought by over-the-counter purchasers of LIBOR-linked derivatives.

Note 18 Provisions and contingent liabilities (continued)

USD ICE LIBOR litigation – In August 2020, members of the ICE LIBOR panel, including Credit Suisse Group AG and certain of its affiliates, were named in a civil action in the US District Court for the Northern District of California, alleging that panel banks manipulated ICE LIBOR to profit from variable interest loans and credit cards. In December 2021, the court denied plaintiffs' motion for preliminary and permanent injunctions to enjoin panel banks from continuing to set LIBOR or automatically setting the benchmark to zero each day, and in September 2022, the court granted defendants' motions to dismiss. In October 2022, plaintiffs filed an amended complaint. In November 2022, defendants filed a motion to dismiss the amended complaint. In October 2023, the court dismissed the amended complaint with prejudice without leave to amend. Plaintiffs have appealed.

CHF LIBOR litigation – In February 2015, various banks that served on the Swiss franc LIBOR panel, including Credit Suisse Group AG, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of Swiss franc LIBOR to benefit defendants' trading positions. After defendants' motion to dismiss for lack of subject matter jurisdiction was granted and plaintiffs successfully appealed, in July 2022, Credit Suisse entered into an agreement to settle all claims. In February and September 2023, respectively, the court entered orders granting preliminary and final approval to the agreement to settle all claims.

Foreign exchange litigation – Credit Suisse Group AG and affiliates as well as other financial institutions have been named in civil lawsuits relating to the alleged manipulation of foreign exchange rates.

Credit Suisse AG, together with other financial institutions, was named in a consolidated putative class action in Israel, which made allegations similar to the consolidated class action. In April 2022, Credit Suisse entered into an agreement to settle all claims. The settlement remains subject to court approval.

Treasury markets litigation – CSS LLC, along with over 20 other primary dealers of US treasury securities, was named in a number of putative civil class action complaints in the US relating to the US treasury markets. These complaints generally alleged that the defendants colluded to manipulate US treasury auctions, as well as the pricing of US treasury securities in the when-issued market, with impacts upon related futures and options, and that certain of the defendants participated in a group boycott to prevent the emergence of anonymous all-to-all trading in the secondary market for treasury securities. In March 2022, the SDNY granted defendants' motion to dismiss and dismissed with prejudice all claims against the defendants, and in February 2024, the Second Circuit affirmed the district court's dismissal.

SSA bonds litigation – Credit Suisse Group AG and certain of its affiliates, together with other financial institutions, were named in two Canadian putative class actions, which allege that defendants conspired to fix the prices of SSA bonds sold to and purchased from investors in the secondary market. One putative class action was dismissed against Credit Suisse in February 2020. In October 2022, in the second action, Credit Suisse entered into an agreement to settle all claims. The settlement remains subject to court approval.

Credit default swap auction litigation – In June 2021, Credit Suisse Group AG and affiliates, along with other banks and entities, were named in a putative class action complaint filed in the US District Court for the District of New Mexico alleging manipulation of credit default swap (CDS) final auction prices. In April 2022, defendants filed a motion to dismiss. In June 2023, the court granted in part and denied in part defendants' motion to dismiss. In November 2023, defendants filed a motion to enforce the previous CDS settlement with the SDNY. In January 2024, the SDNY ruled that, to the extent claims in the New Mexico action arise from conduct prior to 30 June 2014, those claims are barred by the SDNY settlement. In February 2024, the plaintiffs filed a notice of appeal of the SDNY decision.

4. OTC trading cases

Interest rate swaps litigation: Credit Suisse Group AG and affiliates, along with other financial institutions, have been named in a consolidated putative civil class action complaint and complaints filed by individual plaintiffs relating to interest rate swaps, alleging that dealer defendants conspired with trading platforms to prevent the development of interest rate swap exchanges. The individual lawsuits were brought by TeraExchange LLC, a swap execution facility, and affiliates; Javelin Capital Markets LLC, a swap execution facility, and an affiliate; and trueEX LLC, a swap execution facility, which claim to have suffered lost profits as a result of defendants' alleged conspiracy. All interest rate swap actions have been consolidated in a multi-district litigation in the SDNY.

Defendants moved to dismiss the putative class and individual actions, and the SDNY granted in part and denied in part these motions.

In February 2019, class plaintiffs in the consolidated multi-district litigation filed a motion for class certification. In March 2019, class plaintiffs filed a fourth amended consolidated class action complaint. In January 2022, Credit Suisse entered into an agreement to settle all class action claims. The settlement remains subject to court approval. In December 2023, the SDNY denied the motion for class certification. In January 2024, class plaintiffs filed a petition for leave to appeal the denial of class certification.

Note 18 Provisions and contingent liabilities (continued)

Credit default swaps litigation: In June 2017, Credit Suisse Group AG and affiliates, along with other financial institutions, were named in a civil action filed in the SDNY by Tera Group, Inc. and related entities (Tera), alleging violations of antitrust law in connection with the allegation that CDS dealers conspired to block Tera's electronic CDS trading platform from successfully entering the market. In July 2019, the SDNY granted in part and denied in part defendants' motion to dismiss. In January 2020, plaintiffs filed an amended complaint. In April 2020, defendants filed a motion to dismiss. In August 2023, the court granted the motion, dismissing all claims with prejudice. Plaintiffs have appealed.

Stock loan litigation: Credit Suisse Group AG and certain of its affiliates, as well as other financial institutions, were originally named in a number of civil lawsuits in the SDNY, certain of which are brought by class action plaintiffs alleging that the defendants conspired to keep stock-loan trading in an over-the-counter market and collectively boycotted certain trading platforms that sought to enter the market, and certain of which are brought by trading platforms that sought to enter the market alleging that the defendants collectively boycotted the platforms. In January 2022, Credit Suisse entered into an agreement to settle all class action claims. In February 2022, the court entered an order granting preliminary approval to the agreement to settle all class action claims. The settlement remains subject to final court approval.

In October 2021, in a consolidated civil litigation brought in the SDNY by entities that developed a trading platform for stock loans that sought to enter the market, alleging that the defendants collectively boycotted the platform, the court granted defendants' motion to dismiss. In October 2021, plaintiffs filed a notice of appeal. In March 2023, the Second Circuit affirmed the decision granting defendants' motion to dismiss.

Odd-lot corporate bond litigation: In April 2020, CSS LLC and other financial institutions were named in a putative class action complaint filed in the SDNY, alleging a conspiracy among the financial institutions to boycott electronic trading platforms and fix prices in the secondary market for odd-lot corporate bonds. In October 2021, the SDNY granted defendants' motion to dismiss. Plaintiffs have appealed.

5. ATA litigation

Since November 2014, a series of lawsuits have been filed against a number of banks, including Credit Suisse AG and, in two instances, Credit Suisse AG, New York Branch, in the US District Court for the Eastern District of New York (EDNY) and the SDNY alleging claims under the United States Anti-Terrorism Act (ATA) and the Justice Against Sponsors of Terrorism Act. The plaintiffs in each of these lawsuits are, or are relatives of, victims of various terrorist attacks in Iraq and allege a conspiracy and/or aiding and abetting based on allegations that various international financial institutions, including the defendants, agreed to alter, falsify or omit information from payment messages that involved Iranian parties for the express purpose of concealing the Iranian parties' financial activities and transactions from detection by US authorities. The lawsuits allege that this conduct has made it possible for Iran to transfer funds to Hezbollah and other terrorist organizations actively engaged in harming US military personnel and civilians. In January 2023, the United States Court of Appeals for the Second Circuit affirmed a September 2019 ruling by the EDNY granting defendants' motion to dismiss the first filed lawsuit. In October 2023, the United States Supreme Court denied plaintiffs' petition for a writ of certiorari. In February 2024, plaintiffs filed a motion to vacate the judgment in the first filed lawsuit. Of the other seven cases, four are stayed, including one that was dismissed as to Credit Suisse and most of the bank defendants prior to entry of the stay, and in three plaintiffs have filed amended complaints, including two that were dismissed prior to the court allowing plaintiffs to replead.

6. Customer account matters

Several clients have claimed that a former relationship manager in Switzerland had exceeded his investment authority in the management of their portfolios, resulting in excessive concentrations of certain exposures and investment losses. Credit Suisse AG is investigating the claims, as well as transactions among the clients. Credit Suisse AG filed a criminal complaint against the former relationship manager with the Geneva Prosecutor's Office upon which the prosecutor initiated a criminal investigation. Several clients of the former relationship manager also filed criminal complaints with the Geneva Prosecutor's Office. In February 2018, the former relationship manager was sentenced to five years in prison by the Geneva criminal court for fraud, forgery and criminal mismanagement and ordered to pay damages of approximately USD 130m. Several parties appealed the judgment. In June 2019, the Criminal Court of Appeals of Geneva ruled in the appeal of the judgment against the former relationship manager, upholding the main findings of the Geneva criminal court. Several parties appealed the decision to the Swiss Federal Supreme Court. In February 2020, the Swiss Federal Supreme Court rendered its judgment on the appeals, substantially confirming the findings of the Criminal Court of Appeals of Geneva.

Civil lawsuits have been initiated against Credit Suisse AG and/or certain affiliates in various jurisdictions, based on the findings established in the criminal proceedings against the former relationship manager.

Note 18 Provisions and contingent liabilities (continued)

In Singapore, in the civil lawsuit brought against Credit Suisse Trust Limited, a Credit Suisse AG affiliate, in May 2023, the Singapore International Commercial Court issued a first instance judgment finding for the plaintiffs and directing the parties' experts to agree on the amount of the damages award according to the calculation method and parameters adopted by the court. As the parties' experts were unable to agree on the amount of the damages, following court directions, the parties filed their proposed draft orders with supporting documents in August 2023. In September 2023, the court ruled that the damages under its May 2023 judgment are USD 742.73m, excluding post-judgment interest. This figure does not exclude potential overlap with the Bermuda proceedings against Credit Suisse Life (Bermuda) Ltd., which are currently being appealed. The court ordered the parties to ensure that there shall be no double recovery in relation to this award and any sum recovered in the Bermuda proceedings. Credit Suisse Trust Limited has appealed the judgment and has applied for a stay of execution pending that appeal. In November 2023, the court granted a stay of execution of its May 2023 judgment pending appeal on the condition that damages awarded and post-judgment interest accrued are paid into court deposit within 21 days, which condition was satisfied.

In Bermuda, in the civil lawsuit brought against Credit Suisse Life (Bermuda) Ltd., a Credit Suisse AG affiliate, trial took place in the Supreme Court of Bermuda in November and December 2021. The Supreme Court of Bermuda issued a first instance judgment in March 2022, finding for the plaintiff. In May 2022, the Supreme Court of Bermuda issued an order awarding damages of USD 607.35m to the plaintiff. In May 2022, Credit Suisse Life (Bermuda) Ltd. appealed the decision to the Bermuda Court of Appeal. In July 2022, the Supreme Court of Bermuda granted a stay of execution of its judgment pending appeal on the condition that damages awarded were paid into an escrow account within 42 days, which condition was satisfied. In June 2023, the Bermuda Court of Appeal issued its judgment confirming the award issued by the Supreme Court of Bermuda and upholding the Supreme Court of Bermuda's finding that Credit Suisse Life (Bermuda) Ltd. had breached its contractual and fiduciary duties, but overturning the Supreme Court of Bermuda's finding that Credit Suisse Life (Bermuda) Ltd. had made fraudulent misrepresentations. In July 2023, Credit Suisse Life (Bermuda) Ltd. filed its notice of motion for leave to appeal to the Judicial Committee of the Privy Council and applied for a stay of execution of the Bermuda Court of Appeal's judgment pending the outcome of the appeal to the Judicial Committee of the Privy Council on the condition that the damages awarded remain within the escrow account and that interest be added to the escrow account calculated at the Bermuda statutory rate of 3.5%. A hearing on the applications for leave to appeal and stay of execution took place in December 2023. Further, in December 2023, USD 75m was released from the escrow account and paid to plaintiffs. In February 2024, the Bermuda Court of Appeal granted leave to appeal and ordered that the current stay shall continue pending determination of the appeal to the Judicial Committee of the Privy Council until and unless the plaintiffs provide a top tier bank guarantee for the remaining judgment debt of USD 536.64m plus interest.

In Switzerland, civil lawsuits have commenced against Credit Suisse AG in the Court of First Instance of Geneva, with statements of claim served in March 2023.

7. Mozambique matter

Credit Suisse has been subject to investigations by regulatory and enforcement authorities, as well as civil litigation, regarding certain Credit Suisse entities' arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Moçambicana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and certain Credit Suisse entities' subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. In 2019, three former Credit Suisse employees pleaded guilty in the EDNY to accepting improper personal benefits in connection with financing transactions carried out with two Mozambique state enterprises.

In October 2021, Credit Suisse reached settlements with the DOJ, the US Securities and Exchange Commission (SEC), the UK Financial Conduct Authority (FCA) and FINMA to resolve inquiries by these agencies, including findings that Credit Suisse failed to appropriately organize and conduct its business with due skill and care, and manage risks. Credit Suisse Group AG entered into a three-year Deferred Prosecution Agreement (DPA) with the DOJ in connection with the criminal information charging Credit Suisse Group AG with conspiracy to commit wire fraud and consented to the entry of a Cease and Desist Order by the SEC. Under the terms of the DPA, UBS Group AG (as successor to Credit Suisse Group AG) must continue compliance enhancement and remediation efforts agreed by Credit Suisse, report to the DOJ on those efforts for three years and undertake additional measures as outlined in the DPA. If the DPA's conditions are complied with, the charges will be dismissed at the end of the DPA's three-year term. In addition, CSSEL entered into a Plea Agreement and pleaded guilty to one count of conspiracy to violate the US federal wire fraud statute. CSSEL is bound by the same compliance, remediation and reporting obligations under the DPA. The total monetary sanctions paid to the DOJ and SEC, taking into account various credits and offsets, was approximately USD 275m. Under the terms of the resolution with the DOJ, Credit Suisse also paid USD 22.6m in restitution to eligible investors in the 2016 Eurobonds issued by the Republic of Mozambique.

In connection with the resolution with the FCA, Credit Suisse paid a penalty of approximately USD 200m and, further to an agreement with the FCA, forgave USD 200m of debt owed to Credit Suisse by Mozambique.

Note 18 Provisions and contingent liabilities (continued)

The FINMA decree concluding its enforcement proceeding, ordered the bank to remediate certain deficiencies. Credit Suisse's implementation of the measures required under the FINMA decree has been reviewed by an independent third party appointed by FINMA, which review recommends some enhancements to the measures that Credit Suisse has implemented. FINMA also arranged for certain existing transactions to be reviewed by the same independent third party on the basis of specific risk criteria, and required enhanced disclosure of certain sovereign transactions.

In February 2019, certain Credit Suisse entities, three former employees and several other unrelated entities were sued in the English High Court by the Republic of Mozambique seeking a declaration that the sovereign guarantee issued in connection with the ProIndicus loan syndication was void, and damages. Credit Suisse entities subsequently filed cross claims against several entities controlled by Prinvest Holding SAL (Prinvest) that acted as the project contractor, Iskandar Safa, the owner of Prinvest, and several Mozambique officials. In addition, several of the banks that participated in the ProIndicus loan syndicate brought claims against Credit Suisse entities seeking a declaration that Credit Suisse is liable to compensate them for alleged losses suffered as a result of any invalidity of the sovereign guarantee or damages stemming from the alleged loss. In September 2023, Credit Suisse, the Republic of Mozambique, and certain of the lenders in the ProIndicus syndicate entered into a settlement agreement that, with the subsequent settlement with Prinvest entities referred to below, resolved all claims involving Credit Suisse entities in the English High Court.

In February 2022, Prinvest and Iskandar Safa brought a defamation claim in a Lebanese court against CSSEL and Credit Suisse Group AG and in November 2022, a Prinvest employee who was the lead negotiator on behalf of the Prinvest entities in relation to the Mozambique transactions, also brought a defamation claim in the same court against those entities. In November 2023, UBS Group AG (as successor to Credit Suisse Group AG), the Credit Suisse entities, Prinvest and Iskandar Safa entered into an agreement to settle all claims among them in the English High Court and in Lebanon.

8. Cross-border private banking matters

Credit Suisse offices in various locations, including the UK, the Netherlands, France and Belgium, have been contacted by regulatory and law enforcement authorities that are seeking records and information concerning investigations into Credit Suisse's historical private banking services on a cross-border basis and in part through its local branches and banks. Credit Suisse has conducted a review of these issues, the UK and French aspects of which have been closed, and is continuing to cooperate with the authorities.

9. ETN-related litigation

XIV litigation: Since March 2018, three class action complaints were filed in the SDNY on behalf of a putative class of purchasers of VelocityShares Daily Inverse VIX Short Term Exchange Traded Notes linked to the S&P 500 VIX Short-Term Futures Index due December 4, 2030 (XIV ETNs). In August 2018, plaintiffs filed a consolidated amended class action complaint, naming Credit Suisse Group AG and certain affiliates and executives, which asserts claims for violations of Sections 9(a)(4), 9(f), 10(b) and 20(a) of the US Securities Exchange Act of 1934 and Rule 10b-5 thereunder and Sections 11 and 15 of the US Securities Act of 1933 and alleges that the defendants are responsible for losses to investors following a decline in the value of XIV ETNs in February 2018. Defendants moved to dismiss the amended complaint in November 2018. In September 2019, the SDNY granted defendants' motion to dismiss and dismissed with prejudice all claims against the defendants. In October 2019, plaintiffs filed a notice of appeal. In April 2021, the Second Circuit issued an order affirming in part and vacating in part the SDNY's September 2019 decision granting defendants' motion to dismiss with prejudice. In July 2022, plaintiffs filed a motion for class certification. In March 2023, the court denied plaintiffs' motion to certify two of their three alleged classes and granted plaintiffs' motion to certify their third alleged class. In March 2023, defendants moved for reconsideration and filed a petition for permission to appeal the court's class certification decision to the Second Circuit. In April 2023, plaintiffs filed a motion seeking leave to amend their complaint. In May 2023, plaintiffs filed a renewed motion for class certification, which defendants have opposed. In January 2024, the court issued an order denying plaintiffs' motion to amend. In March 2024, the court denied plaintiffs' renewed motion to certify two of the three alleged classes, without prejudice, and denied defendants' motion for reconsideration on the certification of the third alleged class.

DGAZ litigation: In January 2022, Credit Suisse AG was named in a class action complaint filed in the SDNY brought on behalf of a putative class of short sellers of VelocityShares 3x Inverse Natural Gas Exchange Traded Notes linked to the S&P GSCI Natural Gas Index ER due February 9, 2032 (DGAZ ETNs). The complaint asserts claims for violations of Section 10(b) of the US Securities Exchange Act of 1934 and Rule 10b-5 thereunder and alleges that Credit Suisse is responsible for losses suffered by short sellers following a June 2020 announcement that Credit Suisse would delist and suspend further issuances of the DGAZ ETNs. In July 2022, Credit Suisse AG filed a motion to dismiss. In March 2023, the court granted Credit Suisse AG's motion to dismiss. In May 2023, the court entered an order dismissing the case with prejudice. In February 2024, the Second Circuit affirmed the district court's dismissal.

Note 18 Provisions and contingent liabilities (continued)

10. Bulgarian former clients matter

Credit Suisse AG has been responding to an investigation by the Swiss Office of the Attorney General (SOAG) concerning the diligence and controls applied to a historical relationship with Bulgarian former clients who are alleged to have laundered funds through Credit Suisse AG accounts. In December 2020, the SOAG brought charges against Credit Suisse AG and other parties. Credit Suisse AG believes its diligence and controls complied with applicable legal requirements and intends to defend itself vigorously. The trial in the Swiss Federal Criminal Court took place in the first quarter of 2022. In June 2022, Credit Suisse AG was convicted in the Swiss Federal Criminal Court of certain historical organizational inadequacies in its anti-money laundering framework and ordered to pay a fine of CHF 2m. In addition, the court seized certain client assets in the amount of approximately CHF 12m and ordered Credit Suisse AG to pay a compensatory claim in the amount of approximately CHF 19m. In July 2022, Credit Suisse AG appealed the decision to the Swiss Federal Court of Appeals.

11. SCFF

Credit Suisse has received requests for documents and information in connection with inquiries, investigations, enforcement and other actions relating to the supply chain finance funds (SCFF) matter by FINMA, the FCA and other regulatory and governmental agencies. The Luxembourg Commission de Surveillance du Secteur Financier is reviewing the matter and has commissioned a report from a third party. Credit Suisse is cooperating with these authorities.

In February 2023, FINMA announced the conclusion of its enforcement proceedings against Credit Suisse in connection with the SCFF matter. In its order, FINMA reported that Credit Suisse had seriously breached applicable Swiss supervisory laws in this context with regard to risk management and appropriate operational structures. While FINMA recognized that Credit Suisse has already taken extensive organizational measures based on its own investigation into the SCFF matter, particularly to strengthen its governance and control processes, and FINMA is supportive of these measures, the regulator has ordered certain additional remedial measures. These include a requirement that the most important (approximately 500) business relationships must be reviewed periodically and holistically at the Credit Suisse Executive Board level, in particular for counterparty risks, and that Credit Suisse must set up a document defining the responsibilities of approximately 600 of its highest-ranking managers. The latter of these measures has been made applicable UBS Group. Separate from the enforcement proceeding regarding Credit Suisse, FINMA has opened four enforcement proceedings against former managers of Credit Suisse.

In May 2023, FINMA opened an enforcement proceeding against Credit Suisse in order to confirm compliance with supervisory requirements in response to inquiries from FINMA's enforcement division in the SCFF matter.

The Attorney General of the Canton of Zurich has initiated a criminal procedure in connection with the SCFF matter and several fund investors have joined the procedure as interested parties. In such procedure, while certain former and active Credit Suisse employees, among others, have been named as accused persons, Credit Suisse itself is not a party to the procedure.

Certain civil actions have been filed by fund investors and other parties against Credit Suisse and/or certain officers and directors in various jurisdictions, which make allegations including mis-selling and breaches of duties of care, diligence and other fiduciary duties.

12. Archegos

Credit Suisse has received requests for documents and information in connection with inquiries, investigations and/or actions relating to Credit Suisse's relationship with Archegos Capital Management (Archegos), including from FINMA (assisted by a third party appointed by FINMA), the DOJ, the SEC, the US Federal Reserve, the US Commodity Futures Trading Commission (CFTC), the US Senate Banking Committee, the Prudential Regulation Authority (PRA), the FCA, COMCO, the Hong Kong Competition Commission and other regulatory and governmental agencies. Credit Suisse is cooperating with the authorities in these matters.

In July 2023, the US Federal Reserve and the PRA announced resolutions of their investigations of Credit Suisse's relationship with Archegos. UBS Group AG, Credit Suisse AG, Credit Suisse Holdings (USA) Inc., and Credit Suisse AG, New York Branch entered into an Order to Cease and Desist with the Board of Governors of the Federal Reserve System. Under the terms of the order, Credit Suisse paid a civil money penalty of USD 269m and agreed to undertake certain remedial measures relating to counterparty credit risk management, liquidity risk management and non-financial risk management, as well as enhancements to board oversight and governance.

CSI and CSSEL entered into a settlement agreement with the PRA providing for the resolution of the PRA's investigation, following which the PRA published a Final Notice imposing a financial penalty of GBP 87m on CSI and CSSEL for breaches of various of the PRA's Fundamental Rules.

Note 18 Provisions and contingent liabilities (continued)

FINMA also entered a decree dated 14 July 2023 announcing the conclusion of its enforcement proceeding, finding that Credit Suisse had seriously violated financial market law in connection with its business relationship with Archegos and ordering remedial measures directed at Credit Suisse AG and UBS Group AG, as the legal successor to Credit Suisse Group AG. These include a requirement that UBS Group AG apply its restrictions on its own positions relating to individual clients throughout the financial group, as well as adjustments to the compensation system of the entire financial group to provide for bonus allocation criteria that take into account risk appetite. FINMA also announced it has opened enforcement proceedings against a former Credit Suisse manager in connection with this matter.

Civil actions relating to Credit Suisse's relationship with Archegos have been filed against Credit Suisse and/or certain officers and directors, including claims for breaches of fiduciary duties.

13. Credit Suisse financial disclosures

Credit Suisse Group AG and certain directors, officers and executives have been named in securities class action complaints pending in the SDNY. These complaints, filed on behalf of purchasers of Credit Suisse shares, additional tier 1 capital notes ("AT1 notes"), and other securities in 2023, allege that defendants made misleading statements regarding: (i) customer outflows in late 2022; (ii) the adequacy of Credit Suisse's financial reporting controls; and (iii) the adequacy of Credit Suisse's risk management processes, and include allegations relating to Credit Suisse Group AG's merger with UBS Group AG. Many of the actions have been consolidated, and a motion to dismiss has been filed and remains pending. One additional action, filed in October 2023, has been stayed pending a determination on whether it should be consolidated with the earlier actions.

Credit Suisse has received requests for documents and information from regulatory and governmental agencies in connection with inquiries, investigations and/or actions relating to these matters, as well as for other statements regarding Credit Suisse's financial condition, including from the SEC, the DOJ and FINMA. Credit Suisse is cooperating with the authorities in these matters.

14. Merger-related litigation

Certain Credit Suisse Group AG affiliates and certain directors, officers and executives have been named in class action complaints pending in the SDNY. One complaint, brought on behalf of Credit Suisse shareholders, alleges breaches of fiduciary duty under Swiss law and civil RICO claims under United States federal law. In February 2024, the court granted defendants' motions to dismiss the civil RICO claims and conditionally dismissed the Swiss law claims pending defendants' acceptance of jurisdiction in Switzerland. In March 2024, having received consents to Swiss jurisdiction from all defendants served with the complaint, the court dismissed the Swiss law claims against those defendants. Additional complaints, brought on behalf of holders of Credit Suisse additional tier 1 capital notes ("AT1 noteholders") allege breaches of fiduciary duty under Swiss law, arising from a series of scandals and misconduct, which led to Credit Suisse Group AG's merger with UBS Group AG, causing losses to shareholders and AT1 noteholders. The motion to dismiss the first of these complaints was granted in March 2024 on the basis that Switzerland and not New York is the most appropriate forum for litigation.

Note 19 Other liabilities

a) Other financial liabilities measured at amortized cost

| USD m | 31.12.23 | 31.12.22 |
|---|---------------|--------------|
| Other accrued expenses | 3,270 | 1,760 |
| Accrued interest expenses | 6,692 | 1,949 |
| Settlement and clearing accounts | 1,519 | 1,075 |
| Lease liabilities | 5,502 | 3,334 |
| Other | 3,868 | 1,457 |
| Total other financial liabilities measured at amortized cost | 20,851 | 9,575 |
| <i>of which: Credit Suisse¹</i> | <i>8,386</i> | |

¹ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

b) Other financial liabilities designated at fair value

| USD m | 31.12.23 | 31.12.22 |
|---|---------------|---------------|
| Financial liabilities related to unit-linked investment contracts | 15,992 | 13,221 |
| Securities financing transactions | 7,416 | 15,333 |
| Over-the-counter debt instruments and other | 6,076 | 1,684 |
| Total other financial liabilities designated at fair value | 29,484 | 30,237 |
| <i>of which: Credit Suisse¹</i> | <i>5,114</i> | |

¹ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

c) Other non-financial liabilities

| USD m | 31.12.23 | 31.12.22 |
|---|---------------|--------------|
| Compensation-related liabilities | 9,746 | 6,822 |
| <i>of which: Deferred Contingent Capital Plan</i> | <i>1,709</i> | <i>1,614</i> |
| <i>of which: financial advisor compensation plans</i> | <i>1,483</i> | <i>1,463</i> |
| <i>of which: other compensation plans</i> | <i>4,723</i> | <i>2,680</i> |
| <i>of which: net defined benefit liability</i> | <i>796</i> | <i>469</i> |
| <i>of which: other compensation-related liabilities¹</i> | <i>1,035</i> | <i>596</i> |
| Current tax liabilities | 1,460 | 1,071 |
| Deferred tax liabilities | 325 | 236 |
| VAT, withholding tax and other tax payables | 1,120 | 592 |
| Deferred income | 635 | 235 |
| Other | 802 | 84 |
| Total other non-financial liabilities | 14,089 | 9,040 |
| <i>of which: Credit Suisse²</i> | <i>4,672</i> | |

¹ Includes liabilities for payroll taxes and untaken vacation. ² Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Additional information

Note 20 Expected credit loss measurement

a) Expected credit losses in the period

Total net credit loss expenses were USD 1,037m in 2023, reflecting net credit loss expenses of USD 593m related to stage 1 and 2 positions and net credit loss expenses of USD 445m related to credit-impaired (stage 3 and purchased credit-impaired) positions. Expected credit loss (ECL) expenses of USD 593m for performing loans were predominantly attributable to the initial recognition of ECL allowances and provisions after the date of the acquisition of the Credit Suisse Group. Credit-impaired net expenses amounted to USD 445m, of which USD 325m was within the Credit Suisse portfolio and USD 120m was within the UBS portfolio. As per IFRS 9, no ECL allowances and provisions had to be recognized at acquisition date for credit-impaired exposures, after the fair valuation as per the purchase price allocation.

› Refer to Note 20b for more information regarding changes to ECL models, scenarios, scenario weights and the post-model adjustments and to Note 20c for more information regarding the development of ECL allowances and provisions

Credit loss expense / (release)

| USD m | Performing positions | | Credit-impaired positions | | Total |
|------------------------------------|----------------------|-------------|---------------------------|--|--------------|
| | Stages 1 and 2 | Stage 3 | Purchased | | |
| For the year ended 31.12.23 | | | | | |
| Global Wealth Management | 108 | 27 | 13 | | 147 |
| Personal & Corporate Banking | 290 | 183 | 27 | | 501 |
| Asset Management | 1 | (1) | 0 | | 0 |
| Investment Bank | 110 | 78 | 2 | | 190 |
| Non-core and Legacy | 78 | 91 | 25 | | 193 |
| Group Items ¹ | 5 | 0 | 0 | | 6 |
| Total | 593 | 378 | 67 | | 1,037 |
| For the year ended 31.12.22 | | | | | |
| Global Wealth Management | (5) | 5 | | | 0 |
| Personal & Corporate Banking | 27 | 12 | | | 39 |
| Asset Management | 0 | 0 | | | 0 |
| Investment Bank | 6 | (18) | | | (12) |
| Non-core and Legacy | 0 | 2 | | | 2 |
| Group Items ¹ | 1 | 0 | | | 1 |
| Total | 29 | 0 | | | 29 |
| For the year ended 31.12.21 | | | | | |
| Global Wealth Management | (28) | (1) | | | (29) |
| Personal & Corporate Banking | (62) | (24) | | | (86) |
| Asset Management | 0 | 1 | | | 1 |
| Investment Bank | (34) | 0 | | | (34) |
| Non-core and Legacy | 0 | 0 | | | 0 |
| Group Items ¹ | 0 | 0 | | | 0 |
| Total | (123) | (25) | | | (148) |

¹ Starting with the third quarter of 2023, Non-core and Legacy became a separate reportable segment and Group Functions has been renamed Group Items. Prior periods have been restated to reflect these changes.

b) Changes to ECL models, scenarios, scenario weights and key inputs

Refer to Note 1a for information about the principles governing ECL models, scenarios, scenario weights and key inputs applied.

Governance

Comprehensive cross-functional and cross-divisional governance processes are in place and are used to discuss and approve scenario updates and weights, to assess whether significant increases in credit risk resulted in stage transfers, to review model outputs and to reach conclusions regarding post-model adjustments.

Model changes

During 2023, the model review and enhancement process led to adjustments of the probability of default (PD), loss given default (LGD) and credit conversion factor (CCF) models, resulting in a USD 22m increase in ECL allowances. This included an increase of USD 13m in Global Wealth Management related to *Large corporate clients* and an USD 14m increase in Personal & Corporate Banking related to lending to *Large corporate clients* and *SME clients*.

Scenario and key input updates

During 2023, the scenarios and related macroeconomic factors were updated from those applied at the end of 2022 by considering the prevailing economic and political conditions and uncertainty. The review focused on events that significantly changed the economic outlook during the year: the inflation outlook and economic growth in Europe, and rising global interest rates due to central banks adopting more restrictive monetary policies. ECLs for Credit Suisse AG positions were calculated based on Credit Suisse AG's models, including the same scenario and scenario weight inputs as for UBS's existing business activity.

Note 20 Expected credit loss measurement (continued)

Baseline scenario: the projections of the baseline scenario, which are aligned to the economic and market assumptions used for UBS's business planning purposes, are broadly in line with external benchmarks, such as those from Bloomberg Consensus, Oxford Economics and the International Monetary Fund World Economic Outlook. The expectation for 2024 is that global growth slows down under the weight of monetary policy tightening and continued pressure on real purchasing power due to high, though falling, inflation, and fading fiscal support. Unemployment rates are forecast to increase slightly from their 2023 levels. Interest rates are expected to remain high, given the persistence of inflationary pressures, leading to a less optimistic outlook for house prices worldwide, including Switzerland.

Mild debt crisis scenario: The first hypothetical downside scenario is the mild debt crisis scenario. At the beginning of the second quarter of 2023, UBS replaced the global crisis scenario applied at the end of 2022 and at the end of the first quarter of 2023 with the mild debt crisis scenario. Economic, market and political developments suggested that the scenario suite should be rebalanced by reintroducing a mild downside scenario. The mild debt crisis scenario covers similar risks, but the assumptions are milder than the global crisis scenario. Therefore, the scenario shocks are less severe. It assumes that political, solvency and liquidity concerns cause a sell-off of sovereign debt in emerging markets and the peripheral Eurozone. The global economy and financial markets are negatively affected, and central banks are assumed to ease their monetary policy.

Stagflationary geopolitical crisis scenario: The second downside scenario is aligned with the 2024 Group binding stress scenario and was updated in 2023 to reflect expected risks, resulting in minimal changes. Geopolitical tensions cause an escalation of security concerns and undermine globalization. The ensuing economic regionalization leads to a surge in global commodity prices and further disruptions of supply chains and raises the specter of prolonged stagflation. Central banks are forced to further tighten monetary policy to contain inflationary pressures. The severe interest rate and house price assumptions in the scenario had a substantive impact on model-based ECL allowances for loans secured by mortgages in Switzerland and the US. These effects were partly offset by post-model adjustment releases related to loans secured by mortgages. Refer to the section below on "Scenario weights and post-model adjustments" for more details.

Asset price inflation scenario: The upside scenario is based on positive developments, such as an easing of geopolitical tensions across the globe and a rebound in Chinese economic growth. A combination of lower commodity prices, effective monetary policies and easing supply chain disruptions helps to reduce inflation. Improved consumer and business sentiment lead to a global economic rebound, enabling central banks to normalize interest rates, which causes asset prices to increase significantly.

The table below details the key assumptions for the four scenarios applied as of 31 December 2023.

Scenario weights and post-model adjustments

The scenario weights did not change during 2023, but the scenario suite was adjusted in the second quarter of 2023 to replace one of the two severe downside scenarios with a mild downside scenario. The mild debt crisis, developed in early 2023, was introduced in the scenario suite with the same weight as the more severe global crisis scenario, i.e., 15%, to balance a somewhat more optimistic outlook with milder scenario assumptions. The weights were kept unchanged for the stagflationary geopolitical crisis, baseline and asset price inflation scenarios, i.e., 25%, 60% and 0%, respectively. The weights are shown in the table below.

However, unquantifiable risks continue to be relevant, as the geopolitical risks remained high in 2023, and the impact on the world economy from escalations with unforeseeable consequences could be severe. In the near term, this uncertainty relates primarily to developments in the Russia–Ukraine and Middle East conflicts. Models, which are based on supportable statistical information from past experiences regarding interdependencies of macroeconomic factors and their implications for credit risk portfolios, cannot comprehensively reflect such extraordinary events, such as a pandemic or a fundamental change in the world political order. Rather than creating multiple additional scenarios to attempt to gauge these risks and applying model parameters that lack supportable information and cannot be robustly validated, management continued to also apply post-model adjustments.

Total stage 1 and 2 allowances and provisions were USD 1,115m as of 31 December 2023 and included post-model adjustments of USD 326m (31 December 2022: USD 131m). Overlays are to cover for uncertainty levels and are materially unchanged, including the geopolitical situation, for Credit Suisse models that may not comprehensively reflect market events and to align model outputs for Credit Suisse with those of UBS for dedicated segments.

Economic scenarios and weights applied

| ECL scenario | Assigned weights in % | |
|------------------------------------|-----------------------|----------|
| | 31.12.23 | 31.12.22 |
| Asset price inflation | 0.0 | 0.0 |
| Baseline | 60.0 | 60.0 |
| Mild debt crisis | 15.0 | 0.0 |
| Stagflationary geopolitical crisis | 25.0 | 25.0 |
| Global crisis | 0.0 | 15.0 |

Note 20 Expected credit loss measurement (continued)

| Scenario assumptions | One year | | | | Three years cumulative | | | |
|--|-----------------------|----------|------------------|------------------------------------|------------------------|----------|------------------|------------------------------------|
| | Asset price inflation | Baseline | Mild debt crisis | Stagflationary geopolitical crisis | Asset price inflation | Baseline | Mild debt crisis | Stagflationary geopolitical crisis |
| 31.12.23 | | | | | | | | |
| Real GDP growth (% change) | | | | | | | | |
| United States | 4.0 | 0.1 | (1.6) | (4.8) | 9.1 | 4.4 | 0.6 | (4.4) |
| Eurozone | 3.0 | 0.5 | (1.7) | (5.6) | 6.2 | 2.9 | (0.1) | (5.7) |
| Switzerland | 3.0 | 1.4 | (1.2) | (4.8) | 6.6 | 4.4 | 0.3 | (4.9) |
| Consumer price index (% change) | | | | | | | | |
| United States | 2.5 | 2.3 | (0.1) | 10.0 | 8.1 | 7.1 | 2.3 | 15.8 |
| Eurozone | 2.3 | 2.0 | (0.2) | 9.6 | 7.4 | 6.1 | 1.8 | 14.8 |
| Switzerland | 2.1 | 1.5 | (0.4) | 5.8 | 6.2 | 4.3 | 0.8 | 10.7 |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 4.4 | 6.3 | 9.2 | 3.0 | 4.4 | 7.7 | 11.8 |
| Eurozone | 6.0 | 6.9 | 8.2 | 10.6 | 6.0 | 6.8 | 9.0 | 11.8 |
| Switzerland | 1.6 | 2.3 | 2.9 | 4.1 | 1.5 | 2.3 | 3.8 | 5.0 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 13 | (82) | (215) | 270 | 37 | (78) | (155) | 245 |
| EUR | 20 | (90) | (185) | 225 | 58 | (78) | (140) | 195 |
| CHF | 25 | (41) | (73) | 195 | 63 | (34) | (28) | 180 |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 20.0 | 15.3 | (26.6) | (51.5) | 51.7 | 28.1 | (12.2) | (45.6) |
| EuroStoxx 50 | 20.0 | 12.0 | (26.4) | (51.6) | 46.6 | 22.9 | (16.6) | (47.2) |
| SPI | 15.0 | 4.6 | (24.5) | (51.6) | 39.2 | 15.9 | (11.2) | (47.2) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 6.6 | (1.5) | (4.4) | (18.5) | 14.0 | 0.8 | (3.0) | (28.6) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case-Shiller) | 8.1 | 0.6 | (8.6) | (20.0) | 19.7 | 5.8 | (5.2) | (30.2) |
| Eurozone (House Price Index) | 7.0 | 0.6 | (5.9) | (8.4) | 15.4 | 6.4 | (5.2) | (12.9) |

| Scenario assumptions | One year | | | | Three years cumulative | | | |
|--|-----------------------|----------|------------------------------------|---------------|------------------------|----------|------------------------------------|---------------|
| | Asset price inflation | Baseline | Stagflationary geopolitical crisis | Global crisis | Asset price inflation | Baseline | Stagflationary geopolitical crisis | Global crisis |
| 31.12.22 | | | | | | | | |
| Real GDP growth (% change) | | | | | | | | |
| United States | 4.0 | (0.3) | (4.8) | (6.4) | 9.1 | 3.2 | (4.4) | (1.8) |
| Eurozone | 3.0 | 0.6 | (5.6) | (8.5) | 6.2 | 2.5 | (5.7) | (8.3) |
| Switzerland | 3.0 | 0.7 | (4.8) | (6.7) | 6.6 | 3.5 | (4.9) | (3.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 2.5 | 2.6 | 10.0 | (0.5) | 8.1 | 6.5 | 15.8 | 1.2 |
| Eurozone | 2.3 | 5.0 | 9.6 | (0.7) | 7.4 | 9.6 | 14.8 | (0.7) |
| Switzerland | 2.1 | 1.6 | 5.8 | (1.8) | 6.2 | 3.9 | 10.7 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 9.2 | 10.0 | 3.0 | 5.3 | 11.8 | 9.4 |
| Eurozone | 6.0 | 7.0 | 10.9 | 11.9 | 6.0 | 7.1 | 12.2 | 13.0 |
| Switzerland | 1.7 | 2.3 | 4.3 | 4.4 | 1.5 | 2.6 | 5.1 | 4.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 25 | (6) | 235 | (326) | 70 | (13) | 205 | (291) |
| EUR | 20 | 48 | 250 | (271) | 58 | 45 | 220 | (247) |
| CHF | 25 | 46 | 220 | (210) | 63 | 57 | 205 | (160) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 20.0 | 7.4 | (51.5) | (50.0) | 51.7 | 22.8 | (45.6) | (27.9) |
| EuroStoxx 50 | 17.0 | 17.2 | (51.6) | (50.0) | 42.9 | 29.2 | (47.2) | (39.3) |
| SPI | 14.0 | 5.6 | (51.6) | (46.0) | 37.9 | 19.3 | (47.2) | (32.9) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 6.6 | 1.1 | (16.7) | (19.9) | 14.0 | 2.3 | (32.9) | (23.9) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case-Shiller) | 7.8 | (4.5) | (12.8) | (19.3) | 19.1 | (0.6) | (35.8) | (32.7) |
| Eurozone (House Price Index) | 7.0 | (2.7) | (8.4) | (8.9) | 15.4 | 2.0 | (14.7) | (17.5) |

Note 20 Expected credit loss measurement (continued)

c) Development of ECL allowances and provisions

The ECL allowances and provisions recognized in the period are impacted by a variety of factors, such as:

- the effect of selecting and updating forward-looking scenarios and the respective weights;
- origination of new instruments during the period;
- the effect of passage of time (lower residual lifetime PD and the effect of discount unwind) as the ECL on an instrument for the remaining lifetime decreases (all other factors remaining the same);
- derecognition of instruments in the period;
- change in individual asset quality of instruments;
- movements from a maximum 12-month ECL to the recognition of lifetime ECL (and vice versa) following transfers between stages 1 and 2;
- movements from stages 1 and 2 to stage 3 (credit-impaired status) when default has become certain and PD increases to 100% (or vice versa);
- changes in models or updates to model parameters;
- write-off; and
- foreign exchange translations for assets denominated in foreign currencies.

The table below explains the changes in the ECL allowances and provisions for on- and off-balance sheet financial instruments and credit lines within the scope of ECL requirements between the beginning and the end of the period due to the factors listed above.

Development of ECL allowances and provisions

| USD m | Total | Stage 1 | Stage 2 | Stage 3 | PCI |
|--|----------------|--------------|--------------|--------------|--------------|
| Balance as of 31 December 2022 | (1,091) | (259) | (267) | (564) | 0 |
| Acquisition of Credit Suisse AG portfolios | (541) | (541) | 0 | 0 | 0 |
| Net movement from new and derecognized transactions¹ | 14 | (2) | 9 | 7 | 0 |
| of which: Private clients with mortgages | (4) | (7) | 3 | 0 | 0 |
| of which: Real estate financing | 1 | (2) | 3 | 0 | 0 |
| of which: Large corporate clients | 18 | 8 | 3 | 7 | 0 |
| of which: SME clients | (2) | (2) | 0 | 0 | 0 |
| of which: Other | 1 | 1 | 0 | 0 | 0 |
| of which: Financial intermediaries and hedge funds | (1) | (1) | 0 | 0 | 0 |
| of which: Loans to financial advisors | 0 | 0 | 0 | 0 | 0 |
| Remeasurements with stage transfers² | (507) | 42 | (149) | (400) | 0 |
| of which: Private clients with mortgages | (12) | 2 | (3) | (12) | 0 |
| of which: Real estate financing | (35) | 8 | (27) | (16) | 0 |
| of which: Large corporate clients | (223) | 17 | (21) | (220) | 0 |
| of which: SME clients | (167) | 6 | (59) | (115) | 0 |
| of which: Other | (69) | 8 | (39) | (38) | 0 |
| of which: Financial intermediaries and hedge funds | 1 | 0 | 0 | 0 | 0 |
| of which: Loans to financial advisors | 1 | 2 | (1) | 0 | 0 |
| Remeasurements without stage transfers³ | 17 | 58 | 12 | 14 | (67) |
| of which: Private clients with mortgages | 3 | 1 | 16 | (3) | (11) |
| of which: Real estate financing | (1) | 5 | 3 | (1) | (9) |
| of which: Large corporate clients | (42) | (18) | (1) | (8) | (16) |
| of which: SME clients | 65 | 31 | 1 | 44 | (11) |
| of which: Other | (7) | 39 | (8) | (18) | (20) |
| of which: Sovereign | (37) | 0 | (15) | 0 | (22) |
| of which: Loans to financial advisors | (7) | 1 | 0 | (8) | 0 |
| Model changes⁴ | (22) | (14) | (8) | 0 | 0 |
| Movements with profit or loss impact⁵ | (1,037) | (457) | (136) | (378) | (67) |
| Movements without profit or loss impact (write-off, FX and other)⁶ | (132) | 17 | (13) | (50) | (86) |
| Balance as of 31 December 2023 | (2,261) | (700) | (416) | (993) | (153) |

¹ Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. ² Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. ³ Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. ⁴ Represents the change in the allowances and provisions related to changes in models and methodologies. ⁵ Includes ECL movements from new and derecognized transactions, remeasurement changes, and model and methodology changes. ⁶ Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

Note 20 Expected credit loss measurement (continued)

Movements with profit or loss impact: Stages 1 and 2 ECL allowances and provisions increased on a net basis by USD 1,037m:

- *Acquisition of Credit Suisse AG portfolios:* Expected credit loss (ECL) expenses of USD 541m for performing loans were attributable to the initial recognition of ECL stage 1 allowances and provisions as of the date of the acquisition of the Credit Suisse Group.
- *Net movement from new and derecognized transactions* includes stage 1 expenses of USD 2m and stage 2 releases of USD 9m: Stage 1 expenses are mainly driven by expenses on the corporate lending portfolios, partly offset by releases on the real estate portfolios. Stage 2 releases are predominately driven by the real estate and corporate lending portfolios.
- *Remeasurements with stage transfers* include USD 149m expenses in stage 2, following a number of corporate and real estate lending credit reviews and transfer to stage 2 for the Credit Suisse AG portfolio after the date of the acquisition.
- *Model changes:* refer to Note 20b for more information.

Movements without profit or loss impact: Stages 1 and 2 allowances decreased by USD 4m, almost entirely driven by FX. Stage 3 and PCI allowances increased by USD 136m, driven by FX and other movements of USD 229m, partly offset by net write-offs of USD 93m.

Development of ECL allowances and provisions

| USD m | Total | Stage 1 | Stage 2 | Stage 3 |
|--|----------------|--------------|--------------|--------------|
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |
| Net movement from new and derecognized transactions¹ | (7) | (21) | 16 | (2) |
| <i>of which: Private clients with mortgages</i> | <i>(6)</i> | <i>(6)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Real estate financing</i> | <i>(3)</i> | <i>(5)</i> | <i>2</i> | <i>0</i> |
| <i>of which: Large corporate clients</i> | <i>8</i> | <i>(1)</i> | <i>11</i> | <i>(2)</i> |
| <i>of which: SME clients</i> | <i>(1)</i> | <i>(1)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Other</i> | <i>(6)</i> | <i>(8)</i> | <i>3</i> | <i>0</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>0</i> | <i>(2)</i> | <i>2</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Remeasurements with stage transfers² | (65) | 20 | (39) | (46) |
| <i>of which: Private clients with mortgages</i> | <i>(10)</i> | <i>3</i> | <i>(12)</i> | <i>0</i> |
| <i>of which: Real estate financing</i> | <i>7</i> | <i>(1)</i> | <i>8</i> | <i>0</i> |
| <i>of which: Large corporate clients</i> | <i>(33)</i> | <i>16</i> | <i>(28)</i> | <i>(21)</i> |
| <i>of which: SME clients</i> | <i>(23)</i> | <i>2</i> | <i>(2)</i> | <i>(22)</i> |
| <i>of which: Other</i> | <i>(6)</i> | <i>1</i> | <i>(4)</i> | <i>(3)</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>1</i> | <i>2</i> | <i>(1)</i> | <i>0</i> |
| Remeasurements without stage transfers³ | 13 | (8) | (27) | 48 |
| <i>of which: Private clients with mortgages</i> | <i>(12)</i> | <i>5</i> | <i>(18)</i> | <i>1</i> |
| <i>of which: Real estate financing</i> | <i>13</i> | <i>3</i> | <i>10</i> | <i>0</i> |
| <i>of which: Large corporate clients</i> | <i>32</i> | <i>(11)</i> | <i>2</i> | <i>41</i> |
| <i>of which: SME clients</i> | <i>(6)</i> | <i>(10)</i> | <i>(9)</i> | <i>14</i> |
| <i>of which: Other</i> | <i>(15)</i> | <i>5</i> | <i>(12)</i> | <i>(8)</i> |
| <i>of which: Sovereigns</i> | <i>(8)</i> | <i>0</i> | <i>(8)</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>(3)</i> | <i>3</i> | <i>(1)</i> | <i>(6)</i> |
| Model changes⁴ | 30 | 29 | 1 | 0 |
| Movements with profit or loss impact⁵ | (29) | 20 | (49) | 0 |
| Movements without profit or loss impact (write-off, FX and other)⁶ | 104 | 3 | 1 | 99 |
| Balance as of 31 December 2022 | (1,091) | (259) | (267) | (564) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, and model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

Note 20 Expected credit loss measurement (continued)

As explained in Note 1a, the assessment of a significant increase in credit risk (an SICR) considers a number of qualitative and quantitative factors to determine whether a stage transfer between stage 1 and stage 2 is required, although the primary assessment considers changes in PD based on rating analyses and economic outlook. Additionally, UBS takes into consideration counterparties that have moved to a credit watch list and those with payments that are at least 30 days past due.

ECL stage 2 ("significant deterioration in credit risk") allowances / provisions as of 31 December 2023 – classification by trigger

| <i>USD m</i> | Stage 2 | <i>of which: PD layer</i> | <i>of which: watch list</i> | <i>of which: ≥30 days past due</i> |
|---|----------------|-------------------------------|---------------------------------|--|
| On- and off-balance sheet | (416) | (221) | (123) | (71) |
| <i>of which: Private clients with mortgages</i> | (97) | (69) | (5) | (22) |
| <i>of which: Real estate financing</i> | (35) | (23) | (2) | (10) |
| <i>of which: Large corporate clients</i> | (133) | (54) | (77) | (2) |
| <i>of which: SME clients</i> | (60) | (27) | (24) | (10) |
| <i>of which: Lombard</i> | (11) | 0 | (11) | 0 |
| <i>of which: Financial intermediaries and hedge funds</i> | (5) | (4) | 0 | (1) |
| <i>of which: Loans to financial advisors</i> | (1) | 0 | 0 | (1) |
| <i>of which: Credit cards</i> | (13) | 0 | 0 | (13) |
| <i>of which: Consumer financing</i> | (19) | (9) | 0 | (11) |
| <i>of which: Commodity trade finance</i> | (1) | 0 | (1) | 0 |
| <i>of which: Other</i> | (40) | (36) | (4) | (1) |

As per IFRS, the Credit Suisse acquisition date in June 2023 represented the benchmark for determining "significant deterioration of credit risk" for Credit Suisse exposures, and accordingly, UBS did only recognize stage 1 ECL allowances and provisions for performing loans at acquisition date. As of 31 December 2023, stage 2 allowances and provisions for Credit Suisse exposures were largely driven by prolonged and re-confirmed affiliation to the credit watchlist.

d) Maximum exposure to credit risk

The tables below provide the Group's maximum exposure to credit risk for financial instruments subject to ECL requirements and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS Accounting Standards.

Note 20 Expected credit loss measurement (continued)

Maximum exposure to credit risk

| | 31.12.23 | | | | | | | | |
|---|---------------------------------|---|--------------|--------------|------------------------|-------------------------------|----------------------------------|-----------------------------------|--|
| | Maximum exposure to credit risk | Collateral ^{1,2} | | | Secured by real estate | Other collateral ³ | Credit enhancements ¹ | | Exposure to credit risk after collateral and credit enhancements |
| Cash collateral received | | Collateralized by equity and debt instruments | | Netting | | | Credit derivative contracts | Guarantees and sub-participations | |
| <i>USD bn</i> | | | | | | | | | |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 314.1 | | | | | | | | 314.1 |
| Amounts due from banks ⁴ | 21.2 | 0.0 | 0.2 | | 0.2 | | | 0.3 | 20.5 |
| Receivables from securities financing transactions measured at amortized cost | 99.0 | 0.0 | 95.6 | | 2.8 | | | | 0.7 |
| Cash collateral receivables on derivative instruments ^{5,6} | 50.1 | | | | | 32.9 | | | 17.2 |
| Loans and advances to customers | 639.8 | 40.2 | 131.9 | 372.9 | 38.9 | | 0.0 | 11.9 | 44.1 |
| Other financial assets measured at amortized cost | 65.5 | 0.1 | 0.8 | 0.1 | 5.7 | | | | 58.8 |
| Total financial assets measured at amortized cost | 1,189.8 | 40.4 | 228.5 | 373.0 | 47.5 | 32.9 | 0.0 | 12.1 | 455.4 |
| Financial assets measured at fair value through other comprehensive income – debt | 2.2 | | | | | | | | 2.2 |
| Total maximum exposure to credit risk reflected on the balance sheet within the scope of ECL | 1,192.0 | 40.4 | 228.5 | 373.0 | 47.5 | 32.9 | 0.0 | 12.1 | 457.6 |
| <i>of which: Credit Suisse⁷</i> | <i>443.4</i> | <i>12.7</i> | <i>51.6</i> | <i>150.2</i> | <i>18.4</i> | <i>10.1</i> | <i>0.0</i> | <i>9.3</i> | <i>191.1</i> |
| Guarantees ⁸ | 46.1 | 2.9 | 21.4 | 0.3 | 3.4 | | 0.1 | 4.6 | 13.3 |
| Irrevocable loan commitments | 91.5 | 0.5 | 3.2 | 2.2 | 17.1 | | 0.4 | 5.9 | 62.3 |
| Forward starting reverse repurchase and securities borrowing agreements | 18.4 | | 18.4 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 163.2 | 20.3 | 58.5 | 17.6 | 6.2 | | | 4.4 | 56.2 |
| Total maximum exposure to credit risk not reflected on the balance sheet within the scope of ECL | 319.2 | 23.7 | 101.6 | 20.1 | 26.6 | 0.0 | 0.5 | 14.8 | 131.8 |
| <i>of which: Credit Suisse⁷</i> | <i>186.9</i> | <i>21.4</i> | <i>60.3</i> | <i>11.1</i> | <i>10.9</i> | <i>0.0</i> | <i>0.5</i> | <i>11.3</i> | <i>71.5</i> |

| | 31.12.22 | | | | | | | | |
|---|---------------------------------|---|--------------|--------------|------------------------|-------------------------------|----------------------------------|-----------------------------------|--|
| | Maximum exposure to credit risk | Collateral ^{1,2} | | | Secured by real estate | Other collateral ³ | Credit enhancements ¹ | | Exposure to credit risk after collateral and credit enhancements |
| Cash collateral received | | Collateralized by equity and debt instruments | | Netting | | | Credit derivative contracts | Guarantees and sub-participations | |
| <i>USD bn</i> | | | | | | | | | |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 169.4 | | | | | | | | 169.4 |
| Amounts due from banks ⁴ | 14.8 | | 0.0 | | | | | 0.1 | 14.7 |
| Receivables from securities financing transactions measured at amortized cost | 67.8 | 0.0 | 64.5 | | 2.4 | | | | 0.9 |
| Cash collateral receivables on derivative instruments ^{5,6} | 35.0 | | | | | 22.9 | | | 12.1 |
| Loans and advances to customers | 387.2 | 33.6 | 115.9 | 197.8 | 19.6 | | | 3.0 | 17.3 |
| Other financial assets measured at amortized cost | 53.3 | 0.1 | 0.5 | 0.0 | 1.3 | | | | 51.3 |
| Total financial assets measured at amortized cost | 727.6 | 33.7 | 181.0 | 197.9 | 23.4 | 22.9 | 0.0 | 3.0 | 265.8 |
| Financial assets measured at fair value through other comprehensive income – debt | 2.2 | | | | | | | | 2.2 |
| Total maximum exposure to credit risk reflected on the balance sheet within the scope of ECL | 729.8 | 33.7 | 181.0 | 197.9 | 23.4 | 22.9 | 0.0 | 3.0 | 268.0 |
| Guarantees ⁸ | 22.1 | 1.2 | 9.3 | 0.1 | 2.0 | | | 1.8 | 7.7 |
| Irrevocable loan commitments | 39.9 | 0.2 | 3.1 | 1.3 | 6.5 | | 0.1 | 1.0 | 27.8 |
| Forward starting reverse repurchase and securities borrowing agreements | 3.8 | | 3.8 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 41.4 | 0.2 | 8.2 | 6.0 | 6.2 | | | 0.5 | 20.2 |
| Total maximum exposure to credit risk not reflected on the balance sheet within the scope of ECL | 107.2 | 1.6 | 24.4 | 7.5 | 14.7 | 0.0 | 0.1 | 3.3 | 55.7 |

1 Of which: USD 3,824m for 31 December 2023 (31 December 2022: USD 1,372m) relates to total credit-impaired financial assets measured at amortized cost and USD 237m for 31 December 2023 (31 December 2022: USD 113m) to total off-balance sheet financial instruments and credit lines for credit-impaired positions. 2 Collateral arrangements generally incorporate a range of collateral, including cash, equity and debt instruments, real estate and other collateral. For the purpose of this disclosure, UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. In the case of loan facilities with funded and unfunded elements, the collateral is first allocated to the funded element. Credit Suisse applies a risk-based approach that generally prioritizes real estate collateral and prioritizes other collateral according to its liquidity profile. In the case of loan facilities with funded and unfunded elements, the collateral is proportionally allocated. 3 Includes but is not limited to life insurance contracts, rights in respect of subscription or capital commitments from fund partners, leasing items, mortgage loans, inventory, gold and other commodities. 4 Amounts due from banks include amounts held with third-party banks on behalf of clients. The credit risk associated with these balances may be borne by those clients. 5 Included within Cash collateral receivables on derivative instruments are margin balances due from exchanges or clearing houses. Some of these margin balances reflect amounts transferred on behalf of clients who retain the associated credit risk. 6 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information. 7 Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. 8 Guarantees collateralized by equity and debt instruments include certain overnight repurchase and reverse repurchase transactions where UBS acts as a sponsoring member for eligible clients when clearing through the Fixed Income Clearing Corporation (FICC). As part of this arrangement, UBS guarantees FICC for prompt and full payment and performance of the clients' respective obligations under the FICC rules. The Group minimizes its liability under these guarantees by obtaining a security interest in the cash or high-quality securities collateral that the clients place with the clearing house; therefore, the risk of loss is expected to be remote.

Note 20 Expected credit loss measurement (continued)

e) Financial assets subject to credit risk by rating category

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. Under IFRS 9, the credit risk rating reflects the Group's assessment of the probability of default of individual counterparties, prior to substitutions. The amounts presented are gross of impairment allowances.

› Refer to the "Risk management and control" section of this report for more details regarding the Group's internal grading system

Financial assets subject to credit risk by rating category

| | 31.12.23 | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|---------------|-----------------------------|-----------------------------|----------------|---|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) | |
| Financial assets measured at amortized cost | | | | | | | | | | |
| Cash and balances at central banks | 251,462 | 61,936 | 627 | 0 | 43 | 128 | 314,197 | (48) | 314,148 | |
| of which: stage 1 | 251,462 | 61,936 | 627 | 0 | 0 | 0 | 314,025 | 0 | 314,025 | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 43 | 0 | 43 | (26) | 18 | |
| of which: PCI | 0 | 0 | 0 | 0 | 0 | 128 | 128 | (22) | 106 | |
| Amounts due from banks | 1,081 | 15,454 | 2,215 | 1,589 | 792 | 43 | 21,174 | (12) | 21,161 | |
| of which: stage 1 | 1,081 | 15,453 | 2,210 | 1,589 | 780 | 0 | 21,113 | (6) | 21,107 | |
| of which: stage 2 | 0 | 0 | 5 | 0 | 12 | 0 | 18 | (1) | 17 | |
| of which: PCI | 0 | 0 | 0 | 0 | 0 | 43 | 43 | (5) | 38 | |
| Receivables from securities financing transactions | 45,838 | 30,171 | 6,397 | 15,544 | 1,091 | 0 | 99,041 | (2) | 99,039 | |
| of which: stage 1 | 45,838 | 30,171 | 6,397 | 15,544 | 1,091 | 0 | 99,041 | (2) | 99,039 | |
| Cash collateral receivables on derivative instruments | 8,009 | 30,334 | 6,425 | 5,117 | 198 | 0 | 50,082 | 0 | 50,082 | |
| of which: stage 1 | 8,009 | 30,334 | 6,425 | 5,117 | 198 | 0 | 50,082 | 0 | 50,082 | |
| Loans and advances to customers | 6,428 | 288,117 | 180,889 | 119,191 | 41,557 | 5,360 | 641,542 | (1,698) | 639,844 | |
| of which: stage 1 | 6,428 | 286,683 | 178,059 | 109,996 | 30,276 | 0 | 611,443 | (423) | 611,019 | |
| of which: stage 2 | 0 | 1,428 | 2,829 | 9,171 | 11,269 | 0 | 24,697 | (289) | 24,408 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 3,731 | 3,731 | (862) | 2,869 | |
| of which: PCI | 0 | 6 | 0 | 24 | 12 | 1,629 | 1,671 | (123) | 1,548 | |
| Other financial assets measured at amortized cost | 25,755 | 25,875 | 2,875 | 9,662 | 1,163 | 318 | 65,648 | (151) | 65,498 | |
| of which: stage 1 | 25,755 | 25,788 | 2,854 | 9,113 | 841 | 1 | 64,352 | (41) | 64,311 | |
| of which: stage 2 | 0 | 87 | 21 | 548 | 321 | 0 | 978 | (10) | 968 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 253 | 253 | (94) | 158 | |
| of which: PCI | 0 | 0 | 0 | 0 | 1 | 64 | 66 | (5) | 61 | |
| Total financial assets measured at amortized cost | 338,572 | 451,886 | 199,428 | 151,103 | 44,844 | 5,849 | 1,191,683 | (1,911) | 1,189,773 | |
| On-balance sheet financial instruments | | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 1,222 | 850 | 0 | 161 | 0 | 0 | 2,233 | 0 | 2,233 | |
| Total on-balance sheet financial instruments | 339,794 | 452,736 | 199,428 | 151,264 | 44,844 | 5,849 | 1,193,916 | (1,911) | 1,192,006 | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Off-balance sheet positions subject to expected credit loss by rating category

| | 31.12.23 | | | | | | | | | |
|--|---------------|----------------|---------------|---------------|---------------|-----------------------------|---|---------------|--|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total carrying amount (maximum exposure to credit risk) | ECL provision | | |
| Off-balance sheet financial instruments | | | | | | | | | | |
| Guarantees | 17,805 | 10,961 | 9,421 | 5,916 | 1,882 | 207 | 46,191 | (73) | | |
| of which: stage 1 | 17,805 | 10,922 | 9,310 | 5,054 | 1,398 | 0 | 44,487 | (28) | | |
| of which: stage 2 | 0 | 39 | 111 | 861 | 484 | 0 | 1,495 | (22) | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 151 | 151 | (23) | | |
| of which: PCI | 0 | 0 | 0 | 1 | 1 | 56 | 58 | 0 | | |
| Irrevocable loan commitments | 1,722 | 31,936 | 24,050 | 19,661 | 14,006 | 266 | 91,643 | (178) | | |
| of which: stage 1 | 1,722 | 31,936 | 23,989 | 19,079 | 10,354 | 0 | 87,080 | (117) | | |
| of which: stage 2 | 0 | 0 | 62 | 583 | 3,652 | 0 | 4,297 | (51) | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 218 | 218 | (14) | | |
| of which: PCI | 0 | 0 | 0 | 0 | 0 | 48 | 48 | 4 | | |
| Forward starting reverse repurchase and securities borrowing agreements | 10,152 | 2 | 84 | 8,206 | 0 | 0 | 18,444 | 0 | | |
| Total off-balance sheet financial instruments | 29,679 | 42,899 | 33,554 | 33,783 | 15,888 | 473 | 156,278 | (251) | | |
| Credit lines | | | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,659 | 108,395 | 28,669 | 17,739 | 5,648 | 146 | 163,256 | (95) | | |
| of which: stage 1 | 2,659 | 107,992 | 28,188 | 16,921 | 4,696 | 0 | 160,456 | (78) | | |
| of which: stage 2 | 0 | 403 | 481 | 818 | 952 | 0 | 2,654 | (17) | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 146 | 146 | 0 | | |
| Irrevocable committed prolongation of existing loans | 4 | 1,803 | 1,045 | 1,251 | 501 | 4 | 4,608 | (4) | | |
| of which: stage 1 | 4 | 1,803 | 1,045 | 1,249 | 493 | 0 | 4,593 | (4) | | |
| of which: stage 2 | 0 | 0 | 0 | 2 | 9 | 0 | 11 | 0 | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 4 | 4 | 0 | | |
| Total credit lines | 2,663 | 110,197 | 29,714 | 18,990 | 6,149 | 150 | 167,864 | (99) | | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Note 20 Expected credit loss measurement (continued)

Financial assets subject to credit risk by rating category

| USD m | | 31.12.22 | | | | | | | | Net carrying amount (maximum exposure to credit risk) |
|---|----------------|----------------|---------------|----------------|---------------|-----------------------------|-----------------------------|----------------|----------------|---|
| Rating category ¹ | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | | |
| Financial assets measured at amortized cost | | | | | | | | | | |
| Cash and balances at central banks | 168,525 | 877 | 0 | 0 | 56 | 0 | 169,457 | (12) | 169,445 | |
| of which: stage 1 | 168,525 | 877 | 0 | 0 | 0 | 0 | 169,402 | 0 | 169,402 | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 56 | 0 | 56 | (12) | 44 | |
| Amounts due from banks | 862 | 12,257 | 860 | 440 | 379 | 0 | 14,798 | (6) | 14,792 | |
| of which: stage 1 | 862 | 12,257 | 860 | 440 | 378 | 0 | 14,797 | (5) | 14,792 | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | (1) | 1 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Receivables from securities financing transactions measured at amortized cost | 27,158 | 15,860 | 8,870 | 15,207 | 721 | 0 | 67,816 | (2) | 67,814 | |
| of which: stage 1 | 27,158 | 15,860 | 8,870 | 15,207 | 721 | 0 | 67,816 | (2) | 67,814 | |
| Cash collateral receivables on derivative instruments | 10,613 | 12,977 | 7,138 | 4,157 | 147 | 0 | 35,033 | 0 | 35,032 | |
| of which: stage 1 | 10,613 | 12,977 | 7,138 | 4,157 | 147 | 0 | 35,033 | 0 | 35,032 | |
| Loans and advances to customers | 6,491 | 214,473 | 68,356 | 74,732 | 21,939 | 2,012 | 388,003 | (783) | 387,220 | |
| of which: stage 1 | 6,491 | 212,980 | 66,114 | 68,034 | 16,605 | 0 | 370,224 | (129) | 370,095 | |
| of which: stage 2 | 0 | 1,493 | 2,242 | 6,698 | 5,334 | 0 | 15,767 | (180) | 15,587 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2,012 | 2,012 | (474) | 1,538 | |
| Other financial assets measured at amortized cost | 29,011 | 16,632 | 447 | 6,600 | 450 | 210 | 53,350 | (86) | 53,264 | |
| of which: stage 1 | 29,011 | 16,630 | 427 | 6,317 | 336 | 0 | 52,721 | (17) | 52,704 | |
| of which: stage 2 | 0 | 2 | 20 | 283 | 114 | 0 | 419 | (6) | 413 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 210 | 210 | (63) | 147 | |
| Total financial assets measured at amortized cost | 242,660 | 273,076 | 85,671 | 101,136 | 23,693 | 2,222 | 728,457 | (889) | 727,568 | |
| On-balance sheet financial instruments | | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 1,307 | 840 | 0 | 92 | 0 | 0 | 2,239 | 0 | 2,239 | |
| Total on-balance sheet financial instruments | 243,966 | 273,916 | 85,671 | 101,228 | 23,693 | 2,222 | 730,696 | (889) | 729,807 | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Off-balance sheet positions subject to expected credit loss by rating category

| USD m | | 31.12.22 | | | | | | | |
|---|---------------|---------------|---------------|---------------|--------------|-----------------------------|--|----------------|--|
| Rating category ¹ | 0–1 | 2–3 | 4–5 | 6–8 | 9–13 | Credit-impaired (defaulted) | Total off-balance sheet exposure (maximum exposure to credit risk) | ECL provisions | |
| Off-balance sheet financial instruments | | | | | | | | | |
| Guarantees | 7,252 | 5,961 | 4,772 | 3,049 | 1,025 | 108 | 22,167 | (48) | |
| of which: stage 1 | 7,252 | 5,917 | 3,812 | 2,229 | 596 | 0 | 19,805 | (13) | |
| of which: stage 2 | 0 | 44 | 960 | 821 | 429 | 0 | 2,254 | (9) | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 108 | 108 | (26) | |
| Irrevocable loan commitments | 1,770 | 14,912 | 6,986 | 10,097 | 6,107 | 124 | 39,996 | (111) | |
| of which: stage 1 | 1,770 | 14,789 | 6,818 | 9,625 | 4,529 | 0 | 37,531 | (59) | |
| of which: stage 2 | 0 | 123 | 168 | 472 | 1,578 | 0 | 2,341 | (52) | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 124 | 124 | 0 | |
| Forward starting reverse repurchase and securities borrowing agreements | 2,781 | 2 | 11 | 1,007 | 0 | 0 | 3,801 | 0 | |
| Total off-balance sheet financial instruments | 11,803 | 20,874 | 11,769 | 14,153 | 7,132 | 233 | 65,964 | (159) | |
| Credit lines | | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,288 | 15,918 | 9,247 | 10,162 | 3,739 | 36 | 41,390 | (40) | |
| of which: stage 1 | 2,288 | 15,213 | 8,960 | 9,631 | 3,429 | 0 | 39,521 | (32) | |
| of which: stage 2 | 0 | 705 | 287 | 531 | 310 | 0 | 1,833 | (8) | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 36 | 36 | 0 | |
| Irrevocable committed prolongation of existing loans | 7 | 1,939 | 1,489 | 868 | 392 | 2 | 4,696 | (2) | |
| of which: stage 1 | 7 | 1,938 | 1,411 | 864 | 380 | 0 | 4,600 | (2) | |
| of which: stage 2 | 0 | 1 | 78 | 4 | 11 | 0 | 94 | 0 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 | |
| Total credit lines | 2,295 | 17,857 | 10,736 | 11,030 | 4,131 | 37 | 46,086 | (42) | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Note 20 Expected credit loss measurement (continued)

f) Sensitivity information

As outlined in Note 1a, ECL estimates involve significant uncertainties at the time they are made.

ECL models

The models applied to determine point-in-time PD and LGD rely on market and statistical data, which has been found to correlate well with historically observed defaults in sufficiently homogeneous segments. The risk sensitivities for each of the ECL reporting segments to such factors are summarized in Note 10.

Sustainability and climate risk

Sustainability and climate risk may negatively affect clients or portfolios due to direct or indirect transition costs, or exposure to physical risks in locations likely to be impacted by climate change. Such effects could lead to a deterioration in credit worthiness, which in turn would have an impact on ECLs.

While some macroeconomic indicators used in the current PD models could be influenced by climate change, UBS currently does not use a specific sustainability and climate risk scenario in addition to the typically four general economic scenarios applied to derive the weighted-average ECL. The rationale for the approach at this point in time is the significance of model risks and challenges in calibration and probability weight assessment given the paucity of data.

Instead, UBS focuses on the process of vetting clients and business transactions and takes individual actions, where transition risk is deemed to be a significant driver of a counterparty's credit worthiness. This review process may lead to a downward revision of the counterparty's credit rating, or the adoption of risk mitigating actions, and hence affect the individual contribution to ECLs.

At the portfolio level, UBS has started to use stress loss assumptions to assess the extent to which sustainability and climate risk may affect the quality of the loans extended to small and medium-sized entities, large corporate clients and financial institutions. Initial tests were based on a set of assumptions presented by external parties (such as the Bank of England) and complemented by internally derived climate pathway scenarios. Such analysis undertaken during 2022 and reassessed during 2023 concluded that the counterparties are not expected to be significantly impacted by physical or transition risks, mainly as there are no material risk concentrations in high-risk sectors. The analysis of the corporate loan book has also shown that any potential significant impacts from transition costs or physical risks would materialize over a time horizon that exceeds in most cases the contractual lifetime of the underlying assets. Based on current information on regulatory developments, this would also apply to the portfolio of private clients' mortgages and real estate financing, given the long lead times for investments in upgrading housing stock.

As a result of the aforementioned factors, it was assessed that the magnitude of any impact of sustainability and climate risk on the weighted-average ECL would not be material as of 31 December 2023. Therefore, no specific post-model adjustment was made in this regard.

- › Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report
- › Refer to "Our focus on sustainability and climate" in the "Our strategy, business model and environment" section of this report
- › Refer to "UBS AG consolidated supplemental disclosures required under SEC regulations" for the maturity profile of UBS's core loan book

Forward-looking scenarios

Depending on the scenario selection and related macroeconomic assumptions for the risk factors, the components of the relevant weighted-average ECL change. This is particularly relevant for interest rates, which can move in both directions under a given growth assumption, e.g., low growth with high interest rates in a stagflation scenario, versus low growth and falling interest rates in a recession. Management generally looks for scenario narratives that reflect the key risk drivers of a given credit portfolio.

As forecasting models are complex, due to the combination of multiple factors, simple what-if analyses involving a change of individual parameters do not necessarily provide realistic information on the exposure of segments to changes in the macroeconomy. Portfolio-specific analyses based on their key risk factors would also not be meaningful, as potential compensatory effects in other segments would be ignored. The table below indicates some sensitivities to ECLs, if a key macroeconomic variable for the forecasting period is amended across all scenarios with all other factors remaining unchanged.

Note 20 Expected credit loss measurement (continued)

Potential effect on stage 1 and stage 2 positions from changing key parameters as of 31 December 2023

| <i>USD m</i> | 100% Baseline | 100% Stagflationary geopolitical crisis | 100% Mild debt crisis | Weighted average |
|--|---------------|---|-----------------------|------------------|
| Change in key parameters | | | | |
| Fixed income: Government bonds (absolute change) | | | | |
| -0.50% | (7) | (164) | (7) | (21) |
| +0.50% | 8 | 186 | 10 | 25 |
| +1.00% | 17 | 396 | 23 | 59 |
| Unemployment rate (absolute change) | | | | |
| -1.00% | (6) | (144) | (8) | (22) |
| -0.50% | (3) | (77) | (4) | (12) |
| +0.50% | 3 | 90 | 4 | 14 |
| +1.00% | 7 | 189 | 8 | 28 |
| Real GDP growth (relative change) | | | | |
| -2.00% | 49 | 84 | 73 | 58 |
| -1.00% | 25 | 40 | 36 | 30 |
| +1.00% | (20) | (37) | (35) | (26) |
| +2.00% | (39) | (71) | (63) | (50) |
| House Price Index (relative change) | | | | |
| -5.00% | 17 | 249 | 25 | 53 |
| -2.50% | 8 | 120 | 12 | 24 |
| +2.50% | (7) | (105) | (9) | (20) |
| +5.00% | (11) | (204) | (19) | (38) |
| Equity (S&P500, EuroStoxx, SMI) (relative change) | | | | |
| -10.00% | 4 | 10 | 8 | 6 |
| -5.00% | 2 | 5 | 3 | 2 |
| +5.00% | (2) | (5) | (3) | (2) |
| +10.00% | (3) | (8) | (5) | (4) |

Sensitivities can be more meaningfully assessed in the context of coherent scenarios with consistently developed macroeconomic factors. The table above outlines favorable and unfavorable effects, based on reasonably possible alternative changes to the economic conditions for stage 1 and stage 2 positions. The ECL impact is calculated for material portfolios and disclosed for each scenario.

Changes to these timelines may have an effect on ECLs: depending on the cycle, a longer or shorter forecasting horizon will lead to different annualized lifetime PD and average LGD estimations. This is currently not deemed to be material for UBS, as a large proportion of loans, including mortgages in Switzerland, have maturities that are within the forecasting horizon.

Scenario weights and stage allocation

Potential effect on stage 1 and stage 2 positions from changing scenario weights or moving to an ECL lifetime calculation as of 31 December 2023

| Scenarios | Actual ECL allowances and provisions, including staging (as per Note 10) | Pro forma ECL allowances and provisions, including staging and assuming application of 100% scenario weighting | | | Pro forma ECL allowances and provisions, assuming all positions being subject to lifetime ECL |
|--------------------------------------|--|--|---|-----------------------|---|
| | Weighted average | 100% Baseline | 100% Stagflationary geopolitical crisis | 100% Mild debt crisis | Weighted average |
| <i>USD m, except where indicated</i> | | | | | |
| Segmentation | | | | | |
| Private clients with mortgages | (161) | (66) | (816) | (81) | (409) |
| Real estate financing | (88) | (53) | (293) | (49) | (196) |
| Large corporate clients | (368) | (282) | (533) | (419) | (645) |
| SME clients | (188) | (158) | (274) | (226) | (296) |
| Ship financing | (48) | (46) | (50) | (49) | (125) |
| Consumer financing / credit cards | (74) | (71) | (81) | (75) | (186) |
| Other segments | (189) | (157) | (269) | (197) | (368) |
| Total | (1,115) | (832) | (2,317) | (1,095) | (2,225) |

Note 20 Expected credit loss measurement (continued)

Potential effect on stage 1 and stage 2 positions from changing scenario weights or moving to an ECL lifetime calculation as of 31 December 2022

| Scenarios <i>USD m, except where indicated</i> | Actual ECL allowances and provisions, including staging (as per Note 9) | Pro forma ECL allowances and provisions, including staging and assuming application of 100% scenario weighting | | | Pro forma ECL allowances and provisions, assuming all positions being subject to lifetime ECL | |
|---|---|--|----------------------------|---|---|------------------|
| | Weighted average | 100% Baseline | 100% Asset price inflation | 100% Stagflationary geopolitical crisis | 100% Global crisis | Weighted average |
| Segmentation | | | | | | |
| Private clients with mortgages | (136) | (25) | (13) | (523) | (184) | (473) |
| Real estate financing | (43) | (26) | (22) | (176) | (30) | (126) |
| Large corporate clients | (136) | (97) | (84) | (199) | (174) | (235) |
| SME clients | (86) | (67) | (66) | (162) | (97) | (153) |
| Other segments | (125) | (114) | (111) | (145) | (153) | (281) |
| Total | (526) | (329) | (295) | (1,204) | (638) | (1,267) |

Scenario weights

ECL is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses.

As shown in the table above, the ECLs for stage 1 and stage 2 positions would have been USD 832m (31 December 2022: USD 329m) instead of USD 1,115m (31 December 2022: USD 526m) if ECLs had been determined solely on the *baseline scenario*. The weighted-average ECL therefore amounted to 134% (31 December 2022: 160%) of the baseline value. The effects of weighting each of the four scenarios 100% are shown in the table above.

Stage allocation and SICR

The determination of what constitutes an SICR is based on management judgment, as explained in Note 1a. Changing the SICR trigger will have a direct effect on ECLs, as more or fewer positions would be subject to lifetime ECLs under any scenario.

The relevance of the SICR trigger on overall ECL is demonstrated in the table above with the indication that the ECL allowances and provisions for stage 1 and stage 2 positions would have been USD 2,225m, if all non-impaired positions across the portfolio had been measured for lifetime ECLs irrespective of their actual SICR status. This amount compares with actual stage 1 and 2 allowances and provisions of USD 1,115m as of 31 December 2023.

Maturity profile

The maturity profile is an important driver in ECLs, in particular for transactions in stage 2. A transfer of a transaction into stage 2 may therefore have a significant effect on ECLs. The current maturity profile of most lending books is relatively short.

Lending to large corporate clients is generally between one and two years, with related loan commitments up to four years. Real estate lending is generally between two and three years in Switzerland, with long dated maturities in the US. Lombard-lending contracts typically have average contractual maturities of 12 months or less, and include callable features.

A significant portion of our lending to SME clients and Real estate financing is documented under multi-purpose credit agreements, which allow for various forms of utilization but are unconditionally cancelable by UBS at any time: (i) for drawings under such agreements with a fixed maturity, the respective term is applied for ECL calculations, or a maximum of 12 months in stage 1; (ii) for unused credit lines and all drawings that have no fixed maturity (e.g., current accounts), UBS generally applies a 12-month maturity from the reporting date, given the credit review policies, which require either continuous monitoring of key indicators and behavioral patterns for smaller positions or an annual formal review for any other limit. The ECLs for these products are sensitive to shortening or extending the maturity assumption.

Note 21 Fair value measurement

a) Valuation principles

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with IFRS Accounting Standards. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which an instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

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

Fair values are determined using quoted prices in active markets for identical assets or liabilities, where available. Where the market for a financial instrument or non-financial asset or liability is not active, fair value is established using a valuation technique, including pricing models. Valuation adjustments may be made to allow for additional factors, including model, liquidity, credit and funding risks, which are not explicitly captured within the valuation technique, but which would nevertheless be considered by market participants when establishing a price. The limitations inherent in a particular valuation technique are considered in the determination of the classification of an asset or liability within the fair value hierarchy. Generally, the unit of account for a financial instrument is the individual instrument, and UBS applies valuation adjustments at an individual instrument level, consistent with that unit of account. However, if certain conditions are met, UBS may estimate the fair value of a portfolio of financial assets and liabilities with substantially similar and offsetting risk exposures on the basis of the net open risks.

› Refer to Note 21d for more information

b) Valuation governance

UBS's fair value measurement and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported in the financial statements. New products and valuation techniques must be reviewed and approved by key stakeholders from the risk and finance control functions. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value is with the business divisions.

Fair value estimates are validated by the risk and finance control functions, which are independent of the business divisions. Independent price verification is performed by Finance through benchmarking the business divisions' fair value estimates with observable market prices and other independent sources. A governance framework and associated controls are in place in order to monitor the quality of third-party pricing sources where used. For instruments where valuation models are used to determine fair value, independent valuation and model control groups within Finance and Risk Control evaluate UBS's models on a regular basis, including valuation and model input parameters, as well as pricing. As a result of the valuation controls employed, valuation adjustments may be made to the business divisions' estimates of fair value to align with independent market data and the relevant accounting standard.

› Refer to Note 21d for more information

Note 21 Fair value measurement (continued)

c) Fair value hierarchy

The table below provides the fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value. The narrative that follows describes valuation techniques used in measuring their fair value of different product types (including significant valuation inputs and assumptions used), and the factors considered in determining their classification within the fair value hierarchy.

During 2023, and for Credit Suisse for the period between the acquisition date and 31 December 2023, assets and liabilities that were transferred from Level 2 to Level 1, or from Level 1 to Level 2, and were held for the entire reporting period were not material. Level 3 assets increased by USD 26.5bn as of 31 December 2023, compared to 31 December 2022, following the acquisition of the Credit Suisse Group, including the reclassification of financial assets from amortized cost to fair value through profit or loss in the second half of 2023 (with retrospective adjustment of the acquisition date balance sheet), mainly reflecting USD 19bn of traded loans, including USD 5bn of securitized lending facilities, a USD 6bn loan with securitization collateral and USD 3bn of revolving loan facilities, that were deemed unobservable.

Further, in the fourth quarter of 2023, UBS prospectively amended its approach to testing for observability as part of an accounting methodology alignment following the acquisition of the Credit Suisse Group. This methodological change enhances UBS's assessment of sensitivities to unobservable valuation parameters. Application of the new methodology as of 31 December 2022 would have resulted in USD 1.3bn lower Level 3 liabilities (as of 31 December 2023 the balance of affected liabilities in Level 3 was USD 1.9bn), with an offsetting impact to Level 2 liabilities.

In addition, the levelling of USD 2.4bn of financial assets at fair value held for trading (loans) from the Credit Suisse subgroup was finalized in compliance with the new aligned methodology. This has been reflected retrospectively to the acquisition balance sheet date of 31 May 2023, resulting in a USD 2.4bn increase in Level 3 Financial assets at fair value held for trading (loans) and a USD 17m increase in Level 3 Derivative financial liabilities as of 31 May 2023, with an offsetting effect in Level 2 assets and liabilities, respectively.

Determination of fair values from quoted market prices or valuation techniques¹

| USD m | 31.12.23 | | | | 31.12.22 | | | |
|--|----------------|----------------|---------------|----------------|----------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value on a recurring basis | | | | | | | | |
| Financial assets at fair value held for trading | 118,975 | 28,045 | 22,613 | 169,633 | 96,241 | 10,138 | 1,488 | 107,866 |
| of which: Equity instruments | 102,602 | 1,403 | 321 | 104,325 | 83,074 | 789 | 126 | 83,988 |
| of which: Government bills / bonds | 6,995 | 8,763 | 73 | 15,830 | 5,496 | 950 | 18 | 6,464 |
| of which: Investment fund units | 8,392 | 1,124 | 129 | 9,645 | 6,673 | 596 | 61 | 7,330 |
| of which: Corporate and municipal bonds | 984 | 12,801 | 1,284 | 15,069 | 976 | 6,363 | 541 | 7,880 |
| of which: Loans | 0 | 3,837 | 19,618 | 23,456 | 0 | 1,179 | 628 | 1,807 |
| of which: Asset-backed securities | 3 | 112 | 133 | 248 | 22 | 261 | 114 | 397 |
| Derivative financial instruments | 622 | 172,903 | 2,559 | 176,084 | 769 | 147,875 | 1,464 | 150,108 |
| of which: Foreign exchange | 347 | 78,060 | 253 | 78,659 | 575 | 84,881 | 2 | 85,458 |
| of which: Interest rate | 0 | 55,190 | 407 | 55,597 | 0 | 39,345 | 460 | 39,805 |
| of which: Equity / index | 0 | 34,174 | 1,299 | 35,473 | 1 | 21,542 | 653 | 22,195 |
| of which: Credit | 0 | 3,456 | 513 | 3,969 | 0 | 719 | 318 | 1,038 |
| of which: Commodities | 1 | 1,869 | 13 | 1,883 | 0 | 1,334 | 30 | 1,365 |
| Brokerage receivables | 0 | 21,037 | 0 | 21,037 | 0 | 17,576 | 0 | 17,576 |
| Financial assets at fair value not held for trading | 30,717 | 64,865 | 8,435 | 104,018 | 26,572 | 29,498 | 3,725 | 59,796 |
| of which: Financial assets for unit-linked investment contracts | 15,877 | 7 | 0 | 15,884 | 13,071 | 7 | 0 | 13,072 |
| of which: Corporate and municipal bonds | 62 | 16,722 | 215 | 17,000 | 35 | 14,101 | 230 | 14,366 |
| of which: Government bills / bonds | 14,306 | 4,801 | 0 | 19,107 | 13,103 | 3,638 | 0 | 16,741 |
| of which: Loans | 0 | 4,252 | 2,258 | 6,510 | 0 | 3,602 | 736 | 4,337 |
| of which: Securities financing transactions | 0 | 36,857 | 52 | 36,909 | 0 | 7,590 | 114 | 7,704 |
| of which: Asset-backed securities | 0 | 1,525 | 180 | 1,704 | 0 | 0 | 0 | 0 |
| of which: Auction rate securities | 0 | 0 | 1,208 | 1,208 | 0 | 0 | 1,326 | 1,326 |
| of which: Investment fund units | 367 | 548 | 678 | 1,592 | 307 | 566 | 190 | 1,063 |
| of which: Equity instruments | 105 | 38 | 3,097 | 3,241 | 57 | 0 | 792 | 849 |
| Financial assets measured at fair value through other comprehensive income on a recurring basis | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | 68 | 2,165 | 0 | 2,233 | 57 | 2,182 | 0 | 2,239 |
| of which: Commercial paper and certificates of deposit | 0 | 1,948 | 0 | 1,948 | 0 | 1,878 | 0 | 1,878 |
| of which: Corporate and municipal bonds | 68 | 207 | 0 | 276 | 57 | 278 | 0 | 335 |
| Non-financial assets measured at fair value on a recurring basis | | | | | | | | |
| Precious metals and other physical commodities | 5,930 | 0 | 0 | 5,930 | 4,471 | 0 | 0 | 4,471 |
| Non-financial assets measured at fair value on a non-recurring basis | | | | | | | | |
| Other non-financial assets ³ | 0 | 0 | 31 | 31 | 0 | 0 | 110 | 110 |
| Total assets measured at fair value | 156,312 | 289,015 | 33,639 | 478,966 | 128,110 | 207,269 | 6,788 | 342,166 |
| of which: Credit Suisse ⁴ | 7,015 | 91,133 | 26,455 | 124,603 | | | | |

Note 21 Fair value measurement (continued)

| Determination of fair values from quoted market prices or valuation techniques (continued) ¹ | | | | | | | | |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| USD m | 31.12.23 | | | | 31.12.22 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value on a recurring basis | | | | | | | | |
| Financial liabilities at fair value held for trading | 27,684 | 6,315 | 161 | 34,159 | 23,578 | 5,823 | 114 | 29,515 |
| of which: Equity instruments | 18,266 | 248 | 92 | 18,606 | 16,521 | 352 | 78 | 16,951 |
| of which: Corporate and municipal bonds | 28 | 4,981 | 62 | 5,071 | 36 | 4,643 | 27 | 4,707 |
| of which: Government bills / bonds | 8,559 | 905 | 0 | 9,464 | 5,880 | 706 | 1 | 6,587 |
| of which: Investment fund units | 832 | 118 | 4 | 954 | 1,141 | 84 | 3 | 1,229 |
| Derivative financial instruments | 771 | 185,815 | 5,595 | 192,181 | 640 | 152,582 | 1,684 | 154,906 |
| of which: Foreign exchange | 457 | 89,394 | 36 | 89,887 | 587 | 87,897 | 24 | 88,508 |
| of which: Interest rate | 0 | 52,673 | 246 | 52,920 | 0 | 37,429 | 116 | 37,545 |
| of which: Equity / index | 0 | 38,046 | 3,333 | 41,380 | 0 | 24,963 | 1,184 | 26,148 |
| of which: Credit | 0 | 4,081 | 619 | 4,700 | 0 | 920 | 279 | 1,199 |
| of which: Commodities | 0 | 1,437 | 21 | 1,458 | 0 | 1,309 | 52 | 1,361 |
| of which: Loan commitments measured at FVTPL | 0 | 135 | 1,037 | 1,172 | 0 | 19 | 24 | 43 |
| Financial liabilities designated at fair value on a recurring basis | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 42,522 | 0 | 42,522 | 0 | 45,085 | 0 | 45,085 |
| Debt issued designated at fair value | 0 | 113,012 | 15,276 | 128,289 | 0 | 63,111 | 10,527 | 73,638 |
| Other financial liabilities designated at fair value | 0 | 26,878 | 2,606 | 29,484 | 0 | 29,547 | 691 | 30,237 |
| of which: Financial liabilities related to unit-linked investment contracts | 0 | 15,992 | 0 | 15,992 | 0 | 13,221 | 0 | 13,221 |
| of which: Securities financing transactions | 0 | 7,416 | 0 | 7,416 | 0 | 15,333 | 0 | 15,333 |
| of which: Over-the-counter debt instruments and other | 0 | 3,471 | 2,606 | 6,076 | 0 | 993 | 691 | 1,684 |
| Total liabilities measured at fair value | 28,454 | 374,542 | 23,638 | 426,635 | 24,219 | 296,148 | 13,015 | 333,381 |
| of which: Credit Suisse ² | 2,355 | 85,859 | 10,305 | 98,519 | | | | |

¹ Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. ² Includes a USD 0.6bn investment in Pfandbriefbank schweizerischer Hypothekarinstitute AG. UBS holds 20% of the entity's voting rights but cannot exercise significant influence given the governance structure of the entity. ³ Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell. ⁴ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Valuation techniques

UBS uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include discounted value of expected cash flows, relative value and option pricing methodologies.

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry-standard cash flow projection models. The discount factors within the calculation are generated using industry-standard yield curve modeling techniques and models.

Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry-standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed-form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation).

Where available, valuation techniques use market-observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. In such cases, the inputs selected are based on historical experience and practice for similar or analogous instruments, derivation of input levels based on similar products with observable price levels, and knowledge of current market conditions and valuation approaches.

Note 21 Fair value measurement (continued)

For more complex instruments, fair values may be estimated using a combination of observed transaction prices, consensus pricing services and relevant quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. UBS also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. Refer to Note 21e for more information. The discount curves used by the Group incorporate the funding and credit characteristics of the instruments to which they are applied.

Financial instruments excluding derivatives: valuation and classification in the fair value hierarchy

| Product | Valuation and classification in the fair value hierarchy | |
|--|--|---|
| Government bills and bonds | Valuation | <ul style="list-style-type: none"> – Generally valued using prices obtained directly from the market. – Instruments not priced directly using active-market data are valued using discounted cash flow valuation techniques that incorporate market data for similar government instruments. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1, while the remaining positions are classified as Level 2 and Level 3. |
| Corporate and municipal bonds | Valuation | <ul style="list-style-type: none"> – Generally valued using prices obtained directly from the market for the security, or similar securities, adjusted for seniority, maturity and liquidity. – When prices are not available, instruments are valued using discounted cash flow valuation techniques incorporating the credit spread of the issuer or similar issuers. – For convertible bonds without directly comparable prices, issuances may be priced using a convertible bond model. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Generally classified as Level 1 or Level 2, depending on the depth of trading activity behind price sources. – Level 3 instruments have no suitable pricing information available. |
| Traded loans and loans measured at fair value | Valuation | <ul style="list-style-type: none"> – Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available. – Where no market price data is available, loans are valued by relative value benchmarking using pricing derived from debt instruments in comparable entities or different products in the same entity, or by using a credit default swap valuation technique, which requires inputs for credit spreads, credit recovery rates and interest rates. – Securitization lending facilities are valued using a discounted cashflow analysis that incorporates adjustments for any bespoke features of the loan and collateral. Recently originated commercial real estate loans are measured using a securitization approach based on rating agency guidelines. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Instruments with suitably deep and liquid pricing information are classified as Level 2. – Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3. |
| Investment fund units | Valuation | <ul style="list-style-type: none"> – Predominantly exchange-traded, with readily available quoted prices in liquid markets. Where market prices are not available, fair value may be measured using net asset values (NAVs). |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Listed units are classified as Level 1, provided there is sufficient trading activity to justify active-market classification, while other positions are classified as Level 2. – Positions for which NAVs are not available, or where the unit or underlying investments are illiquid are classified as Level 3. |
| Asset-backed securities (ABS) | Valuation | <ul style="list-style-type: none"> – For liquid securities, the valuation process will use trade and price data, updated for movements in market levels between the time of trading and the time of valuation. Less liquid instruments are measured using discounted expected cash flows incorporating price data for instruments or indices with similar risk profiles. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Residential mortgage-backed securities, commercial mortgage-backed securities and other ABS are generally classified as Level 2. However, if significant inputs are unobservable, or if market or fundamental data is not available, they are classified as Level 3. |
| Auction rate securities (ARS) | Valuation | <ul style="list-style-type: none"> – ARS are valued utilizing a discounted cash flow methodology. The model captures interest rate risk emanating from the note coupon, credit risk attributable to the underlying closed-end fund investments, liquidity risk as a function of the level of trading volume in these positions, and extension risk, as ARS are perpetual instruments that require an assumption regarding their maturity or issuer redemption date. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Granular and liquid pricing information is generally not available for ARS. As a result, these securities are classified as Level 3. |
| Equity instruments | Valuation | <ul style="list-style-type: none"> – Listed equity instruments are generally valued using prices obtained directly from the market. – Unlisted equity holdings, including private equity positions, are initially marked at their transaction price and are revalued when reliable evidence of price movement becomes available or when the position is deemed to be impaired. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The majority of equity securities are actively traded on public stock exchanges where quoted prices are readily and regularly available, resulting in Level 1 classification. – Equity securities less actively traded will be classified as Level 2 and illiquid positions as Level 3. |
| Financial assets for unit-linked investment contracts | Valuation | <ul style="list-style-type: none"> – The majority of assets are listed on exchanges and fair values are determined using quoted prices. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Most assets are classified as Level 1 if actively traded or Level 2 if trading is not active. – Instruments for which prices are not readily available are classified as Level 3. |

Note 21 Fair value measurement (continued)

| Product | Valuation and classification in the fair value hierarchy | |
|--|--|---|
| Securities financing transactions | Valuation | – These instruments are valued using discounted expected cash flow techniques. The discount rate applied is based on funding curves that are relevant to the collateral eligibility terms. |
| | Fair value hierarchy | – Collateral funding curves for these instruments are generally observable and, as a result, these positions are classified as Level 2. – Where the collateral terms are non-standard, the funding curve may be considered unobservable and these positions are classified as Level 3. |
| Brokerage receivables and payables | Valuation | – Fair value is determined based on the value of the underlying balances. |
| | Fair value hierarchy | – Due to their on-demand nature, these receivables and payables are deemed as Level 2. |
| Financial liabilities related to unit-linked investment contracts | Valuation | – The fair values of investment contract liabilities are determined by reference to the fair value of the corresponding assets. |
| | Fair value hierarchy | – The liabilities themselves are not actively traded but are mainly referenced to instruments that are actively traded and are therefore classified as Level 2. |
| Precious metals and other physical commodities | Valuation | – Physical assets are valued using the spot rate observed in the relevant market. |
| | Fair value hierarchy | – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1. |
| Debt issued designated at fair value | Valuation | – The risk management and the valuation approaches for these instruments are closely aligned with the equivalent derivatives business and the underlying risk, and the valuation techniques used for this component are the same as the relevant valuation techniques described below. |
| | Fair value hierarchy | – The observability is closely aligned with the equivalent derivatives business and the underlying risk. |
| Commercial paper and certificates of deposit | Valuation | – Generally valued using discounted cash flow valuation techniques incorporating the spread of the issuer or similar issuers over the underlying currency risk-free curve. |
| | Fair value hierarchy | – Due to the short-dated nature of the positions and liquid underlying pricing inputs they are generally classified as Level 2. |

Derivative instruments: valuation and classification in the fair value hierarchy

The curves used for discounting expected cash flows in the valuation of collateralized derivatives reflect the funding terms associated with the relevant collateral arrangement for the instrument being valued. These collateral arrangements differ across counterparties with respect to the eligible currency and interest terms of the collateral. The majority of collateralized derivatives are measured using a discount curve based on funding rates derived from overnight interest in the cheapest eligible currency for the respective counterparty collateral agreement.

Uncollateralized and partially collateralized derivatives are discounted using the alternative reference rate (the ARR) (or equivalent) curve for the currency of the instrument. As described in Note 21d, the fair value of uncollateralized and partially collateralized derivatives is then adjusted by credit valuation adjustments (CVAs), debit valuation adjustments (DVAs) and funding valuation adjustments (FVAs), as applicable, to reflect an estimation of the effect of counterparty credit risk, UBS's own credit risk, and funding costs and benefits.

› Refer to Note 11 for more information about derivative instruments

| Derivative product | Valuation and classification in the fair value hierarchy | |
|--------------------------------|--|--|
| Interest rate contracts | Valuation | – Interest rate swap contracts are valued by estimating future interest cash flows and discounting those cash flows using a rate that reflects the appropriate funding rate for the position being measured. The yield curves used to estimate future index levels and discount rates are generated using market-standard yield curve models using interest rates associated with current market activity. The key inputs to the models are interest rate swap rates, forward rate agreement rates, short-term interest rate futures prices, basis swap spreads and inflation swap rates. – Interest rate option contracts are valued using various market-standard option models, using inputs that include interest rate yield curves, inflation curves, volatilities and correlations. – When the maturity of an interest rate swap or option contract exceeds the term for which standard market quotes are observable for a significant input parameter, the contracts are valued by extrapolation from the last observable point using standard assumptions or by reference to another observable comparable input parameter to represent a suitable proxy for that portion of the term. |
| | Fair value hierarchy | – The majority of interest rate swaps are classified as Level 2, as the standard market contracts that form the inputs for yield curve models are generally traded in active and observable markets. – Options are generally treated as Level 2, as the calibration process enables the model output to be validated to active-market levels. Models calibrated in this way are then used to revalue the portfolio of both standard options and more exotic products. – Interest rate swap or option contracts are classified as Level 3 when the terms exceed standard market-observable quotes. – Exotic options for which appropriate volatility or correlation input levels cannot be implied from observable market data are classified as Level 3. |

Note 21 Fair value measurement (continued)

| Derivative product | Valuation and classification in the fair value hierarchy | |
|---|--|---|
| Credit derivative contracts | Valuation | <ul style="list-style-type: none"> – Credit derivative contracts are valued using industry-standard models based primarily on market credit spreads, upfront pricing points and implied recovery rates. Where a derivative credit spread is not directly available, it may be derived from the price of the reference cash bond. – Asset-backed credit derivatives are valued using a valuation technique similar to that of the underlying security with an adjustment to reflect the funding differences between cash and synthetic form. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Single-entity and portfolio credit derivative contracts are classified as Level 2 when credit spreads and recovery rates are determined from actively traded observable market data. Where the underlying reference name(s) are not actively traded and the correlation cannot be directly mapped to actively traded tranche instruments, these contracts are classified as Level 3. – Asset-backed credit derivatives follow the characteristics of the underlying security and are therefore distributed across Level 2 and Level 3. |
| Foreign exchange contracts | Valuation | <ul style="list-style-type: none"> – Open spot foreign exchange (FX) contracts are valued using the FX spot rate observed in the market. – Forward FX contracts are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources. – Over-the-counter (OTC) FX option contracts are valued using market-standard option valuation models. The models used for shorter-dated options (i.e., maturities of five years or less) tend to be different than those used for longer-dated options because the models needed for longer-dated OTC FX contracts require additional consideration of interest rate and FX rate interdependency. – The valuation for multi-dimensional FX options uses a multi-local volatility model, which is calibrated to the observed FX volatilities for all relevant FX pairs. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The markets for FX spot and FX forward pricing points are both actively traded and observable and therefore such FX contracts are generally classified as Level 2. – A significant proportion of OTC FX option contracts are classified as Level 2 as inputs are derived mostly from standard market contracts traded in active and observable markets. |
| Equity / index contracts | Valuation | <ul style="list-style-type: none"> – Equity forward contracts have a single stock or index underlying and are valued using market-standard models. The key inputs to the models are stock prices, estimated dividend rates and equity funding rates (which are implied from prices of forward contracts observed in the market). Estimated cash flows are then discounted using market-standard discounted cash flow models using a rate that reflects the appropriate funding rate for that portion of the portfolio. When no market data is available for the instrument maturity, they are valued by extrapolation of available data, use of historical dividend data, or use of data for a related equity. – Equity option contracts are valued using market-standard models that estimate the equity forward level as described for equity forward contracts and incorporate inputs for stock volatility and for correlation between stocks within a basket. The probability-weighted expected option payoff generated is then discounted using market-standard discounted cash flow models applying a rate that reflects the appropriate funding rate for that portion of the portfolio. When volatility, forward or correlation inputs are not available, they are valued using extrapolation of available data, historical dividend, correlation or volatility data, or the equivalent data for a related equity. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – As inputs are derived mostly from standard market contracts traded in active and observable markets, a significant proportion of equity forward contracts are classified as Level 2. – Equity option positions for which inputs are derived from standard market contracts traded in active and observable markets are also classified as Level 2. Level 3 positions are those for which volatility, forward or correlation inputs are not observable. |
| Commodity contracts | Valuation | <ul style="list-style-type: none"> – Commodity forward and swap contracts are measured using market-standard models that use market forward levels on standard instruments. – Commodity option contracts are measured using market-standard option models that estimate the commodity forward level as described for commodity forward and swap contracts, incorporating inputs for the volatility of the underlying index or commodity. For commodity options on baskets of commodities or bespoke commodity indices, the valuation technique also incorporates inputs for the correlation between different commodities or commodity indices. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Individual commodity contracts are typically classified as Level 2, because active forward and volatility market data is available. |
| Loan commitments measured at FVTPL | Valuation | <ul style="list-style-type: none"> – Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available. – Where no market price data is available, loan commitments are valued by relative value benchmarking using pricing derived from debt instruments in comparable entities or different products in the same entity, or by using a credit default swap valuation technique, which requires inputs for credit spreads, credit recovery rates and interest rates. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Instruments with suitably deep and liquid pricing information are classified as Level 2. – Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3. |

Note 21 Fair value measurement (continued)

d) Valuation adjustments and other items

The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted where appropriate and when such factors would be considered by market participants in estimating fair value, to reflect close-out costs, credit exposure, model-driven valuation uncertainty, funding costs and benefits, trading restrictions and other factors.

Deferred day-1 profit or loss reserves

For new transactions where the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognized at the transaction price. The transaction price may differ from the fair value obtained using a valuation technique, where any such difference is deferred and not initially recognized in the income statement.

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

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period. In accordance with IFRS, no day-1 profit or loss reserves were recognized on positions acquired with the Credit Suisse Group and no significant new positions were originated between the acquisition date and 31 December 2023.

| Deferred day-1 profit or loss reserves | | | |
|---|------------|-------|-------|
| USD m | 2023 | 2022 | 2021 |
| Reserve balance at the beginning of the year | 422 | 418 | 269 |
| Profit / (loss) deferred on new transactions | 260 | 299 | 459 |
| (Profit) / loss recognized in the income statement | (278) | (295) | (308) |
| Foreign currency translation | 0 | 0 | (2) |
| Reserve balance at the end of the year | 404 | 422 | 418 |

Own credit

Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants.

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognized in *Other comprehensive income* directly within *Retained earnings, with no reclassification to the income statement in future periods*. This presentation does not create or increase an accounting mismatch in the income statement, as the Group does not hedge changes in own credit.

Own credit is estimated using own credit adjustment (OCA) curves, which incorporate observable market data, including market-observed secondary prices for UBS's debt and debt curves of peers. In the table below, the change in unrealized own credit consists of changes in fair value that are attributable to the change in UBS's credit spreads, as well as the effect of changes in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay and changes in interest and other market rates. Realized own credit is recognized when an instrument with an associated unrealized OCA is repurchased prior to the contractual maturity date. Life-to-date amounts reflect the cumulative unrealized change since initial recognition.

› Refer to Note 16 for more information about debt issued designated at fair value

Own credit adjustments on financial liabilities designated at fair value

| USD m | Included in Other comprehensive income | | |
|---|--|------------|--------------|
| | For the year ended | | |
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Recognized during the period: | | | |
| Realized gain / (loss) | 8 | 1 | (14) |
| Unrealized gain / (loss) | (1,858) | 866 | 60 |
| Total gain / (loss), before tax | (1,850) | 867 | 46 |
| Recognized on the balance sheet as of the end of the period: | | | |
| Unrealized life-to-date gain / (loss) | (1,287) | 556 | (315) |
| <i>of which: debt issued designated at fair value</i> | <i>(1,297)</i> | <i>453</i> | <i>(347)</i> |
| <i>of which: other financial liabilities designated at fair value</i> | <i>10</i> | <i>103</i> | <i>32</i> |

Own credit adjustments on financial liabilities designated at fair value includes a life-to-date loss of USD 974m attributable to Credit Suisse.

Note 21 Fair value measurement (continued)

Credit valuation adjustments

In order to measure the fair value of OTC derivative instruments, including funded derivative instruments that are classified as *Financial assets at fair value not held for trading*, CVAs are needed to reflect the credit risk of the counterparty inherent in these instruments. This amount represents the estimated fair value of protection required to hedge the counterparty credit risk of such instruments. A CVA is determined for each counterparty, considering all exposures with that counterparty, and is dependent on the expected future value of exposures, default probabilities and recovery rates, applicable collateral or netting arrangements, break clauses, funding spreads, and other contractual factors.

Funding valuation adjustments

FVAs reflect the costs and benefits of funding associated with uncollateralized and partially collateralized derivative receivables and payables and are calculated as the valuation effect from moving the discounting of the uncollateralized derivative cash flows from the ARR to OCA using the CVA framework, including the probability of counterparty default. An FVA is also applied to collateralized derivative assets in cases where the collateral cannot be sold or repledged.

Debit valuation adjustments

A DVA is estimated to incorporate own credit in the valuation of derivatives where an FVA is not already recognized. The DVA calculation is effectively consistent with the CVA framework, being determined for each counterparty, considering all exposures with that counterparty and taking into account collateral netting agreements, expected future mark-to-market movements and UBS's credit default spreads.

Other valuation adjustments

Instruments that are measured as part of a portfolio of combined long and short positions are valued at mid-market levels to ensure consistent valuation of the long- and short-component risks. A liquidity valuation adjustment is then made to the overall net long or short exposure to move the fair value to bid or offer as appropriate, reflecting current levels of market liquidity. The bid-offer spreads used in the calculation of this valuation adjustment are obtained from market transactions and other relevant sources and are updated periodically.

Uncertainties associated with the use of model-based valuations are incorporated into the measurement of fair value through the use of model reserves. These reserves reflect the amounts that the Group estimates should be deducted from valuations produced directly by models to incorporate uncertainties in the relevant modeling assumptions, in the model and market inputs used, or in the calibration of the model output to adjust for known model deficiencies. In arriving at these estimates, the Group considers a range of market practices, including how it believes market participants would assess these uncertainties. Model reserves are reassessed periodically in light of data from market transactions, consensus pricing services and other relevant sources.

Other valuation adjustment reserves on the balance sheet

| | As of | | |
|---|----------|----------|----------|
| USD m | 31.12.23 | 31.12.22 | 31.12.21 |
| Credit valuation adjustments ¹ | (145) | (33) | (44) |
| Funding and debit valuation adjustments | (116) | (46) | (47) |
| Other valuation adjustments | (2,654) | (839) | (913) |
| of which: liquidity | (2,051) | (311) | (341) |
| of which: model uncertainty | (603) | (529) | (571) |

¹ Amount does not include reserves against defaulted counterparties.

Credit valuation adjustments and Funding and debit valuation adjustments include USD 108m and USD 34m respectively, attributable to the Credit Suisse Group. Liquidity and model uncertainty adjustments in Credit Suisse amount to USD 1,741m and USD 181m, respectively.

e) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 December 2023 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of the Group's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by the Group. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

Note 21 Fair value measurement (continued)

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

| USD bn | Fair value | | | | Valuation technique(s) | Significant unobservable input(s) ¹ | Range of inputs | | | | | | unit ¹ |
|--|-------------|------------|-------------|-------------|--|---|-----------------|-------|-------------------------------|----------|-------|-------------------------------|-------------------|
| | Assets | | Liabilities | | | | 31.12.23 | | | 31.12.22 | | | |
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | | | low | high | weighted average ² | low | high | weighted average ² | |
| Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading | | | | | | | | | | | | | |
| <i>Corporate and municipal bonds</i> | <i>1.5</i> | <i>0.8</i> | <i>0.1</i> | <i>0.0</i> | Relative value to market comparable | Bond price equivalent | 5 | 126 | 99 | 14 | 112 | 85 | points |
| | | | | | Discounted expected cash flows | Discount margin | 135 | 491 | 463 | 412 | 412 | | basis points |
| <i>Traded loans, loans measured at fair value, loan commitments and guarantees</i> | <i>22.0</i> | <i>1.7</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Loan price equivalent | 1 | 120 | 88 | 30 | 100 | 97 | points |
| | | | | | Discounted expected cash flows | Credit spread | 19 | 2,681 | 614 | 200 | 200 | 200 | basis points |
| | | | | | Market comparable and securitization model | Credit spread | 162 | 1,849 | 318 | 145 | 1,350 | 322 | basis points |
| | | | | | Option model | Gap risk | 0 | 2 | 0 | | | | % |
| <i>Auction rate securities</i> | <i>1.2</i> | <i>1.3</i> | | | Discounted expected cash flows | Credit spread | 135 | 205 | 150 | 115 | 196 | 144 | basis points |
| <i>Investment fund units³</i> | <i>0.8</i> | <i>0.3</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Net asset value | | | | | | | |
| <i>Equity instruments³</i> | <i>3.4</i> | <i>0.9</i> | <i>0.1</i> | <i>0.1</i> | Relative value to market comparable | Price | | | | | | | |
| Debt issued designated at fair value⁴ | | | 15.3 | 10.5 | | | | | | | | | |
| Other financial liabilities designated at fair value | | | 2.6 | 0.7 | Discounted expected cash flows | Funding spread | 51 | 201 | | 23 | 175 | | basis points |
| Derivative financial instruments | | | | | | | | | | | | | |
| <i>Interest rate</i> | <i>0.4</i> | <i>0.5</i> | <i>0.2</i> | <i>0.1</i> | Option model | Volatility of interest rates | 45 | 154 | | 75 | 143 | | basis points |
| | | | | | | Volatility of inflation | 1 | 6 | | | | | % |
| | | | | | | IR-to-IR correlation | 4 | 100 | | | | | % |
| <i>Credit</i> | <i>0.5</i> | <i>0.3</i> | <i>0.6</i> | <i>0.3</i> | Discounted expected cash flows | Credit spreads | 1 | 2,421 | | 9 | 565 | | basis points |
| | | | | | | Credit correlation | 50 | 66 | | | | | % |
| | | | | | | Credit volatility | 60 | 60 | | | | | % |
| | | | | | | Bond price equivalent | 2 | 242 | | 3 | 277 | | points |
| | | | | | | Recovery rates | 14 | 100 | | | | | % |
| | | | | | Option model | Credit spreads | 26 | 2,159 | | | | | basis points |
| <i>Equity / index</i> | <i>1.3</i> | <i>0.7</i> | <i>3.3</i> | <i>1.2</i> | Option model | Equity dividend yields | 0 | 17 | | 0 | 20 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 142 | | 4 | 120 | | % |
| | | | | | | Equity-to-FX correlation | (40) | 77 | | (29) | 84 | | % |
| | | | | | | Equity-to-equity correlation | (50) | 100 | | (25) | 100 | | % |
| <i>Loan commitments measured at FVTPL</i> | | | <i>1.0</i> | | Relative value to market comparable | Loan price equivalent | 35 | 102 | | | | | points |

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. 3 The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. 4 Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, as well as rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters for debt issued or embedded derivatives for over-the-counter debt instruments are presented in the respective derivative financial instruments lines in this table.

Note 21 Fair value measurement (continued)

Significant unobservable inputs in Level 3 positions

This section discusses the significant unobservable inputs used in the valuation of Level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on a fair value measurement. Relationships between observable and unobservable inputs have not been included in the summary below.

| Input | Description |
|------------------------------|---|
| Bond price equivalent | <ul style="list-style-type: none"> Where market prices are not available for a bond, fair value is measured by comparison with observable pricing data from similar instruments. Factors considered when selecting comparable instruments include credit quality, maturity and industry of the issuer. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield (either as an outright yield or as a spread to the relevant benchmark rate). For corporate and municipal bonds, the range represents the range of prices from reference issuances used in determining fair value. Bonds priced at 0 are distressed to the point that no recovery is expected, while prices significantly in excess of 100 or par relate to inflation-linked or structured issuances that pay a coupon in excess of the market benchmark as of the measurement date. For credit derivatives, the bond price range represents the range of prices used for reference instruments, which are typically converted to an equivalent yield or credit spread as part of the valuation process. |
| Loan price equivalent | <ul style="list-style-type: none"> Where market prices are not available for a traded loan or a loan commitment, fair value is measured by comparison with observable pricing data for similar instruments. Factors considered when selecting comparable instruments include industry segment, collateral quality, maturity and issuer-specific covenants. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield. The range represents the range of prices derived from reference issuances of a similar credit quality used to measure fair value for loans classified as Level 3. Loans priced at 0 are distressed to the point that no recovery is expected, while a current price of 100 represents a loan that is expected to be repaid in full. |
| Credit spread | <ul style="list-style-type: none"> Valuation models for many credit derivatives and other credit sensitive products require an input for the credit spread, which is a reflection of the credit quality of the associated referenced underlying. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either US Treasury or ARR, and is generally expressed in terms of basis points. An increase / (decrease) in credit spread will increase / (decrease) the value of credit protection offered by credit default swaps and other credit derivative products. The income statement effect from such changes depends on the nature and direction of the positions held. Credit spreads may be negative where the asset is more creditworthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness. The range represents a diverse set of underlyings, with the lower end of the range representing credits of the highest quality and the upper end of the range representing greater levels of credit risk. |
| Discount margin | <ul style="list-style-type: none"> The discount margin (DM) spread represents the discount rates applied to present value cash flows of an asset to reflect the market return required for uncertainty in the estimated cash flows. DM spreads are a rate or rates applied on top of a floating index (e.g., Secured Overnight Financing Rate (SOFR)) to discount expected cash flows. Generally, a decrease / (increase) in the DM in isolation would result in a higher / (lower) fair value. The high end of the range relates to securities that are priced low within the market relative to the expected cash flow schedule. This indicates that the market is pricing an increased risk of credit loss into the security that is greater than what is being captured by the expected cash flow generation process. The low ends of the ranges are typical of funding rates on better-quality instruments. |
| Funding spread | <ul style="list-style-type: none"> Structured financing transactions are valued using synthetic funding curves that best represent the assets that are pledged as collateral for the transactions. They are not representative of where UBS can fund itself on an unsecured basis but provide an estimate of where UBS can source and deploy secured funding with counterparties for a given type of collateral. The funding spreads are expressed in terms of basis points, and if funding spreads widen, this increases the effect of discounting. A small proportion of structured debt instruments and non-structured fixed-rate bonds within financial liabilities designated at fair value had an exposure to funding spreads that was longer in duration than the actively traded market. |
| Volatility | <ul style="list-style-type: none"> Volatility measures the variability of future prices for a particular instrument and is generally expressed as a percentage, where a higher number reflects a more volatile instrument, for which future price movements are more likely to occur. Volatility is a key input into option models, where it is used to derive a probability-based distribution of future prices for the underlying instrument. The effect of volatility on individual positions within the portfolio is driven primarily by whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of an increase in volatility and is reduced by a decrease in volatility. Generally, volatility used in the measurement of fair value is derived from active-market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility "smile" or "skew," which represents the effect of pricing options of different option strikes at different implied volatility levels. Volatilities of low interest rates tend to be much higher than volatilities of high interest rates. In addition, different currencies may have significantly different implied volatilities. |
| Recovery Rate | <ul style="list-style-type: none"> The projected recovery rate reflects the estimated recovery that will be realized given expected defaults, it is an analogous pricing input for corporate or sovereign credits. Reduction in recovery rates will result in lower expected cash flows into the structure upon the default of the instruments. In general, a significant increase / (decrease) in the recovery rate in isolation would result in significantly higher / (lower) fair value for the respective underlying cash security. The impact of a change in recovery rate on a credit derivative position will depend on whether credit protection has been bought or sold. Recovery rate is ultimately driven by the value recoverable from collateral held after default occurs relative to the outstanding exposure at that point. |
| Gap risk | <ul style="list-style-type: none"> Gap risk is a risk of unexpected large declines in the underlying collateral values occurring between collateral settlement dates. Gap risk is a significant unobservable input for structures that exhibit market risk to significant price moves in the reference asset, generally related to certain financing or principal protection trade features. In general, for assets / (liabilities) with a significant unobservable input of gap risk, an increase in gap risk in isolation would decrease / (increase) the fair value. |

Note 21 Fair value measurement (continued)

| Input | Description |
|-------------------------------|---|
| Correlation | – Correlation measures the interrelationship between the movements of two variables. It is expressed as a percentage between –100% and +100%, where +100% represents perfectly correlated variables (meaning a movement of one variable is associated with a movement of the other variable in the same direction) and –100% implies that the variables are inversely correlated (meaning a movement of one variable is associated with a movement of the other variable in the opposite direction). The effect of correlation on the measurement of fair value depends on the specific terms of the instruments being valued, reflecting the range of different payoff features within such instruments. |
| Equity dividend yields | – The derivation of a forward price for an individual stock or index is important for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings, and, to a lesser extent, the relevant funding rates applicable to the stock in question. Dividend yields are generally expressed as an annualized percentage of the share price, with the lowest limit of 0% representing a stock that is not expected to pay any dividend. The dividend yield and timing represent the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price. |

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

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible favorable and unfavorable alternative assumptions would change fair value significantly, and the estimated effect thereof. The table below does not represent the estimated effect of stress scenarios. Interdependencies between Level 1, 2 and 3 parameters have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters discussed below are not a significant element of the valuation uncertainty.

Sensitivity data is estimated using a number of techniques, including the estimation of price dispersion among different market participants, variation in modeling approaches and reasonably possible changes to assumptions used within the fair value measurement process. The sensitivity ranges are not always symmetrical around the fair values, as the inputs used in valuations are not always precisely in the middle of the favorable and unfavorable range.

Sensitivity data is determined at a product or parameter level and then aggregated assuming no diversification benefit. Diversification would incorporate estimated correlations across different sensitivity results and, as such, would result in an overall sensitivity that would be less than the sum of the individual component sensitivities. However, the Group believes that the diversification benefit is not significant to this analysis.

The increase in Traded loans sensitivity to favorable and unfavorable changes is due to an increase in Level 3 loan balances from Credit Suisse including, securitization warehouse facilities, a loan with securitization collateral and revolving loan facilities that are deemed unobservable.

Sensitivity of fair value measurements to changes in unobservable input assumptions¹

| USD m | 31.12.23 | | 31.12.22 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| Traded loans, loans measured at fair value and guarantees | 635 ² | (600) ² | 19 | (12) |
| Securities financing transactions | 30 | (32) | 33 | (37) |
| Auction rate securities | 67 | (21) | 46 | (46) |
| Asset-backed securities | 39 | (36) | 27 | (27) |
| Equity instruments | 430 | (413) | 183 | (161) |
| Investment fund units | 135 | (137) | 19 | (21) |
| Loan commitments measured at FVTPL | 313 | (343) | 0 | 0 |
| Interest rate derivatives, net | 217 | (103) | 18 | (12) |
| Credit derivatives, net | 140 | (131) | 3 | (4) |
| Foreign exchange derivatives, net | 5 | (4) | 10 | (5) |
| Equity / index derivatives, net | 521 | (443) | 361 | (330) |
| Other | 281 | (276) | 20 | (41) |
| Total | 2,815 | (2,538) | 738 | (696) |
| <i>of which: Credit Suisse³</i> | <i>2,034</i> | <i>(1,890)</i> | | |

¹ Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or Other. ² Sensitivity increased due to a traded loan L3 balance increase (see note 21(c)) and includes refinements applied in estimating valuation uncertainty across various parameters. ³ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

g) Level 3 instruments: movements during the period

The table below presents additional information about material Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy, and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented in the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Note 21 Fair value measurement (continued)

As noted above, Level 3 assets overall increased following the acquisition of the Credit Suisse Group, mainly reflecting acquired traded loans that were deemed unobservable and, to a lesser extent, also reflecting the aligning UBS's accounting methodology for testing unobservable inputs.

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

Movements of Level 3 instruments

| <i>USD bn</i> | Balance at the beginning of the period | Credit Suisse Level 3 assets and liabilities acquired ¹ | Net gains / losses included in comprehensive income ² | of which: related to instruments held at the end of the period | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance at the end of the period |
|---|--|--|--|--|------------|--------------|------------|--------------|------------------------|--------------------------|------------------------------|----------------------------------|
| For the twelve months ended 31 December 2023³ | | | | | | | | | | | | |
| Financial assets at fair value held for trading | 1.5 | 26.2 | (0.9) | (0.5) | 1.1 | (4.5) | 3.6 | (5.6) | 2.3 | (1.1) | 0.0 | 22.6 |
| of which: Equity instruments | 0.1 | 0.4 | (0.1) | (0.0) | 0.1 | (0.2) | 0.0 | 0.0 | 0.2 | (0.1) | 0.0 | 0.3 |
| of which: Corporate and municipal bonds | 0.5 | 1.1 | (0.2) | (0.1) | 0.6 | (0.8) | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | 1.3 |
| of which: Loans | 0.6 | 23.1 | (0.7) | (0.4) | 0.1 | (2.7) | 3.6 | (5.6) | 2.0 | (0.8) | 0.0 | 19.6 |
| Derivative financial instruments – assets | 1.5 | 1.4 | (0.2) | (0.1) | 0.0 | (0.0) | 1.0 | (0.8) | 0.3 | (0.7) | 0.0 | 2.6 |
| of which: Interest rate | 0.5 | 0.2 | (0.0) | (0.0) | 0.0 | 0.0 | 0.2 | (0.3) | 0.1 | (0.2) | (0.0) | 0.4 |
| of which: Equity / index | 0.7 | 0.5 | (0.1) | 0.0 | 0.0 | 0.0 | 0.6 | (0.2) | 0.1 | (0.3) | 0.0 | 1.3 |
| of which: Credit | 0.3 | 0.2 | (0.1) | (0.0) | 0.0 | 0.0 | 0.1 | (0.2) | 0.1 | (0.0) | 0.0 | 0.5 |
| Financial assets at fair value not held for trading | 3.7 | 4.2 | 0.2 | 0.1 | 2.1 | (2.2) | 0.0 | (0.0) | 0.8 | (0.3) | 0.1 | 8.4 |
| of which: Loans | 0.7 | 0.8 | 0.3 | 0.3 | 0.6 | (0.4) | (0.0) | (0.0) | 0.4 | (0.2) | 0.0 | 2.3 |
| of which: Auction rate securities | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 |
| of which: Equity instruments | 0.8 | 2.1 | (0.0) | (0.1) | 0.5 | (0.4) | 0.0 | (0.0) | 0.1 | 0.0 | 0.1 | 3.1 |
| Derivative financial instruments – liabilities | 1.7 | 4.5 | (0.4) | 0.1 | 0.0 | (0.0) | 2.0 | (2.0) | 0.4 | (0.7) | 0.0 | 5.6 |
| of which: Interest rate | 0.1 | 0.2 | (0.0) | (0.0) | 0.0 | 0.0 | 0.1 | (0.1) | 0.1 | (0.2) | 0.0 | 0.2 |
| of which: Equity / index | 1.2 | 1.7 | 0.2 | 0.6 | (0.0) | (0.0) | 1.2 | (0.9) | 0.2 | (0.3) | 0.0 | 3.3 |
| of which: Credit | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | (0.1) | 0.1 | (0.1) | 0.0 | 0.6 |
| of which: Loan commitments measured at FVTPL | 0.0 | 2.0 | (0.6) | (0.5) | 0.0 | 0.0 | 0.1 | (0.5) | 0.0 | (0.0) | 0.0 | 1.0 |
| Debt issued designated at fair value | 10.5 | 8.5 | 1.0 | 0.8 | 0.0 | 0.0 | 3.7 | (5.1) | 1.0 | (4.5) | 0.0 | 15.3 |
| Other financial liabilities designated at fair value | 0.7 | 2.1 | (0.0) | 0.0 | 0.0 | 0.0 | 0.2 | (0.2) | 0.0 | (0.1) | 0.0 | 2.6 |
| For the twelve months ended 31 December 2022 | | | | | | | | | | | | |
| Financial assets at fair value held for trading | 2.3 | | (0.3) | (0.3) | 0.3 | (1.8) | 0.5 | 0.0 | 0.7 | (0.3) | (0.0) | 1.5 |
| of which: Investment fund units | 0.0 | | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | (0.0) | 0.1 |
| of which: Corporate and municipal bonds | 0.6 | | (0.0) | (0.0) | 0.3 | (0.6) | 0.0 | 0.0 | 0.4 | (0.0) | (0.0) | 0.5 |
| of which: Loans | 1.4 | | (0.1) | (0.1) | 0.0 | (1.1) | 0.5 | 0.0 | 0.0 | (0.2) | 0.0 | 0.6 |
| Derivative financial instruments – assets | 1.1 | | 0.6 | 0.3 | 0.0 | 0.0 | 0.4 | (0.7) | 0.1 | (0.0) | (0.0) | 1.5 |
| of which: Interest rate | 0.5 | | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | (0.1) | (0.0) | 0.5 |
| of which: Equity / index | 0.4 | | 0.2 | 0.1 | 0.0 | 0.0 | 0.4 | (0.3) | 0.1 | (0.0) | (0.0) | 0.7 |
| of which: Credit | 0.2 | | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | 0.1 | 0.0 | 0.3 |
| Financial assets at fair value not held for trading | 4.2 | | 0.1 | 0.1 | 0.7 | (1.2) | 0.1 | (0.0) | 0.2 | (0.3) | (0.0) | 3.7 |
| of which: Loans | 0.9 | | (0.0) | (0.0) | 0.4 | (0.4) | 0.1 | 0.0 | 0.1 | (0.3) | (0.0) | 0.7 |
| of which: Auction rate securities | 1.6 | | 0.1 | 0.0 | 0.0 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 |
| of which: Equity instruments | 0.7 | | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | 0.0 | 0.1 | 0.0 | (0.0) | 0.8 |
| Derivative financial instruments – liabilities | 2.2 | | (0.8) | (0.4) | 0.0 | 0.0 | 1.1 | (0.9) | 0.3 | (0.2) | (0.1) | 1.7 |
| of which: Interest rate | 0.3 | | (0.3) | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | (0.0) | (0.0) | 0.1 |
| of which: Equity / index | 1.5 | | (0.4) | (0.3) | 0.0 | 0.0 | 0.8 | (0.7) | 0.1 | (0.2) | (0.0) | 1.2 |
| of which: Credit | 0.3 | | (0.1) | (0.0) | 0.0 | 0.0 | 0.1 | (0.1) | 0.1 | (0.0) | (0.0) | 0.3 |
| Debt issued designated at fair value | 14.2 | | (2.2) | (1.8) | 0.0 | 0.0 | 4.7 | (3.1) | 0.7 | (3.4) | (0.3) | 10.5 |
| Other financial liabilities designated at fair value | 0.8 | | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | (0.0) | 0.7 |

¹ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group. ² Net gains / losses included in comprehensive income are recognized in Net interest income and Other net income from financial instruments measured at fair value through profit or loss in the Income statement, and also in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax in the Statement of comprehensive income. ³ Total Level 3 assets as of 31 December 2023 were USD 33.6bn (31 December 2022: USD 6.8bn). Total Level 3 liabilities as of 31 December 2023 were USD 23.6bn (31 December 2022: USD 13.0bn).

Note 21 Fair value measurement (continued)

h) Maximum exposure to credit risk for financial instruments measured at fair value

The tables below provide the Group's maximum exposure to credit risk for financial instruments measured at fair value and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS Accounting Standards.

Maximum exposure to credit risk

| | 31.12.23 | | | | | | | | |
|---|---------------------------------|--------------------------|---|------------------------|------------------|---------------------|-----------------------------|-----------------------------------|--|
| | Maximum exposure to credit risk | Collateral | | | | Credit enhancements | | | Exposure to credit risk after collateral and credit enhancements |
| | | Cash collateral received | Collateralized by equity and debt instruments | Secured by real estate | Other collateral | Netting | Credit derivative contracts | Guarantees and sub-participations | |
| <i>USD bn</i> | | | | | | | | | |
| Financial assets measured at fair value on the balance sheet¹ | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments ^{2,3} | 54.6 | | | | | | | | 54.6 |
| Derivative financial instruments ⁴ | 176.1 | | 6.4 | | | 156.4 | | | 13.3 |
| Brokerage receivables | 21.0 | | 20.5 | | | | | | 0.5 |
| Financial assets at fair value not held for trading – debt instruments ⁵ | 83.3 | | 41.7 | | 0.0 | 0.2 | 0.0 | | 41.3 |
| Total financial assets measured at fair value | 335.0 | 0.0 | 68.6 | 0.0 | 0.0 | 156.6 | 0.0 | 0.0 | 109.8 |
| <i>of which: Credit Suisse⁶</i> | <i>114.2</i> | | <i>32.9</i> | | <i>0.0</i> | <i>42.0</i> | <i>0.0</i> | | <i>39.3</i> |
| Guarantees | 0.1 | | | | | | | 0.1 | 0.0 |
| 31.12.22 | | | | | | | | | |
| <i>USD bn</i> | | | | | | | | | |
| Financial assets measured at fair value on the balance sheet¹ | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments ^{2,3} | 16.5 | | | | | | | | 16.5 |
| Derivative financial instruments ⁴ | 150.1 | | 5.9 | | | 133.5 | | | 10.7 |
| Brokerage receivables | 17.6 | | 17.3 | | | | | | 0.3 |
| Financial assets at fair value not held for trading – debt instruments ⁵ | 44.8 | | 11.4 | | | | | | 33.4 |
| Total financial assets measured at fair value | 229.0 | 0.0 | 34.6 | 0.0 | 0.0 | 133.5 | 0.0 | 0.0 | 61.0 |
| Guarantees | 0.2 | | | | | | | 0.2 | 0.0 |

¹ The maximum exposure to loss is generally equal to the carrying amount and subject to change over time with market movements. ² For the purpose of this disclosure, collateral and credit enhancements were not considered as these positions are generally managed under the market risk framework. ³ Does not include investment fund units. ⁴ The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information. ⁵ Does not include unit-linked investment contracts and investment fund units. Financial assets at fair value not held for trading collateralized by equity and debt instruments consisted of structured loans and reverse repurchase and securities borrowing agreements. ⁶ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 21 Fair value measurement (continued)

i) Financial instruments not measured at fair value

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

Financial instruments not measured at fair value

| USD bn | 31.12.23 | | | | | | 31.12.22 | | | | | |
|---|-----------------|--|---------|---------|---------|-------|-----------------|--|---------|---------|---------|-------|
| | Carrying amount | Fair value | | | | | Carrying amount | Fair value | | | | |
| | Total | Carrying amount approximates fair value ¹ | Level 1 | Level 2 | Level 3 | Total | Total | Carrying amount approximates fair value ¹ | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | | | | | |
| Cash and balances at central banks | 314.1 | 314.0 | 0.0 | 0.1 | 0.0 | 314.1 | 169.4 | 169.4 | 0.1 | 0.0 | 0.0 | 169.4 |
| Amounts due from banks | 21.2 | 19.7 | 0.0 | 1.2 | 0.2 | 21.2 | 14.8 | 14.0 | 0.0 | 0.7 | 0.0 | 14.8 |
| Receivables from securities financing transactions measured at amortized cost | 99.0 | 93.6 | 0.0 | 3.9 | 1.5 | 99.0 | 67.8 | 64.3 | 0.0 | 1.8 | 1.7 | 67.8 |
| Cash collateral receivables on derivative instruments | 50.1 | 50.1 | 0.0 | 0.0 | 0.0 | 50.1 | 35.0 | 35.0 | 0.0 | 0.0 | 0.0 | 35.0 |
| Loans and advances to customers | 639.8 | 196.9 | 0.0 | 54.5 | 382.2 | 633.7 | 387.2 | 134.3 | 0.0 | 45.9 | 194.7 | 374.9 |
| Other financial assets measured at amortized cost | 65.5 | 13.2 | 13.9 | 33.9 | 2.6 | 64.0 | 53.3 | 12.9 | 10.3 | 25.1 | 2.5 | 50.8 |
| Liabilities | | | | | | | | | | | | |
| Amounts due to banks | 71.0 | 62.7 | 0.0 | 8.3 | 0.0 | 71.0 | 11.6 | 8.9 | 0.0 | 2.7 | 0.0 | 11.6 |
| Payables from securities financing transactions measured at amortized cost | 14.4 | 8.1 | 0.0 | 5.9 | 0.4 | 14.4 | 4.2 | 3.5 | 0.0 | 0.7 | 0.0 | 4.2 |
| Cash collateral payables on derivative instruments | 41.6 | 41.5 | 0.0 | 0.0 | 0.0 | 41.5 | 36.4 | 36.4 | 0.0 | 0.0 | 0.0 | 36.4 |
| Customer deposits | 792.0 | 694.1 | 0.0 | 98.7 | 0.0 | 792.9 | 525.1 | 491.3 | 0.0 | 33.6 | 0.0 | 524.8 |
| Debt issued measured at amortized cost | 237.8 | 24.7 | 0.0 | 216.3 | 0.1 | 241.3 | 114.6 | 15.4 | 0.0 | 98.1 | 0.0 | 113.5 |
| Other financial liabilities measured at amortized cost ² | 15.3 | 13.4 | 0.0 | 0.0 | 1.7 | 15.2 | 6.2 | 6.2 | 0.0 | 0.0 | 0.0 | 6.2 |

¹ Includes certain financial instruments where the carrying amount is a reasonable approximation of the fair value due to the instruments' short-term nature (instruments that are receivable or payable on demand or with a remaining maturity (excluding the effects of callable features) of three months or less). ² Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions described below relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another. The following principles were applied when determining fair value estimates for financial instruments not measured at fair value.

- For financial instruments with remaining maturities greater than three months, the fair value was determined from quoted market prices, if available.
- Where quoted market prices were not available, the fair values were estimated by discounting contractual cash flows using current market interest rates or appropriate yield curves for instruments with similar credit risk and maturity. These estimates generally include adjustments for counterparty credit risk or UBS's own credit.
- For short-term financial instruments with remaining maturities of three months or less, the carrying amount, which is net of credit loss allowances, is generally considered a reasonable estimate of fair value.

Note 22 Offsetting financial assets and financial liabilities

UBS enters into netting agreements with counterparties to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, over-the-counter derivatives, and exchange-traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set off liabilities against available assets received in the ordinary course of business and / or in the event that the counterparties to the transaction are unable to fulfill their contractual obligations.

The tables below provide a summary of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements, as well as financial collateral received or pledged to mitigate credit exposures for these financial instruments.

The Group engages in a variety of counterparty credit risk mitigation strategies in addition to netting and collateral arrangements. Therefore, the net amounts presented in the tables below do not purport to represent their actual credit risk exposure.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

| | Assets subject to netting arrangements | | | | | | Assets not subject to netting arrangements ⁴ | Total assets | | |
|---|---|---|--|--|---------------------|---|---|--|---|--|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet ³ | | | | Assets recognized on the balance sheet | Total assets after consideration of netting potential | Total assets recognized on the balance sheet |
| | Gross assets before netting | Netting with gross liabilities ² | Net assets recognized on the balance sheet | Financial liabilities | Collateral received | Assets after consideration of netting potential | | | | |
| <i>As of 31.12.23, USD bn</i> | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 93.7 | (12.7) | 80.9 | (1.5) | (79.2) | 0.3 | 18.1 | 18.4 | 99.0 | |
| Derivative financial instruments | 172.4 | (3.3) | 169.1 | (133.0) | (29.8) | 6.3 | 7.0 | 13.3 | 176.1 | |
| Cash collateral receivables on derivative instruments ¹ | 47.3 | 0.0 | 47.3 | (29.7) | (3.2) | 14.5 | 2.7 | 17.2 | 50.1 | |
| Financial assets at fair value not held for trading | 129.8 | (92.6) | 37.2 | (2.0) | (35.3) | 0.0 | 66.7 | 66.7 | 104.0 | |
| <i>of which: reverse repurchase agreements</i> | 128.7 | (92.6) | 36.1 | (2.0) | (34.1) | 0.0 | 0.8 | 0.8 | 36.9 | |
| Total assets | 443.2 | (108.6) | 334.6 | (166.2) | (147.4) | 21.0 | 94.6 | 115.6 | 429.2 | |
| <i>As of 31.12.22, USD bn</i> | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 60.8 | (11.1) | 49.6 | (3.0) | (46.4) | 0.3 | 18.2 | 18.5 | 67.8 | |
| Derivative financial instruments | 147.4 | (2.5) | 144.9 | (110.9) | (28.5) | 5.5 | 5.2 | 10.7 | 150.1 | |
| Cash collateral receivables on derivative instruments ¹ | 33.5 | 0.0 | 33.5 | (20.9) | (1.9) | 10.6 | 1.5 | 12.1 | 35.0 | |
| Financial assets at fair value not held for trading | 85.6 | (76.8) | 8.7 | (1.5) | (7.3) | 0.0 | 51.0 | 51.0 | 59.8 | |
| <i>of which: reverse repurchase agreements</i> | 84.4 | (76.8) | 7.6 | (1.5) | (6.1) | 0.0 | 0.1 | 0.1 | 7.7 | |
| Total assets | 327.2 | (90.4) | 236.8 | (136.3) | (84.1) | 16.4 | 76.0 | 92.3 | 312.8 | |

¹ The net amount of Cash collateral receivables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. ² The logic of the table results in amounts presented in the "Netting with gross liabilities" column corresponding directly to the amounts presented in the "Netting with gross assets" column in the liabilities table presented below. Netting in this column for reverse repurchase agreements presented within the lines "Receivables from securities financing transactions measured at amortized cost" and "Financial assets at fair value not held for trading" taken together corresponds to the amounts presented for repurchase agreements in the "Payables from securities financing transactions measured at amortized cost" and "Other financial liabilities designated at fair value" lines in the liabilities table presented below. ³ For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial assets presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. ⁴ Includes assets not subject to enforceable netting arrangements and other out-of-scope items.

Note 22 Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

| | Liabilities subject to netting arrangements | | | | | | Liabilities not subject to netting arrangements ⁴ | Total liabilities | | |
|--|---|--|---|--|--------------------|--|--|---|--|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet ³ | | | | Liabilities recognized on the balance sheet | Total liabilities after consideration of netting potential | Total liabilities recognized on the balance sheet |
| | Gross liabilities before netting | Netting with gross assets ² | Net liabilities recognized on the balance sheet | Financial assets | Collateral pledged | Liabilities after consideration of netting potential | | | | |
| <i>As of 31.12.23, USD bn</i> | | | | | | | | | | |
| Payables from securities financing transactions measured at amortized cost | 25.2 | (12.5) | 12.6 | (0.8) | (11.8) | 0.0 | 1.8 | 1.8 | 14.4 | |
| Derivative financial instruments | 185.1 | (3.3) | 181.8 | (133.0) | (35.0) | 13.9 | 10.4 | 24.3 | 192.2 | |
| Cash collateral payables on derivative instruments ¹ | 39.8 | 0.0 | 39.7 | (23.2) | (3.2) | 13.3 | 1.8 | 15.2 | 41.6 | |
| Other financial liabilities designated at fair value | 102.1 | (92.8) | 9.3 | (2.7) | (4.8) | 1.8 | 20.2 | 22.0 | 29.5 | |
| <i>of which: repurchase agreements</i> | 100.0 | (92.8) | 7.2 | (2.7) | (4.5) | 0.0 | 0.2 | 0.2 | 7.4 | |
| Total liabilities | 352.1 | (108.6) | 243.5 | (159.7) | (54.8) | 29.1 | 34.2 | 63.2 | 277.7 | |
| <i>As of 31.12.22, USD bn</i> | | | | | | | | | | |
| Payables from securities financing transactions measured at amortized cost | 14.1 | (11.1) | 3.0 | (1.3) | (1.8) | 0.0 | 1.2 | 1.2 | 4.2 | |
| Derivative financial instruments | 150.3 | (2.5) | 147.8 | (110.9) | (26.2) | 10.7 | 7.1 | 17.8 | 154.9 | |
| Cash collateral payables on derivative instruments ¹ | 34.9 | 0.0 | 34.9 | (20.0) | (1.9) | 13.0 | 1.6 | 14.5 | 36.4 | |
| Other financial liabilities designated at fair value | 92.5 | (76.9) | 15.6 | (3.2) | (12.4) | 0.0 | 14.6 | 14.6 | 30.2 | |
| <i>of which: repurchase agreements</i> | 92.1 | (76.9) | 15.3 | (3.2) | (12.1) | 0.0 | 0.1 | 0.1 | 15.3 | |
| Total liabilities | 291.7 | (90.4) | 201.3 | (135.3) | (42.3) | 23.7 | 24.5 | 48.1 | 225.8 | |

¹ The net amount of Cash collateral payables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. ² The logic of the table results in amounts presented in the "Netting with gross assets" column corresponding to the amounts presented in the "Netting with gross liabilities" column in the assets table presented above. Netting in this column for repurchase agreements presented within the lines "Payables from securities financing transactions measured at amortized cost" and "Other financial liabilities designated at fair value" taken together corresponds to the amounts presented for reverse repurchase agreements in the "Receivables from securities financing transactions measured at amortized cost" and "Financial assets at fair value not held for trading" lines in the assets table presented above. ³ For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial liabilities presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. ⁴ Includes liabilities not subject to enforceable netting arrangements and other out-of-scope items.

Note 23 Restricted and transferred financial assets

This Note provides information about restricted financial assets (Note 23a), transfers of financial assets (Note 23b and 23c) and financial assets that are received as collateral with the right to resell or repledge these assets (Note 23d).

a) Restricted financial assets

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and other assets that are otherwise explicitly restricted such that they cannot be used to secure funding.

Financial assets pledged as collateral mainly include pledged mortgage loans, which serve as collateral for existing liabilities against the Swiss National Bank (the SNB) in relation to the Emergency Liquidity Assistance facility, against loans from Swiss mortgage institutions and US Federal Home Loan Banks, and in connection with the issuance of covered bonds. Of these pledged mortgage loans, approximately USD 7.5bn as of 31 December 2023 could be withdrawn or used for future liabilities or covered bond issuances without breaching existing collateral requirements (31 December 2022: approximately USD 3.1bn). Existing liabilities in relation to the Emergency Liquidity Assistance facility against the SNB were USD 44.9bn as of 31 December 2023 (31 December 2022: USD 0bn). Liabilities against Swiss central mortgage institutions and US Federal Home Loan Banks, and for existing covered bond issuances were USD 45.5bn as of 31 December 2023 (31 December 2022: USD 9.0bn).

Other financial assets are pledged as collateral in relation to securities lending transactions and in repurchase transactions, which are generally entered into under standard market agreements. For securities lending, the cash received as collateral may be more or less than the fair value of the securities loaned, depending on the nature of the transaction. For repurchase agreements, the fair value of the collateral sold under an agreement to repurchase is generally in excess of the cash borrowed.

Note 23 Restricted and transferred financial assets (continued)

Other restricted financial assets include assets protected under client asset segregation rules, assets held under unit-linked investment contracts to back related liabilities to the policy holders and assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements. The carrying amount of the liabilities associated with these other restricted financial assets is generally equal to the carrying amount of the assets, with the exception of assets held to comply with local asset maintenance requirements, for which the associated liabilities are greater.

| Restricted financial assets | 31.12.23 | | 31.12.22 | |
|---|--|---|--|---|
| <i>USD m</i> | Restricted financial assets | <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | Restricted financial assets | <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> |
| Financial assets pledged as collateral | | | | |
| Cash and balances at central banks ¹ | 1,041 | | | |
| Financial assets at fair value held for trading | 83,689 | 51,263 | 57,377 | 36,742 |
| Loans and advances to customers | 127,362 | | 15,195 | |
| Financial assets at fair value not held for trading | 3,099 | 2,110 | 1,509 | 1,220 |
| Debt securities classified as Other financial assets measured at amortized cost | 7,561 | 6,299 | 3,432 | 2,685 |
| Total financial assets pledged as collateral | 222,752 | | 77,513 | |
| Other restricted financial assets | | | | |
| Amounts due from banks | 2,874 | | 3,689 | |
| Financial assets at fair value held for trading | 184 | | 162 | |
| Cash collateral receivables on derivative instruments | 9,539 | | 5,155 | |
| Loans and advances to customers | 275 | | 1,127 | |
| Other financial assets measured at amortized cost | 4,724 ² | | 815 | |
| Financial assets at fair value not held for trading | 18,229 | | 14,478 | |
| Financial assets measured at fair value through other comprehensive income | 1,846 | | 1,842 | |
| Other | 354 | | 44 | |
| Total other restricted financial assets | 38,025 | | 27,312 | |
| Total financial assets pledged and other restricted financial assets³ | 260,777 | | 104,825 | |
| <i>of which: Credit Suisse⁴</i> | <i>114,611</i> | | | |

¹ Assets pledged to the depositor protection system in Switzerland following new requirements that became effective in 2023. ² Predominantly includes cash collateral provided to exchanges and clearing houses to secure securities trading activity through those counterparties. ³ Does not include assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2023: USD 9.8bn; 31 December 2022: USD 5.9bn). ⁴ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

In addition to the table above, USD 7.1bn were placed at central banks to meet local statutory minimum reserve requirements as of 31 December 2023 (31 December 2022: USD 4.4bn).

In addition to restrictions on financial assets, UBS Group AG and its subsidiaries are, in certain cases, subject to regulatory requirements that affect the transfer of dividends and capital within the Group, as well as intercompany lending. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, such as the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process, which may limit the relevant subsidiaries' ability to make distributions of capital based on the results of those tests.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries.

Non-regulated subsidiaries are generally not subject to such requirements and transfer restrictions. However, restrictions can also be the result of different legal, regulatory, contractual, entity- or country-specific arrangements and / or requirements.

- › Refer to the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report for financial information about significant regulated subsidiaries of the Group

Note 23 Restricted and transferred financial assets (continued)

b) Transferred financial assets that are not derecognized in their entirety

The table below presents information for financial assets that have been transferred but are subject to continued recognition in full, as well as recognized liabilities associated with those transferred assets.

Transferred financial assets subject to continued recognition in full

| USD m | 31.12.23 | | 31.12.22 | |
|---|---------------------------------------|---|---------------------------------------|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet |
| Financial assets at fair value held for trading that may be sold or repledged by counterparties | 51,263 | 23,765 | 36,742 | 16,470 |
| Financial assets at fair value not held for trading that may be sold or repledged by counterparties | 2,110 | 1,976 | 1,220 | 1,050 |
| Debt securities classified as Other financial assets measured at amortized cost that may be sold or repledged by counterparties | 6,299 | 5,928 | 2,685 | 2,302 |
| Total financial assets transferred | 59,672 | 31,669 | 40,647 | 19,822 |
| <i>of which: Credit Suisse¹</i> | <i>6,739</i> | <i>391</i> | | |

¹ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Transactions in which financial assets are transferred but continue to be recognized in their entirety on UBS's balance sheet include securities lending and repurchase agreements, as well as other financial asset transfers. Repurchase and securities lending arrangements are, for the most part, conducted under standard market agreements and are undertaken with counterparties subject to UBS's normal credit risk control processes.

› Refer to Note 1a item 2e for more information about repurchase and securities lending agreements

Financial assets at fair value held for trading that may be sold or repledged by counterparties include securities lending and repurchase agreements in exchange for cash received, securities lending agreements in exchange for securities received and other financial asset transfers.

For securities lending and repurchase agreements, a haircut of between 0% and 15% is generally applied to the transferred assets, which results in associated liabilities having a carrying amount below the carrying amount of the transferred assets. The counterparties to the associated liabilities included in the table above have full recourse to UBS.

In securities lending arrangements entered into in exchange for the receipt of other securities as collateral, neither the securities received nor the obligation to return them are recognized on UBS's balance sheet, as the risks and rewards of ownership are not transferred to UBS. In cases where such financial assets received are subsequently sold or repledged in another transaction, this is not considered to be a transfer of financial assets.

Other financial asset transfers primarily include securities transferred to collateralize derivative transactions, for which the carrying amount of associated liabilities is not included in the table above, because those replacement values are managed on a portfolio basis across counterparties and product types, and therefore there is no direct relationship between the specific collateral pledged and the associated liability.

Transferred financial assets that are not subject to derecognition in full but remain on the balance sheet to the extent of the Group's continuing involvement were not material as of 31 December 2023 and as of 31 December 2022.

Note 23 Restricted and transferred financial assets (continued)

c) Transferred financial assets that are derecognized in their entirety with continuing involvement

Continuing involvement in a transferred and fully derecognized financial asset may result from contractual provisions in the particular transfer agreement or from a separate agreement, with the counterparty or a third party, entered into in connection with the transfer.

The fair value and carrying amount of UBS's continuing involvement from transferred positions as of 31 December 2023 and 31 December 2022 was not material. Life-to-date losses reported in prior periods primarily relate to legacy positions in securitization vehicles that have been fully marked down, with no remaining exposure to loss.

d) Off-balance sheet assets received

The table below presents assets received from third parties that can be sold or repledged and that are not recognized on the balance sheet but that are held as collateral, including amounts that have been sold or repledged.

Off-balance sheet assets received

| USD m | 31.12.23 | | 31.12.22 | |
|--|---|--|---|--|
| | Fair value of assets received that can be sold or repledged | of which: sold or repledged ² | Fair value of assets received that can be sold or repledged | of which: sold or repledged ² |
| Fair value of assets received that can be sold or repledged ¹ | 576,596 | 382,313 | 434,023 | 331,805 |
| of which: Credit Suisse ³ | 88,068 | 26,697 | | |

¹ Includes securities received as initial margin from its clients that UBS is required to remit to central counterparties, brokers and deposit banks through its exchange-traded derivative clearing and execution services.
² Does not include off-balance sheet securities (31 December 2023: USD 29.1bn; 31 December 2022: USD 9.9bn) placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes for which there are no associated liabilities or contingent liabilities. ³ Refer to Note 2 for more information about the acquisition of the Credit Suisse Group.

Note 24 Maturity analysis of assets and liabilities

a) Maturity analysis of carrying amounts of assets and liabilities

The table below provides an analysis of carrying amounts of balance sheet assets and liabilities, as well as off-balance sheet exposures by residual contractual maturity as of the reporting date. The residual contractual maturity of assets includes the effect of callable features. The residual contractual maturity of liabilities and off-balance sheet exposures is based on the earliest date on which a third party could require UBS to pay.

Derivative financial instruments and financial assets and liabilities at fair value held for trading are presented in the *Due within 1 month* column; however, the respective contractual maturities may extend over significantly longer periods.

Assets held to hedge unit-linked investment contracts (presented within *Financial assets at fair value not held for trading*) are presented in the *Due within 1 month* column, consistent with the maturity assigned to the related amounts due under unit-linked investment contracts (presented within *Other financial liabilities designated at fair value*).

Other financial assets and liabilities with no contractual maturity, such as equity securities, are presented in the *Perpetual / Not applicable* column. Undated or perpetual instruments are classified based on the contractual notice period that the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are presented in the *Perpetual / Not applicable* column.

Non-financial assets and liabilities with no contractual maturity are generally included in the *Perpetual / Not applicable* column.

Note 24 Maturity analysis of assets and liabilities (continued)

| USD bn | 31.12.23 | | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|-------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | | |
| Assets | | | | | | | | | |
| Total financial assets measured at amortized cost | 645.9 | 57.7 | 88.3 | 125.6 | 136.8 | 135.5 | | | 1,189.8 |
| <i>Amounts due from banks</i> | 18.8 | 1.1 | 0.8 | 0.0 | 0.3 | 0.2 | | | 21.2 |
| <i>Loans and advances to customers</i> | 177.9 | 34.0 | 77.5 | 118.5 | 116.6 | 115.3 | | | 639.8 |
| <i>Other financial assets measured at amortized cost</i> | 12.3 | 1.8 | 5.2 | 6.3 | 19.8 | 20.0 | | | 65.5 |
| Total financial assets measured at fair value through profit or loss | 417.6 | 12.2 | 9.9 | 8.4 | 12.6 | 5.3 | 4.8 | | 470.8 |
| <i>Financial assets at fair value not held for trading</i> | 50.8 | 12.2 | 9.9 | 8.4 | 12.6 | 5.3 | 4.8 | | 104.0 |
| Financial assets measured at fair value through other comprehensive income | 0.1 | 1.1 | 1.0 | 0.1 | 0.0 | 0.0 | | | 2.2 |
| Total non-financial assets | 12.3 | | 0.2 | 1.3 | 1.2 | 1.1 | 38.4 | | 54.5 |
| Total assets | 1,075.9 | 71.0 | 99.3 | 135.3 | 150.6 | 142.0 | 43.2 | | 1,717.2 |
| <i>of which: Credit Suisse</i> | 346.4 | 37.5 | 50.2 | 32.7 | 59.9 | 44.2 | 12.2 | | 583.2 |
| Liabilities | | | | | | | | | |
| Total financial liabilities measured at amortized cost | 748.7 | 97.0 | 115.1 | 49.8 | 88.7 | 66.4 | 12.0 | | 1,177.6 |
| <i>Customer deposits</i> | 618.2 | 76.5 | 72.7 | 15.9 | 8.4 | 0.3 | | | 792.0 |
| <i>Debt issued measured at amortized cost</i> | 10.1 | 14.7 | 34.3 | 31.1 | 73.2 | 62.5 | 12.0 | | 237.8 |
| <i>of which: non-subordinated</i> | 7.6 | 14.7 | 31.8 | 30.8 | 72.8 | 62.5 | | | 220.2 |
| <i>of which: subordinated</i> | 2.5 | | 2.5 | 0.3 | 0.3 | 0.0 | 12.0 | | 17.6 |
| Total financial liabilities measured at fair value through profit or loss ¹ | 308.3 | 14.0 | 30.0 | 31.2 | 18.0 | 25.2 | | | 426.6 |
| <i>Debt issued designated at fair value</i> | 17.0 | 13.8 | 28.8 | 28.8 | 15.9 | 24.0 | | | 128.3 |
| Total non-financial liabilities | 17.8 | 4.5 | 0.2 | 0.3 | 0.7 | 0.4 | 2.5 | | 26.3 |
| Total liabilities | 1,074.7 | 115.6 | 145.3 | 81.3 | 107.4 | 91.9 | 14.5 | | 1,630.6 |
| <i>of which: Credit Suisse</i> | 328.0 | 34.3 | 40.6 | 19.9 | 27.3 | 25.2 | 0.3 | | 475.7 |
| Guarantees, loan commitments and forward starting transactions² | | | | | | | | | |
| Irrevocable loan commitments | 90.7 | 0.5 | 0.4 | 0.0 | 0.0 | | | | 91.6 |
| Guarantees | 46.3 | | | | | | | | 46.3 |
| Forward starting reverse repurchase and securities borrowing agreements | 18.4 | | | | | | | | 18.4 |
| Irrevocable committed prolongation of existing loans | 2.5 | 0.8 | 1.3 | 0.0 | 0.0 | | | | 4.6 |
| Total | 157.9 | 1.4 | 1.8 | 0.0 | 0.0 | | | | 161.0 |
| <i>of which: Credit Suisse</i> | 70.1 | 0.0 | 0.0 | 0.0 | 0.0 | | | | 70.1 |

| USD bn | 31.12.22 | | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|-------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | | |
| Assets | | | | | | | | | |
| Total financial assets measured at amortized cost | 422.6 | 28.7 | 34.4 | 78.7 | 70.4 | 92.7 | | | 727.6 |
| <i>Amounts due from banks</i> | 13.4 | 0.7 | 0.6 | 0.0 | 0.0 | 0.1 | | | 14.8 |
| <i>Loans and advances to customers</i> | 139.4 | 16.3 | 28.3 | 74.9 | 55.5 | 72.9 | | | 387.2 |
| <i>Other financial assets measured at amortized cost</i> | 8.7 | 4.2 | 2.8 | 3.0 | 14.8 | 19.7 | | | 53.3 |
| Total financial assets measured at fair value through profit or loss | 300.2 | 10.0 | 7.8 | 3.6 | 9.9 | 2.0 | 1.9 | | 335.3 |
| <i>Financial assets at fair value not held for trading</i> | 24.6 | 10.0 | 7.8 | 3.6 | 9.9 | 2.0 | 1.9 | | 59.8 |
| Financial assets measured at fair value through other comprehensive income | 0.3 | 0.9 | 0.9 | 0.1 | 0.0 | 0.0 | | | 2.2 |
| Total non-financial assets | 7.6 | | 0.2 | | 2.0 | 0.4 | 29.0 | | 39.2 |
| Total assets | 730.7 | 39.6 | 43.4 | 82.4 | 82.3 | 95.1 | 31.0 | | 1,104.4 |
| Liabilities | | | | | | | | | |
| Total financial liabilities measured at amortized cost | 521.9 | 40.0 | 49.6 | 20.5 | 35.1 | 23.4 | 11.1 | | 701.5 |
| <i>Customer deposits</i> | 463.0 | 28.3 | 23.8 | 7.5 | 2.2 | 0.3 | | | 525.1 |
| <i>Debt issued measured at amortized cost</i> | 6.6 | 8.8 | 23.3 | 11.9 | 31.1 | 21.9 | 11.1 | | 114.6 |
| <i>of which: non-subordinated</i> | 4.6 | 8.8 | 23.3 | 9.5 | 30.6 | 21.9 | | | 98.6 |
| <i>of which: subordinated</i> | 2.0 | | | 2.4 | 0.5 | | 11.1 | | 16.0 |
| Total financial liabilities measured at fair value through profit or loss ¹ | 265.9 | 13.8 | 16.3 | 19.6 | 7.3 | 10.5 | | | 333.4 |
| <i>Debt issued designated at fair value</i> | 9.3 | 12.3 | 15.9 | 19.3 | 6.9 | 10.0 | | | 73.6 |
| Total non-financial liabilities | 7.2 | 3.0 | | | | | 2.1 | | 12.3 |
| Total liabilities | 795.1 | 56.7 | 65.9 | 40.1 | 42.4 | 33.9 | 13.2 | | 1,047.1 |
| Guarantees, loan commitments and forward starting transactions² | | | | | | | | | |
| Irrevocable loan commitments | 39.3 | 0.3 | 0.4 | 0.0 | | | | | 40.0 |
| Guarantees | 22.4 | | | | | | | | 22.4 |
| Forward starting reverse repurchase and securities borrowing agreements | 3.8 | | | | | | | | 3.8 |
| Irrevocable committed prolongation of existing loans | 4.7 | | | | | | | | 4.7 |
| Total | 70.1 | 0.3 | 0.4 | 0.0 | | | | | 70.9 |

¹ As of 31 December 2023 and 31 December 2022, the contractual redemption amount at maturity of debt issued designated at fair value through profit or loss and other financial liabilities measured at fair value through profit or loss was not materially different from the carrying amount. ² The notional amounts associated with derivative loan commitments, as well as forward starting repurchase and reverse repurchase agreements, measured at fair value through profit or loss are presented together with notional amounts related to derivative instruments and have been excluded from the table above. Refer to Note 11 for more information.

Note 24 Maturity analysis of assets and liabilities (continued)

b) Maturity analysis of financial liabilities on an undiscounted basis

The table below provides an analysis of financial liabilities on an undiscounted basis, including all cash flows relating to principal and future interest payments. The residual contractual maturities for non-derivative and non-trading financial liabilities are based on the earliest date on which UBS could be contractually required to pay. Derivative positions and trading liabilities, predominantly made up of short sale transactions, are presented in the *Due within 1 month* column, as this provides a conservative reflection of the nature of these trading activities. The residual contractual maturities may extend over significantly longer periods.

| USD bn | 31.12.23 | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Financial liabilities recognized on balance sheet¹ | | | | | | | | |
| Amounts due to banks | 60.2 | 2.7 | 4.2 | 0.3 | 4.4 | 0.0 | | 71.7 |
| Payables from securities financing transactions | 5.0 | 3.2 | 3.7 | 2.0 | 0.9 | 0.0 | | 14.8 |
| Cash collateral payables on derivative instruments | 41.6 | | | | | | | 41.6 |
| Customer deposits | 619.5 | 77.6 | 75.4 | 17.6 | 9.9 | 0.3 | | 800.4 |
| Debt issued measured at amortized cost ² | 10.7 | 16.4 | 38.8 | 37.4 | 87.8 | 75.6 | 12.4 | 279.3 |
| Other financial liabilities measured at amortized cost | 7.7 | 0.2 | 0.9 | 1.2 | 3.3 | 4.2 | | 17.4 |
| of which: lease liabilities | 0.1 | 0.1 | 0.8 | 0.9 | 2.1 | 2.5 | | 6.5 |
| Total financial liabilities measured at amortized cost | 744.7 | 100.2 | 123.1 | 58.5 | 106.3 | 80.0 | 12.4 | 1,225.2 |
| Financial liabilities at fair value held for trading ^{3,4} | 34.2 | | | | | | | 34.2 |
| Derivative financial instruments ^{3,5} | 192.2 | | | | | | | 192.2 |
| Brokerage payables designated at fair value | 42.5 | | | | | | | 42.5 |
| Debt issued designated at fair value ⁶ | 17.1 | 14.3 | 30.1 | 32.1 | 17.4 | 38.7 | | 149.8 |
| Other financial liabilities designated at fair value | 22.2 | 0.2 | 1.2 | 2.3 | 2.1 | 1.6 | | 29.7 |
| Total financial liabilities measured at fair value through profit or loss | 308.2 | 14.6 | 31.3 | 34.5 | 19.5 | 40.3 | | 448.3 |
| Total | 1,052.9 | 114.8 | 154.3 | 93.0 | 125.7 | 120.4 | 12.4 | 1,673.5 |
| of which: Credit Suisse | 375.9 | 33.9 | 42.8 | 21.7 | 30.8 | 29.0 | | 474.1 |
| Guarantees, loan commitments and forward starting transactions | | | | | | | | |
| Irrevocable loan commitments ⁷ | 90.7 | 0.5 | 0.4 | 0.0 | 0.0 | | | 91.6 |
| Guarantees | 46.3 | | | | | | | 46.3 |
| Forward starting reverse repurchase and securities borrowing agreements ⁷ | 18.4 | | | | | | | 18.4 |
| Irrevocable committed prolongation of existing loans | 2.5 | 0.8 | 1.3 | 0.0 | 0.0 | | | 4.6 |
| Total | 157.9 | 1.4 | 1.8 | 0.0 | 0.0 | | | 161.0 |
| of which: Credit Suisse | 70.1 | 0.0 | 0.0 | 0.0 | 0.0 | | | 70.1 |

| USD bn | 31.12.22 | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Financial liabilities recognized on balance sheet¹ | | | | | | | | |
| Amounts due to banks | 6.3 | 2.6 | 1.9 | 0.3 | 0.6 | 0.0 | | 11.7 |
| Payables from securities financing transactions | 3.3 | 0.3 | 0.4 | 0.3 | | | | 4.4 |
| Cash collateral payables on derivative instruments | 36.4 | | | | | | | 36.4 |
| Customer deposits | 463.1 | 28.5 | 24.5 | 8.0 | 2.4 | 0.3 | | 526.9 |
| Debt issued measured at amortized cost ² | 6.8 | 9.4 | 24.8 | 14.4 | 37.9 | 28.0 | 11.9 | 133.4 |
| Other financial liabilities measured at amortized cost | 4.7 | 0.1 | 0.5 | 0.5 | 1.3 | 1.4 | | 8.5 |
| of which: lease liabilities | 0.1 | 0.1 | 0.5 | 0.5 | 1.3 | 1.4 | | 3.8 |
| Total financial liabilities measured at amortized cost | 520.7 | 40.9 | 52.1 | 23.6 | 42.3 | 29.7 | 11.9 | 721.2 |
| Financial liabilities at fair value held for trading ^{3,4} | 29.5 | | | | | | | 29.5 |
| Derivative financial instruments ^{3,5} | 154.9 | | | | | | | 154.9 |
| Brokerage payables designated at fair value | 45.1 | | | | | | | 45.1 |
| Debt issued designated at fair value ⁶ | 9.4 | 12.4 | 16.1 | 19.7 | 7.1 | 18.8 | | 83.4 |
| Other financial liabilities designated at fair value | 27.1 | 1.4 | 0.4 | 0.4 | 0.5 | 0.8 | | 30.6 |
| Total financial liabilities measured at fair value through profit or loss | 266.0 | 13.8 | 16.4 | 20.0 | 7.6 | 19.6 | | 343.5 |
| Total | 786.8 | 54.7 | 68.6 | 43.6 | 49.8 | 49.3 | 11.9 | 1,064.7 |
| Guarantees, loan commitments and forward starting transactions | | | | | | | | |
| Irrevocable loan commitments ⁷ | 39.3 | 0.3 | 0.4 | 0.0 | | | | 40.0 |
| Guarantees | 22.4 | | | | | | | 22.4 |
| Forward starting reverse repurchase and securities borrowing agreements ⁷ | 3.8 | | | | | | | 3.8 |
| Irrevocable committed prolongation of existing loans | 4.7 | | | | | | | 4.7 |
| Total | 70.1 | 0.3 | 0.4 | 0.0 | | | | 70.9 |

¹ Except for financial liabilities at fair value held for trading and derivative financial instruments (see footnote 3), the amounts presented generally represent undiscounted cash flows of future interest and principal payments. ² The time-bucket Perpetual / Not applicable includes perpetual loss-absorbing additional tier 1 capital instruments. ³ Carrying amount is fair value. Management believes that this best represents the cash flows that would have to be paid if these positions had to be settled or closed out. ⁴ Contractual maturities of financial liabilities at fair value held for trading are: USD 32.3bn due within 1 month (31 December 2022: USD 27.8bn), USD 1.8bn due between 1 month and 1 year (31 December 2022: USD 1.7bn) and USD 0bn due between 1 and 5 years (31 December 2022: USD 0bn). ⁵ Includes USD 1,195m (31 December 2022: USD 46m) related to fair values of derivative loan commitments and forward starting reverse repurchase agreements classified as derivatives, presented within "Due within 1 month". The full contractual committed amount of USD 100.1bn (31 December 2022: USD 34.4bn) is presented in Note 11 under notional amounts. ⁶ Future interest payments on variable-rate liabilities are determined by reference to the applicable interest rate prevailing as of the reporting date. Future principal payments that are variable are determined by reference to the conditions existing at the relevant reporting date. ⁷ Excludes derivative loan commitments and forward starting reverse repurchase agreements measured at fair value (see footnote 5).

Note 25 Interest rate benchmark reform

During 2023, the Group largely completed the transition of the USD London Interbank Offered Rate (LIBOR) contracts. The transition of the largest remaining non-derivative exposure, the US mortgage portfolio of approximately USD 9bn as of 31 December 2022, was substantially completed, with these contracts automatically converting to term Secured Overnight Financing Rate (SOFR) from their next interest rate reset date following the cessation of the respective USD LIBOR rates, i.e., 30 June 2023. Corporate loans granted by the Investment Bank and the Investment Bank (Credit Suisse), as well as Wealth Management (Credit Suisse), have now also been transitioned to alternative rates, with approximately USD 1bn (predominantly attributable to positions acquired through the acquisition of the Credit Suisse Group) relying on synthetic LIBOR rates. The Group will continue to focus on the transition of the remaining synthetic LIBOR rate exposures to alternative rates in 2024.

In August 2022, to facilitate the transition of derivatives linked to the USD LIBOR Swap Rate, the Group adhered to the June 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol on the USD LIBOR Swap Rate. As of 31 December 2023, the transition of these USD LIBOR-linked derivatives had been materially accomplished.

The table below sets out the contracts that remained as of 31 December 2022. No contracts are included as of 31 December 2023 given transition has largely completed as noted above.

| | Measure | 31.12.22 ¹ USD LIBOR benchmark rates |
|---|-------------|---|
| Carrying value of non-derivative financial instruments | | |
| Total non-derivative financial assets | USD m | 14,269 ² |
| Total non-derivative financial liabilities | USD m | 1,138 ³ |
| Trade count of derivative financial instruments | | |
| Total derivative financial instruments | Trade count | 32,006 ⁴ |
| Off-balance sheet exposures | | |
| Total irrevocable loan commitments | USD m | 4,606 ⁵ |

¹ As of 31 December 2022, non-USD balances and trade counts were minimal. ² Includes USD 1bn of loans related to revolving multi-currency credit lines, where IBOR transition efforts are complete, except for USD LIBOR. The remaining balances as of 31 December 2022 primarily related to US mortgages and corporate lending. ³ Relates to floating-rate notes that per their contractual terms can reset to rates linked to LIBOR, with transition dependent upon the actions of respective issuers. ⁴ Includes approximately 2,000 contracts having a contractual maturity after 30 June 2023, with the last USD LIBOR fixing occurring before 30 June 2023. No further contractual fixing is required for these contracts. ⁵ Includes approximately USD 3bn of loan commitments that can be drawn in different currencies; however, only USD LIBOR transition efforts remained open as of 31 December 2022.

In addition, as of 31 December 2023 the Group had approximately USD 4bn equivalent of yen- and US dollar-denominated publicly issued benchmark bonds that, per current contractual terms, if not called on their respective call dates, would reset based directly on JPY LIBOR and USD LIBOR, respectively. Furthermore, certain benchmark bonds publicly issued by the Group reference rates indirectly derived from IBORs, if they are not called on their respective call dates. Confirmation of interest rate calculation mechanics will be communicated in advance of any rate resets, if applicable.

Note 26 Hedge accounting

Derivatives designated in hedge accounting relationships

The Group applies hedge accounting to interest rate risk and foreign exchange risk, including structural foreign exchange risk related to net investments in foreign operations.

- › Refer to “Market risk” in the “Risk management and control” section of this report for more information about how risks arise and how they are managed by the Group

Hedging instruments and hedged risk

Interest rate swaps are designated in fair value hedges or cash flow hedges of interest rate risk arising solely from changes in benchmark interest rates. Fair value changes arising from such risk are usually the largest component of the overall change in the fair value of the hedged position in transaction currency.

Cross-currency swaps are designated as fair value hedges of foreign exchange risk. Foreign exchange forwards and foreign exchange swaps are mainly designated as hedges of structural foreign exchange risk related to net investments in foreign operations. In both cases the hedged risk arises solely from changes in the spot foreign exchange rate.

The notional of the designated hedging instruments matches the notional of the hedged items, except when the interest rate swaps are designated in cash flow hedges after the trade date, in which case the hedge ratio designated is determined based on the swap sensitivity.

Note 26 Hedge accounting (continued)

Hedged items and hedge designation

Fair value hedges of interest rate risk related to debt instruments and loan assets

Fair value hedges of interest rate risk related to debt instruments and loan assets involve swapping fixed cash flows associated with loans to customers (including long-term fixed-rate mortgage loans in Swiss francs), debt securities held, customer deposits, or debt issued to floating cash flows by entering into interest rate swaps that either pay fixed and receive floating cash flows or that receive fixed and pay floating cash flows. The floating future cash flows are based on the following benchmark rates: Secured Overnight Financing Rate (SOFR), Effective Federal Funds Rate (EFFR), Swiss Average Rate Overnight (SARON), Euro Interbank Offered Rate (EURIBOR), Euro Short-Term Rate (ESTR), Sterling Overnight Index Average (SONIA), AUD London Interbank Offered Rate (AUD LIBOR), Tokyo Overnight Average Rate (TONA), Singapore Overnight Rate Average (SORA) and Norwegian Krona Overnight Index Swap (NOK OIS).

Cash flow hedges of forecast transactions

The Group hedges forecast cash flows on non-trading financial assets and liabilities that bear interest at variable rates or are expected to be refinanced or reinvested in the future, due to movements in future market rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the non-trading interest rate risk of the Group, which is hedged with interest rate swaps, the maximum maturity of which is 15 years. Cash flow forecasts and risk exposures are monitored and adjusted on an ongoing basis, and consequently additional hedging instruments are traded and designated, or are terminated resulting in a hedge discontinuance.

Fair value hedges of foreign exchange risk related to issued debt instruments

Debt instruments denominated in currencies other than the US dollar are designated in fair value hedges of spot foreign exchange risk, in addition to and separate from the fair value hedges of interest rate risk. Cross-currency swaps economically convert debt instruments denominated in currencies other than the US dollar to US dollars. The hedge designations also involve intragroup debt instruments that are eliminated upon consolidation but FX gains and losses impact consolidated profit or loss.

Hedges of net investments in foreign operations

The Group applies hedge accounting for certain net investments in foreign operations, which include subsidiaries, branches and associates. Upon maturity of hedging instruments, typically one to three months, the hedge relationship is terminated and new designations are made to reflect any changes in the net investments in foreign operations.

Economic relationship between hedged item and hedging instrument

The economic relationship between the hedged item and the hedging instrument is determined based on a qualitative analysis of their critical terms. In cases where hedge designation takes place after the trade date of the hedging instrument, a quantitative analysis of the possible behavior of the hedging derivative and the hedged item during their respective terms is also performed.

Sources of hedge ineffectiveness

In hedges of interest rate risk, hedge ineffectiveness can arise from mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, or from entering into a hedge relationship after the trade date of the hedging derivative.

In hedges of foreign exchange risk related to debt issued, hedge ineffectiveness can arise due to the discounting of the hedging instruments and undesignated risk components and lack of such discounting and risk components in the hedged items.

In hedges of net investments in foreign operations, ineffectiveness is unlikely unless the hedged net assets fall below the designated hedged amount. The exceptions are hedges where the hedging currency is not the same as the currency of the foreign operation, where the currency basis may cause ineffectiveness.

Hedge ineffectiveness from financial instruments measured at fair value through profit or loss is recognized in *Other net income from financial instruments measured at fair value through profit or loss*.

Derivatives not designated in hedge accounting relationships

Non-hedge-accounted derivatives are mandatorily held for trading with all fair value movements taken to *Other net income from financial instruments measured at fair value through profit or loss*, even when held as an economic hedge or to facilitate client clearing. The one exception relates to forward points on certain short- and long-duration foreign exchange contracts acting as economic hedges, which are reported in *Net interest income*.

Note 26 Hedge accounting (continued)

All hedges: designated hedging instruments and hedge ineffectiveness

| USD m | As of or for the year ended | | | | | Hedge ineffectiveness recognized in the income statement |
|---|-----------------------------|----------------------------------|-------|---|--|--|
| | 31.12.23 | | | | | |
| | Notional amount | Carrying amount | | Changes in fair value of hedging instruments ¹ | Changes in fair value of hedged items ¹ | |
| Derivative financial assets | | Derivative financial liabilities | | | | |
| Interest rate risk | | | | | | |
| Fair value hedges | 246,909 | 3 | 51 | 2,275 | (2,311) | (36) |
| Cash flow hedges | 97,834 | 3 | 0 | (337) | 358 | 21 |
| Foreign exchange risk | | | | | | |
| Fair value hedges ² | 33,877 | 468 | 291 | 132 | (151) | (19) |
| Hedges of net investments in foreign operations | 38,668 | 17 | 1,270 | (2,317) | 2,320 | 3 |

| USD m | As of or for the year ended | | | | | Hedge ineffectiveness recognized in the income statement |
|---|-----------------------------|----------------------------------|-----|---|--|--|
| | 31.12.22 | | | | | |
| | Notional amount | Carrying amount | | Changes in fair value of hedging instruments ¹ | Changes in fair value of hedged items ¹ | |
| Derivative financial assets | | Derivative financial liabilities | | | | |
| Interest rate risk | | | | | | |
| Fair value hedges | 92,415 | 0 | 0 | (5,195) | 5,169 | (27) |
| Cash flow hedges | 75,304 | 2 | 5 | (5,813) | 5,760 | (53) |
| Foreign exchange risk | | | | | | |
| Fair value hedges ² | 20,566 | 845 | 3 | (1,088) | 1,105 | 18 |
| Hedges of net investments in foreign operations | 14,009 | 7 | 529 | 336 | (337) | (1) |

¹ Amounts used as the basis for recognizing hedge ineffectiveness for the period. ² The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the hedge accounting designation and accounted for as a cost of hedging with amounts deferred in Other comprehensive income within Equity.

Fair value hedges: designated hedged items recognized on balance sheet¹

| USD m | 31.12.23 | | 31.12.22 | |
|--|--------------------|---------|--------------------|---------|
| | Interest rate risk | FX risk | Interest rate risk | FX risk |
| Loans and advances to customers | | | | |
| Carrying amount of designated loans | 61,107 | | 14,270 | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | 457 | | (1,249) | |
| <i>of which: accumulated amount of fair value hedge adjustment subject to amortization attributable to the portion of the portfolio that ceased to be part of hedge accounting</i> | (179) | | (51) | |
| Other financial assets measured at amortized cost – debt securities | | | | |
| Carrying amount of designated debt securities | 6,333 | | 4,577 | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (109) | | (180) | |
| Customer deposits | | | | |
| Carrying amount of customer deposits | 8,972 | | | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | 50 | | | |
| Debt issued measured at amortized cost | | | | |
| Carrying amount of designated debt issued | 156,507 | 22,329 | 68,529 | 20,566 |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (2,976) | | (6,057) | |

¹ In addition, as of 31 December 2023 UBS designated in fair value hedges of FX risk USD 12bn of intragroup debt instruments which are not recognized on consolidated balance sheet but FX gains and losses on these instruments impact consolidated profit or loss. No such designations were in place as of 31 December 2022.

Fair value hedges: profile of the timing of the nominal amount of the hedging instrument

| USD bn | 31.12.23 | | | | | Total |
|----------------------|--------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | |
| Interest rate swaps | 1 | 7 | 29 | 142 | 68 | 247 |
| Cross-currency swaps | 1 | 2 | 2 | 22 | 7 | 34 |

| USD bn | 31.12.22 | | | | | Total |
|----------------------|--------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | |
| Interest rate swaps | 0 | 4 | 10 | 53 | 26 | 92 |
| Cross-currency swaps | 0 | 1 | 2 | 12 | 5 | 21 |

Cash flow hedge reserve on a pre-tax basis

| USD m | 31.12.23 | 31.12.22 |
|---|----------------|----------------|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | (2,319) | (4,692) |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | (1,487) | (540) |
| Total other comprehensive income recognized directly in equity related to cash flow hedges, on a pre-tax basis | (3,806) | (5,232) |

Note 26 Hedge accounting (continued)

| Foreign currency translation reserve on a pre-tax basis | | |
|--|----------------|------------|
| USD m | 31.12.23 | 31.12.22 |
| Amounts related to hedge relationships for which hedge accounting continues to be applied | (2,063) | 284 |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 266 | 266 |
| Total other comprehensive income recognized directly in equity related to hedging instruments designated as net investment hedges, on a pre-tax basis | (1,798) | 550 |

Interest rate benchmark reform

In 2023, the Group applied the relief provided by *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*, published by the International Accounting Standards Board in September 2019, to its hedges in US dollars and Singapore dollars until they transitioned to alternative reference rate (ARR) designations in May 2023 and June 2023, respectively. The transition of fair value hedges took place following the IBOR transition for swaps with LCH (formerly the London Clearing House), with hedge relationships continuing in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*. Cash flow hedge relationships were discontinued and replaced with new ARR designations in May 2023.

As of 31 December 2023, there were no hedge relationships where the designated risk is LIBOR and maturing after the cessation date of the applicable interest rate benchmarks. The table below provides details on the hedging instruments in such hedge relationships as of 31 December 2022.

Hedges of net investments in foreign operations are not affected by the amendments.

- › Refer to Note 1a item 2j for more information about the relief provided by the amendments to IFRS 9 and IFRS 7 related to interest rate benchmark reform
- › Refer to Note 25 for more information about the transition progress

Hedging instruments referencing LIBOR

| USD m | 31.12.22 | | |
|---------------------------|-----------------|-----------------------------|----------------------------------|
| | Notional amount | Carrying amount | |
| | | Derivative financial assets | Derivative financial liabilities |
| Interest rate risk | | | |
| Fair value hedges | 20,383 | 0 | 0 |
| Cash flow hedges | 2,179 | 0 | 0 |

Note 27 Post-employment benefit plans

a) Defined benefit plans

UBS has established defined benefit plans for its employees in various jurisdictions in accordance with local regulations and practices. The major plans are in Switzerland, the UK, the US and Germany. The level of benefits depends on the specific plan rules.

Swiss pension plans

The Swiss pension plans consist of the UBS Swiss plan and the Credit Suisse Swiss plan, covering employees of UBS Group AG in Switzerland and employees of companies in Switzerland that have close economic or financial ties with UBS Group AG, and exceed the minimum benefit requirements under Swiss pension law. The Swiss plans offer retirement, disability and survivor benefits and are governed by Pension Foundation Boards. The responsibilities of these boards are defined by Swiss pension law and the plan rules. The UBS Swiss plan covers contributions for all salary levels. The Credit Suisse Swiss plan covers contributions up to a salary of CHF 138,180 (USD 164,169), and contributions above that salary go into the Credit Suisse Swiss 1e plan, which is accounted for under IFRS Accounting Standards as a defined contribution plan.

Savings contributions to the Swiss plans are paid by both the employer and the employee. For the UBS Swiss plan, depending on the age of the employee, UBS pays a savings contribution that ranges between 6.5% and 27.5% of the contributory base salary and between 2.8% and 9% of the contributory variable compensation. Employees can choose the level of savings contributions paid by them, which vary between 2.5% and 13.5% of the contributory base salary and between 0% and 9% of the contributory variable compensation, depending on age and choice of savings contribution category. For the Credit Suisse Swiss plan, depending on the age of the employee, UBS pays a savings contribution that ranges between 7.5% and 25.0% of the contributory base salary and 6% of the contributory variable compensation. Employees can choose the level of savings contributions paid by them, which vary between 5.0% and 14.0% of the contributory base salary and between 3% and 9% of the contributory variable compensation, depending on age and choice of savings contribution category. UBS also pays risk contributions that are used to fund disability and survivor benefits.

Note 27 Post-employment benefit plans (continued)

The plans offer to members at the normal retirement age of 65 a choice between a lifetime pension and a partial or full lump sum payment. Participants can choose to draw early retirement benefits starting from the age of 58, but they can also continue employment and remain active members of the plan until the age of 70. Employees can make additional purchases of benefits to fund early retirement benefits.

The pension amount payable to a participant is calculated by applying a conversion rate to the accumulated balance of the participant's retirement savings account at the retirement date. The balance is based on credited vested benefits transferred from previous employers, purchases of benefits, employee and employer contributions made to the participant's retirement savings account, and interest accrued. The annual interest rate credited to participants is determined by the Pension Foundation Boards at the end of each year.

Although the Swiss plans are based on a defined contribution promise under Swiss pension law, they are accounted for as defined benefit plans under IFRS Accounting Standards, primarily because of the obligation to accrue interest on the participants' retirement savings accounts and the payment of lifetime pension benefits.

Actuarial valuations in accordance with Swiss pension law are performed regularly. Should an underfunded situation on this basis occur, the Pension Foundation Board of the respective plan is required to take the necessary measures to ensure that full funding can be expected to be restored within a maximum period of 10 years. If a Swiss plan were to become significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In this situation, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. As of 31 December 2023, the technical funding ratio in accordance with Swiss pension law was 119.2% at 0.5% technical interest rate for the UBS Swiss plan and 124.0% at 1.62% technical interest rate for the Credit Suisse Swiss plan (UBS Swiss plan 31 December 2022: 119.0% at 0.5% technical interest rate).

The investment strategies of the Swiss plans comply with Swiss pension law, including the rules and regulations relating to diversification of plan assets, and are derived from the risk budget defined by the Pension Foundation Boards based on regularly performed asset and liability management analyses. The Pension Foundation Boards strive for a medium- and long-term balance between assets and liabilities.

As of 31 December 2023, the Swiss plans were in surplus situations on an IFRS Accounting Standards measurement basis, as the fair value of the plan assets exceeded the defined benefit obligation (DBO) by USD 6,332m for the UBS Swiss plan and USD 3,150m for the Credit Suisse Swiss plan (UBS Swiss plan 31 December 2022: USD 7,848m, Credit Suisse Swiss plan 31 May 2023: USD 3,772m). However, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit, which equals the difference between the present value of the estimated future net service cost and the present value of the estimated future employer contributions. As of both 31 December 2023 and 31 December 2022, the estimated future economic benefit of the UBS Swiss plan was zero and hence no net defined benefit asset was recognized on the balance sheet; as of 31 December 2023 a net defined benefit asset of USD 88m was recognized by UBS for prepaid contributions held at the Credit Suisse Swiss plan (31 May 2023: USD 77m).

The regular employer contributions in 2024 are estimated at USD 549m for the UBS Swiss plan and USD 283m for the Credit Suisse Swiss plan.

Changes to the Credit Suisse Swiss pension plan

In December 2023, the Pension Foundation Board of the Credit Suisse Swiss plan decided to align the Swiss pension scheme to that of the UBS Swiss plan, effective as of 1 January 2027. On that date, the Credit Suisse Swiss plan will adopt the plan rules of the UBS Swiss plan. The Credit Suisse Swiss 1e plan will remain in place as of this date, but will be closed for further contributions. In accordance with IFRS Accounting Standards, these decisions and related mitigating measures led to an increase in UBS's pension obligations in Switzerland resulting in a one-time pre-tax loss of USD 245m (CHF 207m) and an offsetting gain in other comprehensive income in the fourth quarter of 2023 with no impact on equity and CET1 capital.

UK pension plans

UBS maintains two major pension plans in the UK. The UBS UK plan is a career-average revalued earnings scheme, and the Credit Suisse UK plan is a final salary pension scheme. In both plans benefits increase automatically based on UK price inflation, subject to defined caps. The normal retirement age for most participants is 60 or 65. The plans provide guaranteed lifetime pension benefits to participants upon retirement. The UK plans have been closed to new entrants for more than 20 years and participants are no longer accruing benefits for current or future service. Instead, employees participate in the UK defined contribution plans.

The governance responsibility for each UK plan lies jointly with the Pension Trustee Board of the respective plan and UBS. Both plans invest in diversified portfolios of financial assets. The UBS UK plan assets include swaps to hedge the risk between expected and actual longevity.

Note 27 Post-employment benefit plans (continued)

In 2019, UBS and the UBS UK Pension Trustee Board entered an arrangement whereby a collateral pool was established to provide security for the UBS UK pension fund. The value of the collateral pool as of 31 December 2023 was USD 260m (31 December 2022: USD 292m) and includes corporate bonds, government-related debt instruments and other financial assets. The arrangement provides the Pension Trustee Board dedicated access to a pool of assets in the event of UBS's insolvency or not paying a required funding contribution.

The employer contributions to the UBS UK plan reflect agreed-upon funding contributions, determined based on the most recent actuarial valuation using assumptions agreed by the Pension Trustee Board and UBS. In 2023, UBS made funding contributions of USD 19m to the UBS UK plan (2022: USD 5m). The employer contributions in 2024 are estimated at USD 19m for the UBS UK plan, subject to regular funding reviews during the year.

No contributions were paid to the Credit Suisse UK plan in 2023 or are planned for 2024. The trustees of the Credit Suisse UK Pension Fund have agreed to meet the cost of the active members' contributions into the Credit Suisse UK defined contribution plan from the pension assets of the Credit Suisse UK defined benefit plan, which amounted to USD 7m in 2023, and such payments are expected to continue in 2024.

US defined benefit plans

There are two main UBS US pension plans and two main Credit Suisse US defined benefit plans, each of which has a normal retirement age of 65. All main plans were closed to new entrants more than 20 years ago. Since they closed, new employees have participated in defined contribution plans.

One of the UBS defined benefit plans is a contribution-based plan in which each participant accrues a percentage of salary in a retirement savings account. The retirement savings account is credited annually with interest based on a rate that is linked to the average yield on one-year US government bonds. For the other UBS defined benefit plan, retirement benefits accrue based on the career-average earnings of each individual plan participant. Former employees with vested benefits can take a lump sum payment or a lifetime annuity. In one of the Credit Suisse defined benefit plans, benefits are accrued based on compensation and credited service. The other Credit Suisse defined benefit plan provides unfunded health-care benefits for eligible retired employees.

As required under applicable pension laws, the pension plans have fiduciaries who, together with UBS, are responsible for the governance of the plans. Each plan's fiduciaries are responsible for the investment decisions with respect to the plan assets. The plan assets of the funded plans are invested in diversified portfolios of financial assets.

The employer contributions in 2024 are estimated at USD 12m for the UBS US plans and at USD 10m for the Credit Suisse US plans.

German pension plans

There are two major unfunded UBS defined benefit plans in Germany. The normal retirement age is 65 and benefits are paid directly by UBS. In the larger of the two plans each participant accrues a percentage of salary in a retirement savings account. The accumulated account balance of the participant is credited on an annual basis with guaranteed interest at a rate of 5%. The plan has been closed to new entrants, and all participants younger than the age of 55 as of June 2021 no longer accrue benefits. In the other plan, amounts are accrued annually based on employee elections related to variable compensation. For this plan, the accumulated account balance is credited on an annual basis with a guaranteed interest rate of 6% for amounts accrued before 2010, of 4% for amounts accrued from 2010 to 2017, and of 0.9% for amounts accrued after 2017. Both plans are subject to German pension law, whereby the responsibility to pay pension benefits when they are due resides entirely with UBS. A portion of the pension payments is directly increased in line with price inflation.

In June 2021, UBS implemented a new funded pension plan with interest credited to participants equal to actual investment returns with a guaranteed minimum of 0%. The plan was implemented retrospectively for new hires since June 2018 and for all eligible active participants younger than 55 from July 2021. Each participant accrues a percentage of salary in a retirement savings account.

The employer contributions in 2024 are estimated at USD 14m for the UBS German plans.

There are no major Credit Suisse defined benefit plans in Germany.

Financial information by plan

The tables below provide an analysis of the movement in the net asset / liability recognized on the balance sheet for defined benefit plans, as well as an analysis of amounts recognized in net profit and in *Other comprehensive income*.

Note 27 Post-employment benefit plans (continued)

| Defined benefit plans | | Swiss plans | | UK plans | | US and German plans | | Total | |
|--|--|-----------------------|---------------|-----------------------|--------------|-----------------------|--------------|-----------------------|---------------|
| <i>USD m</i> | | 31.12.23 ¹ | 31.12.22 | 31.12.23 ¹ | 31.12.22 | 31.12.23 ¹ | 31.12.22 | 31.12.23 ¹ | 31.12.22 |
| Defined benefit obligation at the beginning of the year | | 22,272 | 27,398 | 2,166 | 4,105 | 1,375 | 1,740 | 25,813 | 33,242 |
| Defined benefit obligation recognized upon the acquisition of the Credit Suisse Group | | 15,142 | 0 | 954 | 0 | 1,025 | 0 | 17,121 | 0 |
| Current service cost | | 567 | 416 | 1 | 0 | 5 | 5 | 573 | 420 |
| Interest expense | | 680 | 344 | 139 | 67 | 88 | 35 | 907 | 446 |
| Plan participant contributions | | 370 | 257 | 0 | 0 | 0 | 0 | 370 | 257 |
| Remeasurements | | 4,446 | (4,151) | 195 | (1,474) | 37 | (267) | 4,678 | (5,891) |
| <i>of which: actuarial (gains) / losses due to changes in demographic assumptions</i> | | 76 | 3 | (79) | (6) | (2) | 1 | (5) | (2) |
| <i>of which: actuarial (gains) / losses due to changes in financial assumptions</i> | | 2,886 | (4,666) | 128 | (1,575) | 51 | (279) | 3,064 | (6,520) |
| <i>of which: experience (gains) / losses²</i> | | 1,484 | 512 | 146 | 107 | (12) | 11 | 1,619 | 631 |
| Past service cost related to plan amendments | | 245 | 0 | 0 | 0 | 0 | 0 | 245 | 0 |
| Curtailements | | (29) | (20) | 0 | 0 | 0 | 0 | (29) | (20) |
| Benefit payments | | (2,309) | (1,454) | (125) | (123) | (177) | (111) | (2,611) | (1,687) |
| Termination benefits | | 21 | 0 | 0 | 0 | 0 | 0 | 21 | 0 |
| Other movements | | 0 | (5) | 0 | 0 | 0 | 0 | 0 | (5) |
| Foreign currency translation | | 3,516 | (513) | 137 | (408) | 14 | (28) | 3,667 | (949) |
| Defined benefit obligation at the end of the year | | 44,922 | 22,272 | 3,467 | 2,166 | 2,368 | 1,375 | 50,756 | 25,813 |
| <i>of which: amounts owed to active members</i> | | <i>24,007</i> | <i>11,927</i> | <i>97</i> | <i>65</i> | <i>330</i> | <i>169</i> | <i>24,435</i> | <i>12,160</i> |
| <i>of which: amounts owed to deferred members</i> | | <i>0</i> | <i>0</i> | <i>1,655</i> | <i>656</i> | <i>904</i> | <i>528</i> | <i>2,558</i> | <i>1,184</i> |
| <i>of which: amounts owed to retirees</i> | | <i>20,915</i> | <i>10,345</i> | <i>1,715</i> | <i>1,445</i> | <i>1,134</i> | <i>678</i> | <i>23,763</i> | <i>12,469</i> |
| <i>of which: funded plans</i> | | <i>44,922</i> | <i>22,272</i> | <i>3,467</i> | <i>2,166</i> | <i>1,797</i> | <i>1,011</i> | <i>50,186</i> | <i>25,449</i> |
| <i>of which: unfunded plans</i> | | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>571</i> | <i>363</i> | <i>571</i> | <i>363</i> |
| Fair value of plan assets at the beginning of the year | | 30,119 | 33,975 | 2,488 | 4,297 | 1,039 | 1,329 | 33,646 | 39,601 |
| Fair value of plan assets recognized upon the acquisition of the Credit Suisse Group | | 18,914 | 0 | 1,499 | 0 | 824 | 0 | 21,236 | 0 |
| Return on plan assets excluding interest income | | 1,234 | (3,248) | 153 | (1,312) | 66 | (223) | 1,453 | (4,782) |
| Interest income | | 916 | 485 | 173 | 70 | 70 | 31 | 1,159 | 586 |
| Employer contributions | | 690 | 685 | 12 | 5 | 29 | 16 | 732 | 706 |
| Plan participant contributions | | 370 | 257 | 0 | 0 | 0 | 0 | 370 | 257 |
| Benefit payments | | (2,309) | (1,454) | (125) | (123) | (177) | (111) | (2,611) | (1,687) |
| Administration expenses, taxes and premiums paid | | (19) | (12) | (1) | 0 | (6) | (3) | (27) | (16) |
| Other movements | | 2 | (2) | 0 | 0 | 0 | 0 | 2 | (2) |
| Foreign currency translation | | 4,485 | (567) | 165 | (450) | 4 | 0 | 4,654 | (1,017) |
| Fair value of plan assets at the end of the year | | 54,404 | 30,119 | 4,364 | 2,488 | 1,849 | 1,039 | 60,616 | 33,646 |
| Surplus / (deficit) | | 9,482 | 7,848 | 897 | 321 | (519) | (335) | 9,860 | 7,834 |
| Asset ceiling effect at the beginning of the year | | 7,848 | 6,577 | 0 | 0 | 0 | 0 | 7,848 | 6,577 |
| Asset ceiling effect recognized upon the acquisition of the Credit Suisse Group | | 3,695 | 0 | 0 | 0 | 0 | 0 | 3,695 | 0 |
| Interest expense on asset ceiling effect | | 225 | 135 | 0 | 0 | 0 | 0 | 225 | 135 |
| Asset ceiling effect excluding interest expense and foreign currency translation on asset ceiling effect | | (3,336) | 1,189 | 0 | 0 | 0 | 0 | (3,336) | 1,189 |
| Foreign currency translation | | 963 | (54) | 0 | 0 | 0 | 0 | 963 | (54) |
| Asset ceiling effect at the end of the year | | 9,394 | 7,848 | 0 | 0 | 0 | 0 | 9,394 | 7,848 |
| Net defined benefit asset / (liability) of major plans | | 88 | 0 | 897 | 321 | (519) | (335) | 466 | (14) |
| Net defined benefit asset / (liability) of remaining plans | | | | | | | | (173) | (100) |
| Total net defined benefit asset / (liability) | | | | | | | | 293 | (114) |
| <i>of which: Net defined benefit asset</i> | | | | | | | | <i>1,088</i> | <i>355</i> |
| <i>of which: Net defined benefit liability³</i> | | | | | | | | <i>(795)</i> | <i>(469)</i> |

1 Including Credit Suisse from 31 May 2023. 2 Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. 3 Refer to Note 19c.

Note 27 Post-employment benefit plans (continued)

| Income statement – expenses related to defined benefit plans ¹ | | | | | | | | | |
|---|-----------------------|------------|-----------------------|------------|-----------------------|-----------|-----------------------|------------|----------|
| <i>USD m</i> | | | | | | | | | |
| | Swiss plans | | UK plans | | US and German plans | | Total | | |
| For the year ended | 31.12.23 ² | 31.12.22 | 31.12.23 ² | 31.12.22 | 31.12.23 ² | 31.12.22 | 31.12.23 ² | 31.12.22 | 31.12.22 |
| Current service cost | 567 | 416 | 1 | 0 | 5 | 5 | 573 | 420 | |
| Interest expense related to defined benefit obligation | 680 | 344 | 139 | 67 | 88 | 35 | 907 | 446 | |
| Interest income related to plan assets | (916) | (485) | (173) | (70) | (70) | (31) | (1,159) | (586) | |
| Interest expense on asset ceiling effect | 225 | 135 | 0 | 0 | 0 | 0 | 225 | 135 | |
| Administration expenses, taxes and premiums paid | 19 | 12 | 1 | 0 | 6 | 3 | 27 | 16 | |
| Past service cost related to plan amendments | 245 | 0 | 0 | 0 | 0 | 0 | 245 | 0 | |
| Curtailements | (29) | (20) | 0 | 0 | 0 | 0 | (29) | (20) | |
| Termination benefits | 21 | 0 | 0 | 0 | 0 | 0 | 21 | 0 | |
| Other movements | (2) | 0 | 0 | 0 | 0 | 0 | (2) | 0 | |
| Net periodic expenses recognized in net profit for major plans | 811 | 402 | (32) | (3) | 30 | 12 | 808 | 411 | |
| Net periodic expenses recognized in net profit for remaining plans³ | | | | | | | 38 | 25 | |
| Total net periodic expenses recognized in net profit | | | | | | | 847 | 437 | |

¹ Refer to Note 7. ² Including Credit Suisse from 31 May 2023. ³ Includes differences between actual and estimated performance award accruals.

Other comprehensive income – gains / (losses) on defined benefit plans

| <i>USD m</i> | | | | | | | | | |
|--|-----------------------|--------------|-----------------------|------------|-----------------------|-----------|-----------------------|-------------|----------|
| | Swiss plans | | UK plans | | US and German plans | | Total | | |
| For the year ended | 31.12.23 ¹ | 31.12.22 | 31.12.23 ¹ | 31.12.22 | 31.12.23 ¹ | 31.12.22 | 31.12.23 ¹ | 31.12.22 | 31.12.22 |
| Remeasurement of defined benefit obligation | (4,446) | 4,151 | (195) | 1,474 | (37) | 267 | (4,678) | 5,891 | |
| <i>of which: change in discount rate assumption</i> | (3,278) | 5,414 | (165) | 1,451 | (51) | 317 | (3,495) | 7,183 | |
| <i>of which: change in rate of pension increase assumption</i> | 0 | 0 | 38 | 123 | 1 | (5) | 39 | 118 | |
| <i>of which: change in rate of interest credit on retirement savings assumption</i> | 479 | (718) | 0 | 0 | (9) | (82) | 470 | (800) | |
| <i>of which: change in life expectancy</i> | 0 | 0 | 79 | 5 | 0 | (1) | 79 | 4 | |
| <i>of which: change in other actuarial assumptions</i> | (162) | (33) | 0 | 1 | 10 | 48 | (152) | 16 | |
| <i>of which: experience gains / (losses)²</i> | (1,484) | (512) | (146) | (107) | 12 | (11) | (1,619) | (631) | |
| Return on plan assets excluding interest income | 1,234 | (3,248) | 153 | (1,312) | 66 | (223) | 1,453 | (4,782) | |
| Asset ceiling effect excluding interest expense and foreign currency translation | 3,336 | (1,189) | 0 | 0 | 0 | 0 | 3,336 | (1,189) | |
| Total gains / (losses) recognized in other comprehensive income for major plans | 124 | (285) | (41) | 162 | 28 | 43 | 111 | (80) | |
| Total gains / (losses) recognized in other comprehensive income for remaining plans | | | | | | | (2) | 7 | |
| Total gains / (losses) recognized in other comprehensive income³ | | | | | | | 110 | (73) | |

¹ Including Credit Suisse from 31 May 2023. ² Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. ³ Refer to the "Statement of comprehensive income."

The table below provides information about the duration of the DBO and the timing for expected benefit payments.

| | Swiss plans | | UK plans | | US and German plans | |
|--|-------------|-------------|-------------|-------------|---------------------|------------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Duration of the defined benefit obligation (in years)¹ | 13.1 | 13.1 | 15.1 | 13.7 | 8.3 | 7.9 |
| Maturity analysis of benefits expected to be paid | | | | | | |
| <i>USD m</i> | | | | | | |
| Benefits expected to be paid within 12 months | 3,056 | 1,294 | 182 | 107 | 221 | 123 |
| Benefits expected to be paid between 1 and 3 years | 5,149 | 2,657 | 337 | 234 | 412 | 232 |
| Benefits expected to be paid between 3 and 6 years | 7,671 | 3,977 | 563 | 384 | 558 | 335 |
| Benefits expected to be paid between 6 and 11 years | 12,080 | 6,743 | 1,032 | 667 | 847 | 502 |
| Benefits expected to be paid between 11 and 16 years | 10,513 | 6,223 | 1,066 | 667 | 632 | 388 |
| Benefits expected to be paid in more than 16 years | 34,221 | 22,446 | 4,339 | 2,570 | 925 | 516 |

¹ The duration of the defined benefit obligation represents a weighted average across UBS and Credit Suisse plans.

Actuarial assumptions

The actuarial assumptions used for the defined benefit plans are based on the economic conditions prevailing in the jurisdiction in which they are offered. Changes in the defined benefit obligation are most sensitive to changes in the discount rate. The discount rate is based on the yield of high-quality corporate bonds quoted in an active market in the currency of the respective plan. A decrease in the discount curve increases the DBO. UBS regularly reviews the actuarial assumptions used in calculating the DBO to determine their continuing relevance.

› Refer to Note 1a item 5 for a description of the accounting policy for defined benefit plans

Note 27 Post-employment benefit plans (continued)

The tables below show the significant actuarial assumptions used in calculating the DBO at the end of the year.

Significant actuarial assumptions of defined benefit plans¹

| In % | Swiss plans | | UK plans | | US plans | | German plans | |
|---|-------------|----------|----------|----------|-------------------|-------------------|--------------|----------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Discount rate | 1.48 | 2.34 | 4.79 | 5.02 | 4.75 | 4.92 | 3.28 | 3.81 |
| Rate of pension increase | 0.00 | 0.00 | 2.94 | 3.08 | 0.00 | 0.00 | 2.10 | 2.20 |
| Rate of interest credit on retirement savings | 2.54 | 3.39 | 0.00 | 0.00 | 6.28 ² | 5.73 ² | 0.00 | 0.00 |

¹ Represents weighted average across UBS and Credit Suisse plans. ² Only applicable to one of the UBS US pension plans.

Mortality tables and life expectancies for major plans

| Country | Mortality table | Life expectancy at age 65 for a male member currently | | | |
|-------------|---|---|----------|-------------------|----------|
| | | aged 65 | | aged 45 | |
| | | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Switzerland | BVG 2020 G with CMI 2022 projections ¹ | 21.8 | 21.7 | 23.5 | 23.4 |
| UK | S3PA with CMI 2022 projections ² | 22.2 ³ | 23.5 | 23.4 ³ | 24.6 |
| USA | Pri-2012 with MP-2021 projection scale | 22.0 | 22.0 | 23.4 | 23.3 |
| Germany | Dr. K. Heubeck 2018 G | 20.8 | 20.6 | 23.5 | 23.4 |

| Country | Mortality table | Life expectancy at age 65 for a female member currently | | | |
|-------------|---|---|----------|-------------------|----------|
| | | aged 65 | | aged 45 | |
| | | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Switzerland | BVG 2020 G with CMI 2022 projections ¹ | 23.5 | 23.5 | 25.1 | 25.1 |
| UK | S3PA with CMI 2022 projections ² | 24.0 ⁴ | 25.0 | 25.7 ⁴ | 26.4 |
| USA | Pri-2012 with MP-2021 projection scale | 23.5 | 23.4 | 24.8 | 24.8 |
| Germany | Dr. K. Heubeck 2018 G | 24.2 | 24.0 | 26.4 | 26.3 |

¹ In 2022, BVG 2020 G with CMI 2021 projections was used. ² In 2022, S3PA with CMI 2021 projections was used. ³ UK Credit Suisse plan male aged 65: 23.1 years and aged 45: 24.3 years. ⁴ UK Credit Suisse plan female aged 65: 24.7 years and aged 45: 26.1 years.

Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption, showing how the DBO would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. Caution should be used in extrapolating the sensitivities below on the DBO, as the sensitivities may not be linear.

Sensitivity analysis of significant actuarial assumptions¹

| Increase / (decrease) in defined benefit obligation USD m | Swiss plans | | UK plans | | US and German plans | |
|--|----------------|----------------|----------------|----------------|---------------------|----------|
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 |
| Discount rate | | | | | | |
| Increase by 50 basis points | (2,365) | (1,128) | (243) | (141) | (91) | (51) |
| Decrease by 50 basis points | 2,668 | 1,269 | 272 | 157 | 98 | 55 |
| Rate of pension increase | | | | | | |
| Increase by 50 basis points | 1,894 | 877 | 204 | 127 | 10 | 4 |
| Decrease by 50 basis points | – ² | – ² | (189) | (118) | (9) | (3) |
| Rate of interest credit on retirement savings | | | | | | |
| Increase by 50 basis points | 334 | 178 | – ³ | – ³ | 9 | 9 |
| Decrease by 50 basis points | (334) | (178) | – ³ | – ³ | (8) | (8) |
| Life expectancy | | | | | | |
| Increase in longevity by one additional year | 1,315 | 593 | 108 | 65 | 64 | 39 |

¹ The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. ² As the assumed rate of pension increase was 0% as of 31 December 2023 and as of 31 December 2022, a downward change in assumption is not applicable. ³ As the UK plans do not provide interest credits on retirement savings, a change in assumption is not applicable.

Note 27 Post-employment benefit plans (continued)

Fair value of plan assets

The tables below provide information about the composition and fair value of plan assets of the major defined benefit plans.

Composition and fair value of plan assets

Swiss defined benefit plans

| | 31.12.23 | | | Plan asset allocation % | 31.12.22 | | | Plan asset allocation % |
|---|----------------------------|---------------|---------------|-------------------------|----------------------------|---------------|---------------|-------------------------|
| | Fair value | | | | Fair value | | | |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| <i>USD m</i> | | | | | | | | |
| Cash and cash equivalents | 1,205 | 0 | 1,205 | 2 | 326 | 0 | 326 | 1 |
| Equity securities | | | | | | | | |
| Domestic | 0 | 24 | 24 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 0 | 2,132 | 2,132 | 4 | 0 | 0 | 0 | 0 |
| Bonds | | | | | | | | |
| Domestic, AAA to BBB- | 100 | 0 | 100 | 0 | 0 | 0 | 0 | 0 |
| Foreign, AAA to BBB- | 51 | 0 | 51 | 0 | 0 | 0 | 0 | 0 |
| Real estate / property | | | | | | | | |
| Domestic | 0 | 6,195 | 6,195 | 11 | 0 | 3,783 | 3,783 | 13 |
| Foreign | 0 | 1,017 | 1,017 | 2 | 0 | 919 | 919 | 3 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 1,376 | 0 | 1,376 | 3 | 743 | 0 | 743 | 2 |
| Foreign | 8,317 | 2,196 | 10,513 | 19 | 4,964 | 2,171 | 7,134 | 24 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB- | 7,952 | 0 | 7,952 | 15 | 3,760 | 0 | 3,760 | 12 |
| Domestic, below BBB- | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Foreign, AAA to BBB- | 13,497 | 0 | 13,497 | 25 | 6,031 | 0 | 6,031 | 20 |
| Foreign, below BBB- | 1,249 | 0 | 1,249 | 2 | 1,062 | 0 | 1,062 | 4 |
| Real estate | | | | | | | | |
| Domestic | 1,906 | 0 | 1,906 | 4 | 0 | 0 | 0 | 0 |
| Foreign | 537 | 79 | 616 | 1 | 0 | 0 | 0 | 0 |
| Other | 1,960 | 3,373 | 5,333 | 10 | 1,540 | 3,547 | 5,086 | 17 |
| Other investments | 667 | 569 | 1,236 | 2 | 624 | 651 | 1,275 | 4 |
| Total fair value of plan assets | 38,817 | 15,586 | 54,404 | 100 | 19,049 | 11,071 | 30,119 | 100 |
| | | | 31.12.23 | | | | 31.12.22 | |
| Total fair value of plan assets | | | 54,404 | | | | 30,119 | |
| <i>of which:</i> ² | | | | | | | | |
| Bank accounts at UBS | | | 666 | | | | 337 | |
| UBS debt instruments | | | 211 | | | | 50 | |
| UBS shares | | | 72 | | | | 27 | |
| Securities lent to UBS ³ | | | 827 | | | | 871 | |
| Property occupied by UBS | | | 108 | | | | 90 | |
| Derivative financial instruments, counterparty UBS ³ | | | 534 | | | | 76 | |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. ² Bank accounts at UBS encompass accounts in the name of the Swiss pension funds. The other positions disclosed in the table encompass both direct investments in UBS instruments and indirect investments, i.e., those made through funds that the pension fund invests in. ³ Securities lent to UBS and derivative financial instruments are presented gross of any collateral. Securities lent to UBS were fully covered by collateral as of 31 December 2023 and 31 December 2022. Net of collateral, derivative financial instruments amounted to negative USD 33m as of 31 December 2023 (31 December 2022: negative USD 8m).

Note 27 Post-employment benefit plans (continued)

Composition and fair value of plan assets (continued)

UK defined benefit plans

| | 31.12.23 | | | | 31.12.22 | | | |
|--|----------------------------|-----------|--------------|-------------------------|----------------------------|------------|--------------|-------------------------|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| <i>USD m</i> | | | | | | | | |
| Cash and cash equivalents | 225 | 0 | 225 | 5 | 104 | 0 | 104 | 4 |
| Bonds¹ | | 0 | | | | | | |
| Domestic, AAA to BBB– | 3,619 | 0 | 3,619 | 83 | 1,729 | 0 | 1,729 | 69 |
| Domestic, below BBB– | 7 | 0 | 7 | 0 | 0 | 0 | 0 | 0 |
| Foreign, AAA to BBB– | 509 | 0 | 509 | 12 | 297 | 0 | 297 | 12 |
| Foreign, below BBB– | 0 | 0 | 0 | 0 | 7 | 0 | 7 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 9 | 3 | 12 | 0 | 19 | 3 | 22 | 1 |
| Foreign | 234 | 0 | 234 | 5 | 366 | 0 | 366 | 15 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB– | 310 | 38 | 348 | 8 | 367 | 90 | 457 | 18 |
| Domestic, below BBB– | 6 | 0 | 6 | 0 | 1 | 0 | 1 | 0 |
| Foreign, AAA to BBB– | 97 | 0 | 97 | 2 | 90 | 0 | 90 | 4 |
| Foreign, below BBB– | 93 | 0 | 93 | 2 | 114 | 0 | 114 | 5 |
| Real estate | | | | | | | | |
| Domestic | 61 | 0 | 61 | 1 | 64 | 0 | 64 | 3 |
| Foreign | 4 | 12 | 16 | 0 | 6 | 31 | 36 | 1 |
| Other | 64 | 0 | 64 | 1 | (280) | 0 | (280) | (11) |
| Repurchase agreements | (947) | 0 | (947) | (22) | (612) | 0 | (612) | (25) |
| Other investments | 15 | 5 | 20 | 0 | 66 | 27 | 94 | 4 |
| Total fair value of plan assets | 4,306 | 58 | 4,364 | 100 | 2,336 | 151 | 2,488 | 100 |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

US and German defined benefit plans

| | 31.12.23 | | | | 31.12.22 | | | |
|--|----------------------------|------------|--------------|-------------------------|----------------------------|-----------|--------------|-------------------------|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| <i>USD m</i> | | | | | | | | |
| Cash and cash equivalents | 32 | 0 | 32 | 2 | 7 | 0 | 7 | 1 |
| Equity | | | | | | | | |
| Domestic | 54 | 0 | 54 | 3 | 55 | 0 | 55 | 5 |
| Foreign | 23 | 0 | 23 | 1 | 24 | 0 | 24 | 2 |
| Bonds¹ | | | | | | | | |
| Domestic, AAA to BBB– | 308 | 0 | 308 | 17 | 359 | 0 | 359 | 35 |
| Domestic, below BBB– | 3 | 0 | 3 | 0 | 4 | 0 | 4 | 0 |
| Foreign, AAA to BBB– | 51 | 0 | 51 | 3 | 74 | 0 | 74 | 7 |
| Foreign, below BBB– | 2 | 0 | 2 | 0 | 3 | 0 | 3 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 51 | 0 | 51 | 3 | 27 | 0 | 27 | 3 |
| Foreign | 82 | 18 | 100 | 5 | 33 | 0 | 33 | 3 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB– | 552 | 300 | 853 | 46 | 266 | 0 | 266 | 26 |
| Domestic, below BBB– | 172 | 41 | 213 | 12 | 109 | 0 | 109 | 10 |
| Foreign, AAA to BBB– | 75 | 14 | 89 | 5 | 2 | 0 | 2 | 0 |
| Foreign, below BBB– | 9 | 0 | 9 | 1 | 5 | 0 | 5 | 0 |
| Real estate | | | | | | | | |
| Domestic | 1 | 9 | 10 | 1 | 0 | 11 | 11 | 1 |
| Foreign | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Other | 51 | 0 | 52 | 3 | 54 | 0 | 54 | 5 |
| Other investments | (8) | 5 | (3) | 0 | 5 | 1 | 6 | 1 |
| Total fair value of plan assets | 1,461 | 388 | 1,849 | 100 | 1,027 | 12 | 1,039 | 100 |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB– and below BBB– represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

Note 27 Post-employment benefit plans (continued)

b) Defined contribution plans

UBS sponsors several defined contribution plans, with the most significant plans in the US and the UK. UBS's obligation is limited to its contributions made in accordance with each plan, which may include direct contributions and matching contributions. Employer contributions to defined contribution plans are recognized as an expense and were USD 386m for the UBS plans and USD 128m for the Credit Suisse plans in 2023 (2022: USD 357m for the UBS plans).

› Refer to Note 7 for more information

c) Related-party disclosure

UBS is the principal provider of banking services for the pension funds of UBS and Credit Suisse in Switzerland. In this capacity, UBS is engaged to execute most of the pension funds' banking activities. These activities can include, but are not limited to, trading, securities lending and borrowing and derivative transactions. The non-Swiss pension funds do not have a similar banking relationship with UBS. During 2023, UBS received USD 35m in fees for banking services from the major UBS plans and USD 11m from the major Credit Suisse plans (2022: USD 36m from the major UBS plans). As of 31 December 2023, the major UBS plans held USD 417m in UBS shares and major Credit Suisse plans held USD 26m (31 December 2022: Major UBS plans held USD 265m).

› Refer to the "Composition and fair value of plan assets" table in Note 27a for more information about fair value of investments in UBS instruments held by the Swiss pension funds

Note 28 Employee benefits: variable compensation

a) Plans offered

The Group has several share-based and other deferred compensation plans that align the interests of Group Executive Board (GEB) members and other employees with the interests of investors.

Share-based awards are granted in the form of notional shares and, where permitted, carry a dividend equivalent that may be paid in notional shares or cash. Awards are settled by delivering UBS shares at vesting, except in jurisdictions where this is not permitted for legal or tax reasons.

Deferred compensation awards are generally forfeitable upon, among other circumstances, voluntary termination of employment with UBS. These compensation plans are also designed to meet regulatory requirements and include special provisions for regulated employees.

The most significant deferred compensation plans are described below.

› Refer to Note 1a item 4 for a description of the accounting policy related to share-based and other deferred compensation plans

Mandatory deferred compensation plans

Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) is a mandatory deferred share-based compensation plan for senior leaders of the Group (i.e., GEB members and selected senior management).

The number of notional shares delivered at vesting depends on two equally weighted performance metrics over a three-year performance period: return on common equity tier 1 (CET1) capital and relative total shareholder return, which compares the total shareholder return (TSR) of UBS with the TSR of an index consisting of listed Global Systemically Important Banks as determined by the Financial Stability Board (excluding UBS). The final number of shares vest over three years following the performance period for GEB members, and cliff-vest in the year following the performance period for selected senior management.

Equity Ownership Plan / Fund Ownership Plan

The Equity Ownership Plan (EOP) is the deferred share-based compensation plan for employees outside of the GEB that are subject to deferral requirements. EOP awards generally vest over three years.

Certain Asset Management employees receive some or all of their EOP in the form of notional funds (Fund Ownership Plan or FOP, previously named AM EOP). This plan is generally delivered in cash and vests over three years. The amount delivered depends on the value of the underlying investment funds at the time of vesting.

Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (DCCP) is a deferred compensation plan for all employees who are subject to deferral requirements. Such employees are awarded notional additional tier 1 (AT1) capital instruments, which, at the discretion of UBS, can be settled in cash or a perpetual, marketable AT1 capital instrument. DCCP awards generally bear notional interest paid annually (except for certain regulated employees) and vest in full after five years. Awards are forfeited if a viability event occurs (i.e., if FINMA notifies the firm that the DCCP awards must be written down to mitigate the risk of insolvency, bankruptcy or failure of UBS) or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. DCCP awards are also written down if the Group's CET1 capital ratio falls below a defined threshold. In addition, GEB members forfeit 20% of DCCP awards for each loss-making year during the vesting period.

Note 28 Employee benefits: variable compensation (continued)

Deferred compensation plans awarded to employees of Credit Suisse

Awards granted in connection with the acquisition

Retention awards were offered to selected employees of the Credit Suisse Group prior to the acquisition date to support the completion of the transaction and the early phase of integration. These awards were contingent on the completion of the acquisition and are delivered 50% in cash (in general vesting 60 days from the completion of the acquisition) and 50% in shares (in general vesting on the first anniversary of the completion of the acquisition). Vesting periods are longer for certain regulated employees.

Existing compensation plans offered to employees of Credit Suisse before the acquisition

Credit Suisse offered a range of compensation plans to its employees. Generally, outstanding deferred awards continue to vest according to their original terms. Awards referenced to shares of Credit Suisse Group were converted into units over UBS Group shares according to the exchange ratio applied to the merger transaction (1 share in UBS for 22.48 shares in Credit Suisse).

Unvested awards that contributed to compensation expenses in 2023 and continue to be expensed over the future service period include upfront cash awards, share awards and other deferred awards settled in cash. These awards were granted for the main purpose of employee retention.

Upfront cash awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or other specified events within three years from the grant date. The expense is recognized over the three-year service period according to the clawback provisions.

Share awards that were granted as part of the annual performance incentive typically vest over three years with one third of the award vesting on each of the three anniversaries of the grant date.

Financial advisor variable compensation

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management consists of cash compensation and deferred compensation awards, determined using a formulaic approach based on production.

Cash compensation reflects a percentage of the compensable production that each financial advisor generates. Compensable production is generally based on transaction revenue and investment advisory fees and may reflect further adjustments. The percentage rate generally varies based on the level of the production and firm tenure.

Financial advisors may also be granted annual deferred compensation. These amounts generally vest over a six-year period. The annual deferred compensation amount reflects the overall percentage rate and production.

Cash compensation and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisors may also participate in additional programs to support promoting and developing their business or supporting the transition of client relationships where appropriate. Financial advisor compensation also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

Share delivery obligations

Share delivery obligations related to employee share-based compensation awards were 196m shares as of 31 December 2023 (31 December 2022: 178m shares). Share delivery obligations are calculated on the basis of undistributed notional share awards, taking applicable performance conditions into account.

As of 31 December 2023, UBS held 131m treasury shares (31 December 2022: 119m) that were available to satisfy share delivery obligations.

Note 28 Employee benefits: variable compensation (continued)

b) Effect on the income statement

Effect on the income statement for the financial year and future periods

The table below provides information about compensation expenses related to total variable compensation that were recognized in the financial year ended 31 December 2023, as well as expenses that were deferred and will be recognized in the income statement for 2024 and later. Deferred expenses related to compensation plans granted to employees of Credit Suisse in 2023 and earlier years are presented under *Variable compensation – other*. The expense recognized in 2023 associated with these awards was USD 335m for retention awards granted in connection with the acquisition and USD 412m for outstanding deferred compensation plans that existed on the date of acquisition.

The majority of expenses deferred to 2024 and later that are related to the 2023 performance year pertain to awards granted in February 2024. The total unamortized compensation expense for unvested share-based awards granted up to 31 December 2023 will be recognized in future periods over a weighted average period of 2.2 years.

Variable compensation

| USD m | Expenses recognized in 2023 | | | Expenses deferred to 2024 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2023 performance year | Related to prior performance years | Total | Related to the 2023 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,859 | (52) | 2,807 | 0 | 0 | 0 |
| Deferred compensation awards | 523 | 656 | 1,179 | 777 | 757 | 1,534 |
| <i>of which: Equity Ownership Plan</i> | 155 | 330 | 485 | 263 | 245 | 509 |
| <i>of which: Deferred Contingent Capital Plan</i> | 180 | 241 | 421 | 312 | 451 | 763 |
| <i>of which: Long-Term Incentive Plan</i> | 164 | 40 | 204 | 160 | 34 | 193 |
| <i>of which: Fund Ownership Plan</i> | 24 | 46 | 69 | 41 | 27 | 68 |
| Variable compensation – performance awards | 3,382 | 604 | 3,986 | 777 | 757 | 1,534 |
| Variable compensation – financial advisors² | 3,761 | 788 | 4,549 | 1,236 | 3,300 | 4,536 |
| <i>of which: non-deferred cash</i> | 3,440 | (4) | 3,436 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 110 | 87 | 197 | 113 | 209 | 321 |
| <i>of which: deferred cash-based awards</i> | 169 | 245 | 414 | 301 | 1,029 | 1,331 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 42 | 459 | 502 | 822 | 2,062 | 2,884 |
| Variable compensation – other³ | 784 | 526 | 1,310 | 384 | 583 | 968 |
| Total variable compensation | 7,927 | 1,918 | 9,845⁴ | 2,398 | 4,640 | 7,037 |

¹ Estimate as of 31 December 2023. Actual amounts to be expensed in future periods may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of existing deferred awards and retention awards granted to Credit Suisse employees as well as replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 1,094m in expenses related to share-based compensation (performance awards: USD 689m; other variable compensation: USD 208m; financial advisor compensation: USD 197m). A further USD 169m in expenses related to share-based compensation was recognized within other expense categories included in Note 7 (salaries: USD 4m related to role-based allowances; social security: USD 137m; other personnel expenses: USD 27m related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 1,087m.

Note 28 Employee benefits: variable compensation (continued)

Variable compensation (continued)

| USD m | Expenses recognized in 2022 | | | Expenses deferred to 2023 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2022 performance year | Related to prior performance years | Total | Related to the 2022 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,276 | (16) | 2,260 | 0 | 0 | 0 |
| Deferred compensation awards | 364 | 581 | 945 | 605 | 754 | 1,359 |
| <i>of which: Equity Ownership Plan</i> | 202 | 235 | 437 | 310 | 250 | 560 |
| <i>of which: Deferred Contingent Capital Plan</i> | 129 | 219 | 349 | 245 | 408 | 654 |
| <i>of which: Long-Term Incentive Plan</i> | 11 | 32 | 43 | 30 | 42 | 71 |
| <i>of which: Fund Ownership Plan</i> | 21 | 95 | 116 | 20 | 54 | 74 |
| Variable compensation – performance awards | 2,640 | 566 | 3,205 | 605 | 754 | 1,359 |
| Variable compensation – financial advisors² | 3,799 | 709 | 4,508 | 1,290 | 2,652 | 3,942 |
| <i>of which: non-deferred cash</i> | 3,481 | 0 | 3,481 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 104 | 62 | 166 | 122 | 180 | 302 |
| <i>of which: deferred cash-based awards</i> | 185 | 215 | 400 | 588 | 636 | 1,224 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 29 | 432 | 461 | 580 | 1,836 | 2,416 |
| Variable compensation – other³ | 169 | 71 | 241 | 237 | 193 | 430 |
| Total variable compensation | 6,608 | 1,346 | 7,954⁴ | 2,131 | 3,599 | 5,731 |

¹ Estimate as of 31 December 2022. Actual amounts to be expensed in future periods may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 703m in expenses related to share-based compensation (performance awards: USD 480m; other variable compensation: USD 56m; financial advisor compensation: USD 166m). A further USD 88m in expenses related to share-based compensation was recognized within other expense categories included in Note 7 (salaries: USD 4m related to role-based allowances; social security: USD 61m; other personnel expenses: USD 23m related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 716m.

Variable compensation (continued)

| USD m | Expenses recognized in 2021 | | | Expenses deferred to 2022 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2021 performance year | Related to prior performance years | Total | Related to the 2021 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,383 | (10) | 2,373 | 0 | 0 | 0 |
| Deferred compensation awards | 405 | 412 | 817 | 797 | 624 | 1,421 |
| <i>of which: Equity Ownership Plan</i> | 183 | 180 | 363 | 393 | 184 | 577 |
| <i>of which: Deferred Contingent Capital Plan</i> | 140 | 158 | 297 | 299 | 329 | 628 |
| <i>of which: Long-Term Incentive Plan</i> | 54 | 19 | 73 | 50 | 33 | 83 |
| <i>of which: Fund Ownership Plan</i> | 29 | 56 | 84 | 56 | 78 | 133 |
| Variable compensation – performance awards | 2,788 | 402 | 3,190 | 797 | 624 | 1,421 |
| Variable compensation – financial advisors² | 4,175 | 685 | 4,860 | 1,097 | 2,323 | 3,419 |
| <i>of which: non-deferred cash</i> | 3,858 | (6) | 3,853 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 106 | 51 | 157 | 123 | 146 | 269 |
| <i>of which: deferred cash-based awards</i> | 170 | 202 | 372 | 311 | 495 | 806 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 41 | 438 | 479 | 662 | 1,682 | 2,344 |
| Variable compensation – other³ | 191 | 38 | 229 | 215 | 182 | 397 |
| Total variable compensation | 7,155 | 1,125 | 8,280⁴ | 2,109 | 3,129 | 5,238 |

¹ Estimate as of 31 December 2021. Actual amounts expensed may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 651m in expenses related to share-based compensation (performance awards: USD 435m; other variable compensation: USD 59m; financial advisor compensation: USD 157m). A further USD 85m in expenses related to share-based compensation was recognized within other expense categories included in Note 7 (salaries: USD 5m related to role-based allowances; social security: USD 64m; other personnel expenses: USD 16m related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 641m.

Note 28 Employee benefits: variable compensation (continued)

c) Outstanding share-based compensation awards

Share and performance share awards

Movements in outstanding share-based awards to employees during 2023 and 2022 are provided in the table below.

Movements in outstanding share-based compensation awards

| | Number of shares 2023 | Weighted average grant date fair value (USD) | Number of shares 2022 | Weighted average grant date fair value (USD) |
|--|--------------------------|--|--------------------------|--|
| Outstanding, at the beginning of the year | 181,907,200 | 15 | 180,578,561 | 13 |
| Share obligations assumed at merger date | 14,535,612 | 20 | | |
| Awarded during the year | 63,907,823 | 20 | 62,203,770 | 18 |
| Distributed during the year | (54,365,846) | 14 | (54,639,882) | 12 |
| Forfeited during the year | (7,076,202) | 18 | (6,235,249) | 15 |
| Outstanding, at the end of the year | 198,908,588 | 17 | 181,907,200 | 15 |
| <i>of which: shares vested for accounting purposes</i> | <i>102,697,819</i> | | <i>102,364,973</i> | |

The total carrying amount of the liability related to cash-settled share-based awards as of 31 December 2023 and 31 December 2022 was USD 64m and USD 43m, respectively.

d) Valuation

UBS share awards

UBS measures compensation expense based on the average market price of UBS shares on the grant date as quoted on the SIX Swiss Exchange, taking into consideration post-vesting sale and hedge restrictions, non-vesting conditions and market conditions, where applicable. The fair value of the share awards subject to post-vesting sale and hedge restrictions is discounted on the basis of the duration of the post-vesting restriction and is referenced to the cost of purchasing an at-the-money European put option for the term of the transfer restriction. The grant date fair value of notional shares without dividend entitlements also includes a deduction for the present value of future expected dividends to be paid between the grant date and distribution.

Note 29 Interests in subsidiaries and other entities

a) Interests in subsidiaries

UBS defines its significant subsidiaries as those entities that, either individually or in aggregate, contribute significantly to the Group's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and contribution to the Group's total assets and profit or loss before tax, in accordance with the requirements set by IFRS 12, Swiss regulations and the rules of the US Securities and Exchange Commission (the SEC).

Individually significant subsidiaries

The two tables below list the Group's individually significant subsidiaries as of 31 December 2023. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares held entirely by the Group, and the proportion of ownership interest held is equal to the voting rights held by the Group.

The country where the respective registered office is located is also the principal place of business. UBS AG and Credit Suisse AG operate through a global branch network and a significant proportion of their business activity is conducted outside Switzerland, including in the UK, the US, Singapore, the Hong Kong SAR and other countries. UBS Europe SE has branches and offices in a number of EU Member States, including Germany, France, Italy, Luxembourg and Spain. Share capital is provided in the currency of the legally registered office.

Individually significant subsidiaries of UBS Group AG as of 31 December 2023

| Company | Registered office | Share capital in million | Equity interest accumulated in % |
|--|-------------------------------|--------------------------|----------------------------------|
| UBS AG | Zurich and Basel, Switzerland | USD 385.8 | 100.0 |
| UBS Business Solutions AG ¹ | Zurich, Switzerland | CHF 1.0 | 100.0 |
| Credit Suisse AG | Zurich, Switzerland | CHF 4,399.7 | 100.0 |
| Credit Suisse Services AG | Zurich, Switzerland | CHF 1.0 | 100.0 |

¹ UBS Business Solutions AG holds subsidiaries in China, India, Israel and Poland.

Note 29 Interests in subsidiaries and other entities (continued)

Individually significant subsidiaries of UBS AG as of 31 December 2023¹

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|-----------------------------|---------------------------|------------------------------|--------------------------|----------------------------------|
| UBS Americas Holding LLC | Wilmington, Delaware, USA | Group Items | USD 2,900.0 ² | 100.0 |
| UBS Americas Inc. | Wilmington, Delaware, USA | Group Items | USD 0.0 | 100.0 |
| UBS Asset Management AG | Zurich, Switzerland | Asset Management | CHF 43.2 | 100.0 |
| UBS Bank USA | Salt Lake City, Utah, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS Europe SE | Frankfurt, Germany | Global Wealth Management | EUR 446.0 | 100.0 |
| UBS Financial Services Inc. | Wilmington, Delaware, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS Securities LLC | Wilmington, Delaware, USA | Investment Bank | USD 1,283.1 ³ | 100.0 |
| UBS Switzerland AG | Zurich, Switzerland | Personal & Corporate Banking | CHF 10.0 | 100.0 |

¹ Includes direct and indirect subsidiaries of UBS AG. ² Consists of common share capital of USD 1,000 and non-voting preferred share capital of USD 2,900,000,000. ³ Consists of common share capital of USD 100,000 and non-voting preferred share capital of USD 1,283,000,000.

Individually significant subsidiaries of Credit Suisse AG as of 31 December 2023

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|------------------------------------|---------------------------|------------------------------|--------------------------|----------------------------------|
| Credit Suisse International | London, United Kingdom | Non-core and Legacy | USD 7,267.5 | 97.6 ¹ |
| Credit Suisse (Schweiz) AG | Zurich, Switzerland | Personal & Corporate Banking | CHF 100.0 | 100.0 |
| Credit Suisse Holdings (USA), Inc. | Wilmington, United States | Investment Bank | USD 0.0 | 100.0 |

¹ UBS Group AG owns the remaining 2.4%.

Other subsidiaries

The table below lists other direct and indirect subsidiaries of UBS AG and Credit Suisse AG that are not individually significant but contribute to the Group's total assets and aggregated profit before tax thresholds and are thus disclosed in accordance with requirements set by the SEC.

Other subsidiaries of UBS AG and Credit Suisse AG as of 31 December 2023

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|--|---------------------------|------------------------------|--------------------------|----------------------------------|
| Banco de Investimentos Credit Suisse (Brasil) S.A. | São Paulo, Brazil | Investment Banking | BRL 164.8 | 100.0 |
| BANK-now AG | Horgen, Switzerland | Personal & Corporate Banking | CHF 30.0 | 100.0 |
| Credit Suisse (Hong Kong) Limited | Hong Kong, China | Investment Banking | HKD 8,192.9 | 100.0 |
| Credit Suisse (UK) Limited | London, United Kingdom | Global Wealth Management | GBP 245.2 | 100.0 |
| Credit Suisse (USA), Inc. | Wilmington, United States | Investment Banking | USD 0.0 | 100.0 |
| Credit Suisse Bank (Europe), S.A. | Spain, Madrid | Investment Banking | EUR 18.0 | 100.0 |
| Credit Suisse Funds AG | Zurich, Switzerland | Asset Management | CHF 7.0 | 100.0 |
| Credit Suisse Securities (Europe) Limited | London, United Kingdom | Non-core and Legacy | USD 9.6 | 100.0 |
| Credit Suisse Securities (Japan) Limited | Tokyo, Japan | Investment Banking | JPY 78,100.0 | 100.0 |
| Credit Suisse Securities (USA) LLC | Wilmington, United States | Non-core and Legacy | USD 0.0 | 100.0 |
| Credit Suisse Services (USA) LLC | Wilmington, United States | Group Items | USD 0.0 | 100.0 |
| DLJ Mortgage Capital, Inc. | Wilmington, United States | Non-core and Legacy | USD 0.0 | 100.0 |
| UBS Asset Management (Americas) Inc. | Wilmington, Delaware, USA | Asset Management | USD 0.0 | 100.0 |
| UBS Asset Management Life Ltd | London, United Kingdom | Asset Management | GBP 15.0 | 100.0 |
| UBS Business Solutions US LLC | Wilmington, Delaware, USA | Group Items | USD 0.0 | 100.0 |
| UBS Fund Management (Switzerland) AG | Basel, Switzerland | Asset Management | CHF 1.0 | 100.0 |
| UBS (Monaco) S.A. | Monte Carlo, Monaco | Global Wealth Management | EUR 49.2 | 100.0 |
| UBS Securities Australia Ltd | Sydney, Australia | Investment Bank | AUD 0.3 ¹ | 100.0 |
| UBS Securities Hong Kong Limited | Hong Kong SAR, China | Investment Bank | HKD 2,841.6 | 100.0 |
| UBS Securities Japan Co., Ltd. | Tokyo, Japan | Investment Bank | JPY 34,708.7 | 100.0 |
| UBS SuMi TRUST Wealth Management Co., Ltd. | Tokyo, Japan | Global Wealth Management | JPY 5,165.0 | 51.0 |

¹ Includes a nominal amount relating to redeemable preference shares.

Consolidated structured entities

Consolidated structured entities (SEs) include certain investment funds, securitization vehicles and client investment vehicles. UBS has no individually significant subsidiaries that are SEs.

In 2023 and 2022, the Group did not enter into any contractual obligation that could require the Group to provide financial support to consolidated SEs. In addition, the Group did not provide support, financial or otherwise, to a consolidated SE when the Group was not contractually obligated to do so, nor does the Group currently have any intention to do so in the future. Furthermore, the Group did not provide support, financial or otherwise, to a previously unconsolidated SE that resulted in the Group controlling the SE during the reporting period.

Note 29 Interests in subsidiaries and other entities (continued)

b) Interests in associates and joint ventures

As of 31 December 2023 and 31 December 2022, no associate or joint venture was individually material to the Group. Also, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to UBS Group AG or its subsidiaries as cash dividends or to repay loans or advances made. There were no quoted market prices for any associates or joint ventures of the Group.

| Investments in associates and joint ventures | | |
|--|--------------|--------------|
| USD m | 2023 | 2022 |
| Carrying amount at the beginning of the year | 1,101 | 1,243 |
| Additions | 1 | 3 |
| Acquisition of the Credit Suisse Group | 1,569 | 0 |
| Reclassifications | (33) | (44) |
| Share of comprehensive income | (365) | (41) |
| <i>of which: share of net profit / (loss)¹</i> | <i>(348)</i> | <i>32</i> |
| <i>of which: share of other comprehensive income²</i> | <i>(17)</i> | <i>(73)</i> |
| Share of changes in retained earnings | (1) | 0 |
| Dividends received | (90) | (31) |
| Foreign currency translation | 192 | (30) |
| Carrying amount at the end of the year | 2,373 | 1,101 |
| <i>of which: associates</i> | <i>2,164</i> | <i>1,098</i> |
| <i>of which: SIX Group AG, Zurich</i> | <i>1,646</i> | <i>954</i> |
| <i>of which: other associates</i> | <i>519</i> | <i>144</i> |
| <i>of which: joint ventures</i> | <i>209</i> | <i>3</i> |

¹ For 2023, consists of negative USD 383m from associates, partly offset by USD 34m from joint ventures (for 2022, consists of USD 27m from associates and USD 5m from joint ventures). ² For 2023, consists of negative USD 17m from associates (for 2022, consists of negative USD 73m from associates).

c) Unconsolidated structured entities

UBS is considered to sponsor another entity if, in addition to ongoing involvement with that entity, it had a key role in establishing that entity or in bringing together relevant counterparties for a transaction facilitated by that entity. During 2023, the Group sponsored the creation of various SEs and interacted with a number of non-sponsored SEs, including securitization vehicles, client vehicles and certain investment funds, that UBS did not consolidate as of 31 December 2023 because it did not control them.

Interests in unconsolidated structured entities

The table below presents the Group's interests in and maximum exposure to loss from unconsolidated SEs, as well as the total assets held by the SEs in which UBS had an interest as of year-end, except for investment funds sponsored by third parties, for which the carrying amount of UBS's interest as of year-end has been disclosed.

As a consequence of the acquisition of the Credit Suisse Group and the resulting increase in interests in structured entities, interests in client vehicles sponsored by UBS are presented separately to other vehicles sponsored by third parties, to clearly distinguish the different types of entities that UBS is involved with. Further, bonds issued by US government-sponsored entities included within Group Treasury's HQLA portfolio have been excluded given UBS does not absorb significant risk and third-party funding vehicles of large multi-nationals have been excluded as they are no longer considered structured entities. Prior periods have been restated to reflect these changes.

The increase in interests held in structured entities primarily relates to financial assets at fair value in the Non-core and Legacy business division.

Sponsored unconsolidated structured entities in which UBS did not have an interest at year-end

During 2023 and 2022, the Group did not earn material income from sponsored unconsolidated SEs in which UBS did not have an interest at year-end.

During 2023 and 2022, UBS and third parties did not transfer any assets into sponsored securitization vehicles created in those years. UBS and third parties transferred assets, alongside deposits and debt issuances (which are assets from the perspective of the vehicle), of USD 0.5bn and USD 0.5bn, respectively, into sponsored client vehicles created in 2023 (2022: USD 1bn and USD 3bn, respectively). For sponsored investment funds, transfers arose during the period as investors invested and redeemed positions, thereby changing the overall size of the funds, which, when combined with market movements, resulted in a total closing net asset value of USD 137bn (31 December 2022: USD 38bn).

Note 29 Interests in subsidiaries and other entities (continued)

Interests in unconsolidated structured entities

| | 31.12.23 | | | | | |
|--|--------------------------------------|---|------------------------|--|---------------|---------------------------------------|
| <i>USD m, except where indicated</i> | Securitization vehicles ¹ | Client vehicles sponsored by UBS ² | Investment funds | Other vehicles sponsored by third parties ³ | Total | Maximum exposure to loss ⁴ |
| Financial assets at fair value held for trading | 2,086 | 58 | 9,653 | 325 | 12,122 | 12,122 |
| Derivative financial instruments | 2 | 174 | 68 | 0 | 244 | 244 |
| Loans and advances to customers | 0 | 0 | 312 | 246 | 558 | 558 |
| Financial assets at fair value not held for trading | 1,645 | 0 | 497 | 579 | 2,720 | 2,720 |
| Financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial assets measured at amortized cost | 202 | 0 | 1 | 0 | 203 | 453 |
| Total assets | 3,935 | 232 | 10,531 | 1,151 | 15,848 | 16,098 |
| Derivative financial instruments | 7 | 27 | 590 | 0 | 623 | 98 |
| Total liabilities | 7 | 27 | 590 | 0 | 623 | 98 |
| Assets held by the unconsolidated structured entities in which UBS had an interest (USD bn) | 70⁵ | 3⁶ | 276⁷ | 1⁸ | | |

| | 31.12.22 | | | | | |
|--|--|---|------------------------|--|--------------|---------------------------------------|
| <i>USD m, except where indicated</i> | Securitization vehicles ^{1,2} | Client vehicles sponsored by UBS ² | Investment funds | Other vehicles sponsored by third parties ³ | Total | Maximum exposure to loss ⁴ |
| Financial assets at fair value held for trading | 263 | 2 | 5,884 | 0 | 6,149 | 6,149 |
| Derivative financial instruments | 3 | 160 | 115 | 0 | 278 | 278 |
| Loans and advances to customers | 0 | 0 | 119 | 0 | 119 | 119 |
| Financial assets at fair value not held for trading | 0 | 0 | 225 | 0 | 225 | 225 |
| Financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial assets measured at amortized cost | 0 | 0 | 2 | 0 | 3 | 252 |
| Total assets | 266 | 162 | 6,345 | 0 | 6,773 | 7,023 |
| Derivative financial instruments | 1 | 35 | 763 | 0 | 798 | 2 |
| Total liabilities | 1 | 35 | 763 | 0 | 798 | 2 |
| Assets held by the unconsolidated structured entities in which UBS had an interest (USD bn) | 39⁵ | 2⁶ | 139⁷ | 0 | | |

1 Includes loans with a high LTV and credit-impaired loans to pre-securitization warehouse structured entities managed by third parties, as well as securities issued by securitization structured entities sponsored by both UBS and third parties. 2 Client vehicles sponsored by UBS are structured entities that do not qualify as a securitization in line with regulatory requirements and are not considered an investment fund. Effective from 31 December 2023, bonds issued by US government-sponsored entities included in Group Treasury's HQLA and interests in third-party funding vehicles of large multi-nationals have been excluded, with prior periods restated. The restatement resulted in a decrease in interests in securitization vehicles of USD 852m and a decrease in interests in client vehicles of USD 5,057m as of 31 December 2022. There was a corresponding decrease in assets held by securitization vehicles in which UBS has an interest of USD 11bn and a decrease in assets held by client vehicles in which UBS has an interest of USD 105bn as of 31 December 2022. 3 Other vehicles sponsored by third parties are structured entities that do not qualify as a securitization in line with regulatory requirements and are not considered an investment fund. Interests in other vehicles sponsored by third parties included loans with a high LTV and credit-impaired loans provided to third-party structured entities. 4 For the purpose of this disclosure, maximum exposure to loss amounts do not consider the risk-reducing effects of collateral or other credit enhancements. 5 Represents the principal amount outstanding. 6 Represents the market value of total assets. 7 Represents the net asset value of the investment funds sponsored by UBS and the carrying amount of UBS's interests in the investment funds not sponsored by UBS. 8 Represents the carrying amount of UBS's interest in other vehicles sponsored by third parties.

The Group retains or purchases interests in unconsolidated SEs in the form of direct investments, financing, guarantees, letters of credit and derivatives, as well as through management contracts. The Group's maximum exposure to loss is generally equal to the carrying amount of the Group's interest in the given SE, with this subject to change over time with market movements. Guarantees, letters of credit and credit derivatives are an exception, with the given contract's notional amount, adjusted for losses already incurred, representing the maximum loss that the Group is exposed to.

The maximum exposure to loss disclosed in the table above does not reflect the Group's risk management activities, including effects from financial instruments that may be used to economically hedge risks inherent in the given unconsolidated SE or risk-reducing effects of collateral or other credit enhancements.

In 2023 and 2022, the Group did not provide support, financial or otherwise, to any unconsolidated SE when not contractually obligated to do so, nor does the Group currently have any intention to do so in the future.

In 2023 and 2022, income and expenses from interests in unconsolidated SEs primarily resulted from mark-to-market movements recognized in *Other net income from financial instruments measured at fair value through profit or loss*, which were generally hedged with other financial instruments, as well as fee and commission income received from UBS-sponsored funds.

Interests in securitization vehicles

As of 31 December 2023 and 31 December 2022, the Group held interests, both retained and acquired, in various securitization vehicles that relate to financing, underwriting, secondary market and derivative trading activities. In addition to the interests disclosed in the table above, the Group manages the assets of certain securitization vehicles and receives fees based, in whole or in part, on the asset value of the vehicles. Interest in such vehicles, acquired as part of the acquisition of the Credit Suisse Group, is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The total assets of such vehicles were USD 26bn as of 31 December 2023, and have been excluded from the table above.

Note 29 Interests in subsidiaries and other entities (continued)

The numbers outlined in the table above may differ from the securitization positions presented in the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for the following reasons: (i) exclusion of synthetic securitizations transacted with entities that are not SEs and transactions in which the Group did not have an interest because it did not absorb any risk; (ii) a different measurement basis in certain cases (e.g., IFRS Accounting Standards carrying amount within the table above compared with net exposure amount at default for Pillar 3 disclosures); and (iii) different classification of vehicles viewed as sponsored by the Group versus sponsored by third parties.

› Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information

Interests in client vehicles sponsored by UBS

UBS-sponsored client vehicles are established predominantly for clients to gain exposure to specific assets or risk exposures. Such vehicles may enter into derivative agreements, with UBS or a third party, to align the cash flows of the entity with the investor's intended investment objective, or to introduce other desired risk exposures.

As of 31 December 2023 and 31 December 2022, the Group retained interests in client vehicles sponsored by UBS that relate to financing, secondary market and derivative trading activities, and to hedge structured product offerings.

Interests in investment funds

Investment funds have a collective investment objective, and are either passively managed, so that any decision-making does not have a substantive effect on variability, or are actively managed and investors or their governing bodies do not have substantive voting or similar rights.

The Group holds interests in a number of investment funds, primarily resulting from seed investments or in order to hedge structured product offerings. In addition to the interests disclosed in the table above, the Group manages the assets of various pooled investment funds and receives fees based, in whole or in part, on the net asset value of the fund and / or the performance of the fund. The specific fee structure is determined based on various market factors and considers the fund's nature and the jurisdiction of incorporation, as well as fee schedules negotiated with clients. These fee contracts represent an interest in the fund, as they align the Group's exposure with investors, providing a variable return based on the performance of the entity. Depending on the structure of the fund, these fees may be collected directly from the fund's assets and / or from the investors. Any amounts due are collected on a regular basis and are generally backed by the fund's assets. Therefore, interest in such funds is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The total assets of such funds were USD 511bn and USD 292bn as of 31 December 2023 and 31 December 2022, respectively, and have been excluded from the table above. The Group did not have any material exposure to loss from these interests as of 31 December 2023 or as of 31 December 2022.

Interests in other vehicles sponsored by third parties

Interests in other vehicles sponsored by third parties include loans with a high LTV and credit-impaired loans provided to third-party structured entities acquired as part of the acquisition of the Credit Suisse Group.

Note 30 Changes in organization and acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

Acquisition of Credit Suisse Group

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG.

› Refer to the "Acquisition and integration of Credit Suisse" section of this report and Note 2 for more information

Disposals of subsidiaries and businesses

Sale of UBS Hana Asset Management Co., Ltd.

In the fourth quarter of 2023, UBS completed the sale of its 51% stake in UBS Hana Asset Management Co., Ltd. to Hana Securities. Upon completion of the sale, UBS recorded a pre-tax gain of USD 23m (net of a foreign currency translation loss) in Asset Management which was recognized in *Other income*.

Changes in organization

Legal structure integration

In December 2023, the Board of Directors of UBS Group AG approved the merger of UBS AG and Credit Suisse AG, and both entities entered into a definitive merger agreement. The completion of the merger is subject to regulatory approvals and is expected to occur by the end of the second quarter of 2024.

UBS also expects to complete the transition to a single US intermediate holding company in the second quarter of 2024 and the planned merger of UBS Switzerland AG and Credit Suisse (Schweiz) AG in the third quarter of 2024.

Note 31 Related parties

Related parties of the Group are:

- associates (entities that are under the significant influence of the Group);
- joint ventures (entities in which UBS shares control with another party);
- post-employment benefit plans for the benefit of UBS employees;
- key management personnel and close family members of key management personnel; and
- entities over which key management personnel or their close family members have solely or jointly a direct or indirect significant influence.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Board of Directors (the BoD) and the Group Executive Board (the GEB) to constitute key management personnel.

a) Remuneration of key management personnel

The Vice Chairman of the BoD has a specific management employment contract and receives pension benefits upon retirement. Total remuneration of the Chairman and the Vice Chairman of the BoD and all GEB members is included in the table below.

Remuneration of key management personnel

| <i>USD m, except where indicated</i> | 31.12.23 | 31.12.22 | 31.12.21 |
|--|------------|------------|------------|
| Base salaries and other cash payments ¹ | 35 | 27 | 31 |
| Incentive awards – cash ² | 24 | 17 | 17 |
| Annual incentive award under DCCP | 36 | 25 | 26 |
| Employer's contributions to retirement benefit plans | 3 | 2 | 3 |
| Benefits in kind, fringe benefits (at market value) | 1 | 1 | 1 |
| Share-based compensation ³ | 63 | 45 | 45 |
| Total | 162 | 118 | 124 |
| Total (CHF m)⁴ | 147 | 114 | 113 |

¹ May include role-based allowances in line with market practice and regulatory requirements. ² The cash portion may also include blocked shares in line with regulatory requirements. ³ Compensation expense is based on the share price on grant date taking into account performance conditions. Refer to Note 28 for more information. For GEB members, share-based compensation for 2023, 2022 and 2021 was entirely composed of LTIP awards. For the Chairman of the BoD the share-based compensation for 2023, 2022 and 2021 was entirely composed of UBS shares. ⁴ Swiss franc amounts disclosed represent the respective US dollar amounts translated at the applicable performance award currency exchange rates (2023: USD / CHF 0.91; 2022: USD / CHF 0.96; 2021: USD / CHF 0.92).

The independent members of the BoD, including the Chairman, do not have employment or service contracts with UBS, and thus are not entitled to benefits upon termination of their service on the BoD. Payments to these individuals for their services as independent members of the BoD amounted to USD 11.7m (CHF 10.6m) in 2023, USD 11.1m (CHF 10.7m) in 2022 and USD 7.5m (CHF 6.9m) in 2021.

b) Equity holdings of key management personnel

Equity holdings of key management personnel¹

| | 31.12.23 | 31.12.22 |
|---|-----------|-----------|
| Number of UBS Group AG shares held by members of the BoD, GEB and parties closely linked to them ² | 5,121,564 | 3,009,686 |

¹ No options were held in 2023 and 2022 by non-independent members of the BoD and any GEB member or any of its related parties. ² Excludes shares granted under variable compensation plans with forfeiture provisions.

Of the share totals above, no shares were held by close family members of key management personnel on 31 December 2023 and 31 December 2022. No shares were held by entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members on 31 December 2023 and 31 December 2022. As of 31 December 2023, no member of the BoD or GEB was the beneficial owner of more than 1% of the shares in UBS Group AG.

c) Loans, advances, mortgages and deposit balances with key management personnel

The non-independent members of the BoD and GEB members are granted loans, fixed advances and mortgages in the ordinary course of business on substantially the same terms and conditions that are available to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. Independent BoD members are granted loans and mortgages in the ordinary course of business at general market conditions.

Outstanding balances with key management personnel were as follows.

Note 31 Related parties (continued)

Loans, advances and mortgages to key management personnel¹

| <i>USD m, except where indicated</i> | 2023 | 2022 |
|---|-----------|------|
| Balance at the beginning of the year | 33 | 34 |
| Balance at the end of the year² | 61 | 33 |
| Balance at the end of the year (CHF m)^{2,3} | 52 | 31 |

¹ All loans are secured loans. ² There were USD 14m (CHF 12m) unused uncommitted credit facilities as of 31 December 2023 and no unused uncommitted credit facilities as of 31 December 2022. ³ Swiss franc amounts disclosed represent the respective US dollar amounts translated at the relevant year-end closing exchange rate.

In addition, there were USD 24m (CHF 21m) outstanding deposit balances with key management personnel as of 31 December 2023.

d) Other related-party transactions with entities controlled by key management personnel

In 2023 and 2022, UBS did not enter into transactions with entities, over whom UBS's key management personnel or their close family members have solely or jointly a direct or indirect significant influence and as of 31 December 2023, 31 December 2022 and 31 December 2021, there were no outstanding balances related to such transactions. Furthermore, in 2023 and 2022, such entities did not sell any goods or provide any services to UBS, and therefore did not receive any fees from UBS. UBS also did not provide services to such entities in 2023 and 2022, and therefore also received no fees.

e) Transactions with associates and joint ventures

Loans to and outstanding receivables from associates and joint ventures

| <i>USD m</i> | 2023 | 2022 |
|--|-------|-------|
| Carrying amount at the beginning of the year | 217 | 251 |
| Additions | 824 | 402 |
| Reductions | (796) | (438) |
| Foreign currency translation | 26 | 1 |
| Carrying amount at the end of the year | 271 | 217 |
| <i>of which: unsecured loans and receivables</i> | 263 | 209 |

Other transactions with associates and joint ventures

| <i>USD m</i> | As of or for the year ended | |
|---|-----------------------------|----------|
| | 31.12.23 | 31.12.22 |
| Payments to associates and joint ventures for goods and services received | 190 | 138 |
| Fees received for services provided to associates and joint ventures | 24 | 4 |
| Liabilities to associates and joint ventures | 106 | 90 |
| Commitments and contingent liabilities to associates and joint ventures | 11 | 7 |

› Refer to Note 29 for an overview of investments in associates and joint ventures

Note 32 Invested assets and net new money

The following disclosures provide a breakdown of UBS's invested assets and a presentation of their development, including net new money, as required by the Swiss Financial Market Supervisory Authority (FINMA).

Invested assets

Invested assets consist of all client assets managed by or deposited with UBS for investment purposes. Invested assets include managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. All assets held for purely transactional purposes and custody-only assets, including corporate client assets held for cash management and transactional purposes, are excluded from invested assets, as the Group only administers the assets and does not offer advice on how they should be invested. Also excluded are non-bankable assets (e.g., art collections) and deposits from third-party banks for funding or trading purposes.

Discretionary assets are defined as client assets that UBS decides how to invest. Other invested assets are those where the client ultimately decides how the assets are invested. When a single product is created in one business division and sold in another, it is counted in both the business division managing the investment and the one distributing it. This results in double counting within UBS's total invested assets and net new money, as both business divisions are independently providing a service to their respective clients, and both add value and generate revenue.

Note 32 Invested assets and net new money (continued)

Net new money

Net new money in a reporting period is the amount of invested assets entrusted to UBS by new and existing clients, less those withdrawn by existing clients and clients who terminated relationships with UBS.

Net new money is calculated using the direct method, under which inflows and outflows to / from invested assets are determined at the client level, based on transactions. Interest and dividend income from invested assets are not counted as net new money inflows. Market and currency movements, as well as fees, commissions and interest on loans charged, are excluded from net new money, as are effects resulting from any acquisition or divestment of a UBS subsidiary or business. Reclassifications between invested assets and custody-only assets as a result of a change in service level delivered are generally treated as net new money flows. However, where the change in service level directly results from an externally imposed regulation or a strategic decision by UBS to exit a market or specific service offering, the one-time net effect is reported as *Other effects*.

The Investment Bank does not track invested assets and net new money. However, when a client is transferred from the Investment Bank to another business division, this may produce net new money even though the client's assets were already with UBS.

In 2023 UBS has changed its accounting policy for net new money and invested assets to include its share of net new money and invested assets from associates, to better reflect the business strategy and aligned with the equity method accounting applied to these entities. Comparative figures in the tables below have been restated to reflect this change, resulting in an increase to invested assets as of 31 December 2022 of USD 24bn and an increase to net new money for 2022 of USD 8bn, all relating to Asset Management.

Invested assets and net new money

| USD bn | As of or for the year ended | |
|--|-----------------------------|-----------------------|
| | 31.12.23 | 31.12.22 ¹ |
| Fund assets managed by UBS | 624 | 390 |
| Discretionary assets | 1,996 | 1,464 |
| Other invested assets | 3,094 | 2,127 |
| Total invested assets² | 5,714 | 3,981 |
| <i>of which: double counts</i> | <i>461</i> | <i>340</i> |
| Net new money² | 80 | 76 |

¹ Comparative figures have been restated to include net new money and invested assets from associates. ² Includes double counts.

Development of invested assets

| USD bn | 2023 | 2022 ¹ |
|---|--------------|-------------------|
| Total invested assets at the beginning of the year ² | 3,981 | 4,614 |
| Net new money | 80 | 76 |
| Market movements ³ | 428 | (596) |
| Foreign currency translation | 91 | (74) |
| Other effects | 1,134 | (40) |
| <i>of which: acquisitions / (divestments)</i> | <i>1,180</i> | <i>(19)</i> |
| <i>of which: Credit Suisse acquisition</i> | <i>1,205</i> | <i>0</i> |
| Total invested assets at the end of the year² | 5,714 | 3,981 |

¹ Comparative figures have been restated to include net new money and invested assets from associates. ² Includes double counts. ³ Includes interest and dividend income.

Note 33 Currency translation rates

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

| | Closing exchange rate | | Average rate ¹ | | |
|---------|-----------------------|----------|---------------------------|----------|----------|
| | As of | | For the year ended | | |
| | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.21 |
| 1 CHF | 1.19 | 1.08 | 1.12 | 1.05 | 1.09 |
| 1 EUR | 1.10 | 1.07 | 1.08 | 1.05 | 1.18 |
| 1 GBP | 1.28 | 1.21 | 1.25 | 1.23 | 1.37 |
| 100 JPY | 0.71 | 0.76 | 0.70 | 0.76 | 0.91 |

¹ Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a year represent an average of twelve month-end rates, weighted according to the income and expense volumes of all operations of the Group with the same functional currency for each month. Accordingly, the weighted average rates for the full year 2023 consider income and expenses from Credit Suisse's operations generated since UBS's acquisition of the Credit Suisse Group. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

Note 34 Events after the reporting period

Adjustment made within the IFRS 3 measurement period after publication of the fourth quarter 2023 report

The acquisition of the Credit Suisse Group in the second quarter of 2023 resulted in provisional negative goodwill of USD 28.9bn. Following the publication of the unaudited fourth quarter 2023 report on 6 February 2024, UBS has refined its acquisition-date fair value estimates in accordance with the 12-month measurement period requirements provided by IFRS 3, Business Combinations. This has resulted in an adjustment of USD 1.2bn, decreasing the negative goodwill to USD 27.7bn. As a result, 2023 operating profit before tax and 2023 net profit attributable to shareholders decreased by USD 1.2bn, basic earnings per share decreased by USD 0.38 to USD 8.83 and diluted earnings per share decreased by USD 0.36 to USD 8.45.

› Refer to Note 2 for more information

Non-adjusting post balance sheet events

On 22 March 2024, Credit Suisse (Schweiz) AG repaid loans drawn under the Emergency Liquidity Assistance (ELA) facility, reducing the amount of loans outstanding under the ELA from CHF 38bn to CHF 19bn as of that date.

In March 2024, Credit Suisse has entered into agreements with entities and funds managed by affiliates of Apollo Global Management (collectively, Apollo) and Atlas SP Partners (Atlas) to conclude the investment management agreement under which Atlas has managed Credit Suisse's retained portfolio of assets of its former securitized products group (SPG). Following this agreement, the assets previously managed by Atlas will be managed in Non-core and Legacy. The parties have also agreed to conclude the transition services agreement under which Credit Suisse has provided services to Atlas. In addition, Credit Suisse AG has entered into an agreement to transfer to Apollo approximately USD 8bn of senior secured asset-based financing. As part of the loan transfer, Credit Suisse AG will extend a one-year USD 750m swingline facility to the borrowers under the transferred financing facilities. UBS Group expects to recognize a net gain in the first quarter of 2024 of around USD 0.3bn from the conclusion of the investment management agreement and assignment of the loan facilities.

Note 35 Main differences between IFRS Accounting Standards and Swiss GAAP

The consolidated financial statements of UBS Group AG are prepared in accordance with IFRS Accounting Standards. The Swiss Financial Market Supervisory Authority (FINMA) requires financial groups presenting financial statements under IFRS Accounting Standards to provide a narrative explanation of the main differences between IFRS Accounting Standards and Swiss generally accepted accounting principles (GAAP) (the FINMA Accounting Ordinance, FINMA Circular 2020/1 "Accounting – banks" and the Banking Ordinance (the BO)). Included in this Note are the significant differences in the recognition and measurement between IFRS Accounting Standards and the provisions of the BO and the guidelines of FINMA governing true and fair view financial statement reporting pursuant to Art. 25 to Art. 42 of the BO.

1. Consolidation

Under IFRS Accounting Standards, all entities that are controlled by the holding entity are consolidated. Under Swiss GAAP, controlled entities deemed immaterial to a group or those held only temporarily are exempt from consolidation, but instead are recorded as participations accounted for under the equity method of accounting or as financial investments measured at the lower of cost or market value.

2. Classification and measurement of financial assets

Under IFRS Accounting Standards, debt instruments are measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the nature of the business model within which the particular asset is held and the characteristics of the contractual cash flows of the asset. Equity instruments are accounted for at FVTPL by UBS. Under Swiss GAAP, trading assets and derivatives are measured at FVTPL, in line with IFRS Accounting Standards. However, non-trading debt instruments are generally measured at amortized cost, even when the assets are managed on a fair value basis. In addition, the measurement of financial assets in the form of securities depends on the nature of the asset: debt instruments not held to maturity, i.e., instruments available for sale, and equity instruments with no permanent holding intent, are classified as *Financial investments* and measured at the lower of (amortized) cost or market value. Market value adjustments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded in the income statement as *Other income from ordinary activities*. Equity instruments with a permanent holding intent are classified as participations in *Non-consolidated investments in subsidiaries and other participations* and are measured at cost less impairment. Impairment losses are recorded in the income statement as *Impairment of investments in non-consolidated subsidiaries and other participations*. Reversals of impairments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded as *Extraordinary income / Extraordinary expenses*.

3. Fair value option applied to financial liabilities

Under IFRS Accounting Standards, UBS applies the fair value option to certain financial liabilities not held for trading. Instruments for which the fair value option is applied are accounted for at FVTPL. The amount of change in the fair value attributable to changes in UBS's own credit is presented in *Other comprehensive income* directly within *Retained earnings*. The fair value option is applied primarily to issued structured debt instruments, certain non-structured debt instruments, certain payables under repurchase agreements and cash collateral on securities lending agreements, amounts due under unit-linked investment contracts, and brokerage payables.

Under Swiss GAAP, the fair value option can only be applied to structured debt instruments consisting of a debt host contract and one or more embedded derivatives that do not relate to own equity. Furthermore, unrealized changes in fair value attributable to changes in UBS's own credit are not recognized, whereas realized own credit is recognized in *Net trading income*.

4. Allowances and provisions for credit losses

Swiss GAAP permit use of IFRS Accounting Standards for accounting for allowances and provisions for credit losses based on an expected credit loss (ECL) model. UBS has chosen to apply the IFRS 9 ECL approach to those exposures that are in the ECL scope of both frameworks, IFRS Accounting Standards and Swiss GAAP.

For the small residual exposures within the scope of Swiss GAAP ECL requirements, which are not subject to ECL under IFRS Accounting Standards due to classification differences, UBS applies alternative approaches.

- For exposures for which Pillar 1 internal ratings-based models are applied to measure credit risk, ECL is determined by the regulatory expected loss (EL), with an add-on for scaling up to the residual maturity of exposures maturing beyond the next 12 months, as appropriate. For detailed information on regulatory EL, refer to the "Risk management and control" section of this report.
- For exposures for which the Pillar 1 standardized approach is used to measure credit risk, ECL is determined using a portfolio approach that derives a conservative probability of default (PD) and a conservative loss given default (LGD) for the entire portfolio.

5. Hedge accounting

Under IFRS Accounting Standards, when cash flow hedge accounting is applied, the fair value gain or loss on the effective portion of a derivative designated as a cash flow hedge is recognized initially in equity and reclassified to the income statement when certain conditions are met. When fair value hedge accounting is applied, the fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and is recognized in the income statement along with the change in the fair value of the hedging derivative. Under Swiss GAAP, the effective portion of the fair value change of a derivative instrument designated as a cash flow or as a fair value hedge is deferred on the balance sheet as *Other assets* or *Other liabilities*. The carrying amount of the hedged item designated in fair value hedges is not adjusted for fair value changes attributable to the hedged risk.

6. Business combinations, goodwill and intangible assets

Under IFRS Accounting Standards, business combinations are accounted for using the acquisition method, as prescribed by IFRS 3, *Business Combinations*. Goodwill and intangible assets with indefinite useful lives acquired in a business combination are not amortized but tested annually for impairment. Negative goodwill is recognized in the income statement.

Under Swiss GAAP, assets and liabilities acquired in a business combination are generally recorded at market value. Goodwill and intangible assets with indefinite useful lives are amortized over a period not exceeding five years, unless a longer useful life, which may not exceed 10 years, can be justified. In addition, these assets are tested annually for impairment. If acquisition-date amounts of the net assets acquired exceed the market value of the consideration transferred, incremental provisions are recognized for expected cash outflows related to taking over control of the business, e.g. for expected restructuring. Any remaining negative goodwill is recognized in the income statement.

7. Post-employment benefit plans

Swiss GAAP permit the use of IFRS Accounting Standards or Swiss accounting standards for post-employment benefit plans, with the election made on a plan-by-plan basis.

Note 35 Main differences between IFRS Accounting Standards and Swiss GAAP (continued)

UBS has elected to apply IAS 19 for the non-Swiss defined benefit plans in the UBS AG standalone financial statements and Swiss GAAP (FER 16) for the Swiss pension plan in the UBS AG and the UBS Switzerland AG standalone financial statements. The requirements of Swiss GAAP are better aligned with the specific nature of Swiss pension plans, which are hybrid in that they combine elements of defined contribution and defined benefit plans, but are treated as defined benefit plans under IFRS Accounting Standards. Key differences between Swiss GAAP and IFRS Accounting Standards include the treatment of dynamic elements, such as future salary increases and future interest credits on retirement savings, which are not considered under the static method used in accordance with Swiss GAAP. Also, the discount rate used to determine the defined benefit obligation in accordance with IFRS Accounting Standards is based on the yield of high-quality corporate bonds of the market in the respective pension plan country. The discount rate used in accordance with Swiss GAAP (i.e., the technical interest rate) is determined by the Pension Foundation Board based on the expected returns of the Board's investment strategy.

For defined benefit plans, IFRS Accounting Standards require the full defined benefit obligation net of the plan assets to be recorded on the balance sheet subject to the asset ceiling rules, with changes resulting from remeasurements recognized directly in equity. However, for non-Swiss defined benefit plans for which IFRS Accounting Standards are elected, changes due to remeasurements are recognized in the income statement of UBS AG standalone under Swiss GAAP.

Swiss GAAP require employer contributions to the pension fund to be recognized as personnel expenses in the income statement. Swiss GAAP also require an assessment of whether, based on the pension fund's financial statements prepared in accordance with Swiss accounting standards (FER 26), an economic benefit to, or obligation of, the employer arises from the pension fund that is recognized in the balance sheet when conditions are met. Conditions for recording a pension asset or liability would be met if, for example, an employer contribution reserve is available or the employer is required to contribute to the reduction of a pension deficit (on an FER 26 basis).

8. Leasing

Under IFRS Accounting Standards, a single lease accounting model applies that requires UBS to record a right-of-use (RoU) asset and a corresponding lease liability on the balance sheet when UBS is a lessee in a lease arrangement. The RoU asset and the lease liability are recognized when UBS acquires control of the physical use of the asset. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS's unsecured borrowing rate. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset and / or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Under Swiss GAAP, leases that transfer substantially all the risks and rewards, but not necessarily legal title in the underlying assets, are classified as finance leases. All other leases are classified as operating leases. Whereas finance leases are recognized on the balance sheet and measured in line with IFRS Accounting Standards, operating leases are not recognized on the balance sheet, with payments recognized as *General and administrative expenses* on a straight-line basis over the lease term, which commences with control of the physical use of the asset. Lease incentives are treated as a reduction of rental expense and recognized on a consistent basis over the lease term.

9. Netting of derivative assets and liabilities

Under IFRS Accounting Standards, derivative assets, derivative liabilities and related cash collateral not settled to market are reported on a gross basis unless the restrictive netting requirements under IFRS Accounting Standards are met: (i) existence of master netting agreements and related collateral arrangements that are unconditional and legally enforceable, in both the normal course of business and the event of default, bankruptcy or insolvency of UBS and its counterparties; and (ii) UBS's intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. Under Swiss GAAP, derivative assets, derivative liabilities and related cash collateral not settled to market are generally reported on a net basis, provided the master netting and the related collateral agreements are legally enforceable in the event of default, bankruptcy or insolvency of UBS's counterparties.

10. Negative interest

Under IFRS Accounting Standards, negative interest income arising on a financial asset does not meet the definition of interest income and, therefore, negative interest on financial assets and negative interest on financial liabilities are presented within interest expense and interest income, respectively. Under Swiss GAAP, negative interest on financial assets is presented within interest income and negative interest on financial liabilities is presented within interest expense.

11. Extraordinary income and expense

Certain non-recurring and non-operating income and expense items, such as negative goodwill realized gains or losses from the disposal of participations, fixed and intangible assets, and reversals of impairments of participations and fixed assets, are classified as extraordinary items under Swiss GAAP. This distinction is not available under IFRS Accounting Standards. ▲

Significant regulated subsidiary and sub-group information

Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

| <i>All values in million, except where indicated</i> | UBS AG (consolidated) | | UBS AG (standalone) | | UBS Switzerland AG (standalone) | | UBS Europe SE (consolidated) | | UBS Americas Holding LLC (consolidated) | |
|--|--|-----------|---|----------|------------------------------------|----------|---|-----------------------|---|-----------------------|
| | USD | | USD | | CHF | | EUR | | USD | |
| | IFRS Accounting Standards Swiss SRB rules | | Swiss GAAP Swiss SRB rules (phase-in) | | Swiss GAAP Swiss SRB rules | | IFRS Accounting Standards EU regulatory rules | | US GAAP US Basel III rules | |
| As of or for the year ended | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 ¹ | 31.12.23 | 31.12.22 ² |
| Financial information³ | | | | | | | | | | |
| Income statement | | | | | | | | | | |
| Total operating income ⁴ | 33,532 | 34,886 | 13,832 | 15,759 | 9,655 | 8,760 | 1,180 | 1,158 | 13,045 | 13,575 |
| Total operating expenses | 29,011 | 25,927 | 12,040 | 8,505 | 5,816 | 5,458 | 885 | 794 | 12,964 | 13,015 |
| Operating profit / (loss) before tax | 4,521 | 8,960 | 1,792 | 7,253 | 3,839 | 3,302 | 295 | 364 | 81 | 560 |
| Net profit / (loss) | 3,315 | 7,116 | 1,515 | 7,157 | 3,133 | 2,707 | 213 | 262 | (110) | (153) |
| Balance sheet | | | | | | | | | | |
| Total assets | 1,156,016 | 1,105,436 | 558,527 | 504,767 | 314,231 | 315,657 | 46,981 | 47,978 | 194,258 | 201,777 |
| Total liabilities | 1,100,448 | 1,048,496 | 505,650 | 447,406 | 298,305 | 300,164 | 42,894 | 44,360 | 169,319 | 176,973 |
| Total equity | 55,569 | 56,940 | 52,877 | 57,361 | 15,926 | 15,493 | 4,087 | 3,617 | 24,939 | 24,804 |
| Capital⁵ | | | | | | | | | | |
| Common equity tier 1 capital | 44,130 | 42,929 | 52,553 | 53,995 | 12,515 | 12,586 | 2,625 | 2,441 | 14,081 | 10,536 |
| Additional tier 1 capital | 12,498 | 11,841 | 12,498 | 11,841 | 5,000 | 5,393 | 600 | 600 | 2,837 | 5,082 |
| Total going concern capital / Tier 1 capital | 56,628 | 54,770 | 65,051 | 65,836 | 17,515 | 17,978 | 3,225 | 3,041 | 16,919 | 15,618 |
| Tier 2 capital | 538 | 2,958 | 533 | 2,949 | | | | | 202 | 131 |
| Total capital | | | | | | | 3,225 | 3,041 | 17,120 | 15,749 |
| Total gone concern loss-absorbing capacity | 54,458 | 46,991 | 54,452 | 46,982 | 11,176 | 11,267 | 2,522 ⁶ | 2,130 ⁶ | 7,400 ⁷ | 7,400 ⁷ |
| Total loss-absorbing capacity | 111,086 | 101,761 | 119,504 | 112,818 | 28,691 | 29,245 | 5,747 | 5,171 | 24,319 ⁷ | 23,018 ⁷ |
| Risk-weighted assets and leverage ratio denominator⁵ | | | | | | | | | | |
| Risk-weighted assets | 333,979 | 317,823 | 354,083 | 332,864 | 107,097 | 107,208 | 12,382 | 10,726 | 73,096 | 70,324 |
| Leverage ratio denominator | 1,104,408 | 1,029,561 | 643,939 | 575,461 | 330,515 | 332,280 | 45,079 | 41,818 | 184,015 | 193,837 |
| Supplementary leverage ratio denominator | | | | | | | | | 208,242 | 214,543 |
| Capital and leverage ratios (%)⁵ | | | | | | | | | | |
| Common equity tier 1 capital ratio | 13.2 | 13.5 | 14.8 | 16.2 | 11.7 | 11.7 | 21.2 | 22.8 | 19.3 | 15.0 |
| Going concern capital ratio / Tier 1 capital ratio | 17.0 | 17.2 | 18.4 | 19.8 | 16.4 | 16.8 | 26.1 | 28.3 | 23.1 | 22.2 |
| Total capital ratio | | | | | | | 26.1 | 28.3 | 23.4 | 22.4 |
| Total loss-absorbing capacity ratio | 33.3 | 32.0 | | | 26.8 | 27.3 | 46.4 | 48.2 | 33.3 | 32.7 |
| Tier 1 leverage ratio | | | | | | | 7.2 | 7.3 | 9.2 | 8.1 |
| Supplementary tier 1 leverage ratio | | | | | | | | | 8.1 | 7.3 |
| Going concern leverage ratio | 5.1 | 5.3 | 10.1 | 11.4 | 5.3 | 5.4 | | | | |
| Total loss-absorbing capacity leverage ratio | 10.1 | 9.9 | | | 8.7 | 8.8 | 12.8 | 12.4 | 13.2 | 11.9 |
| Gone concern capital coverage ratio | | | 112.5 | 117.1 | | | | | | |
| Liquidity coverage ratio⁵ | | | | | | | | | | |
| High-quality liquid assets (bn) | 254.5 | | 130.0 | 101.6 | 76.3 | 88.9 | 18.9 | 20.6 | 28.0 | 26.3 |
| Net cash outflows (bn) | 134.3 | | 50.4 | 53.6 | 53.6 | 62.4 | 12.8 | 13.1 | 18.9 | 18.3 |
| Liquidity coverage ratio (%) | 189.7 | | 260.2 ⁸ | 191.2 | 142.5 ⁹ | 142.4 | 148.7 | 158.7 | 147.7 | 143.5 |
| Net stable funding ratio⁵ | | | | | | | | | | |
| Total available stable funding (bn) | 602.6 | | 279.8 | 254.4 | 222.7 | 221.7 | 13.9 | 13.7 | 107.9 ¹⁰ | |
| Total required stable funding (bn) | 503.8 | | 304.9 | 280.2 | 166.1 | 162.3 | 10.6 | 7.9 | 81.7 ¹⁰ | |
| Net stable funding ratio (%) | 119.6 | | 91.7 ¹¹ | 90.8 | 134.1 ¹¹ | 136.6 | 131.5 | 172.8 | 132.1 ¹⁰ | |
| Other | | | | | | | | | | |
| Joint and several liability between UBS AG and UBS Switzerland AG (bn) ¹² | | | | | 3 | 4 | | | | |

¹ Comparative figures have been restated to align with the regulatory reports as submitted to the European Central Bank (the ECB). ² Comparative information has been aligned with UBS Americas Holding LLC's final 2022 audited financial statements, which included an increase in provisions related to US residential mortgage-backed securities litigation. ³ The financial information disclosed does not represent financial statements under the respective GAAP / IFRS Accounting Standards. ⁴ The total operating income includes credit loss expense or release. ⁵ Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information. ⁶ Consists of positions that meet the conditions laid down in Art. 72a-b of the Capital Requirements Regulation (CRR) II with regard to contractual, structural or legal subordination. ⁷ Consists of eligible long-term debt that meets the conditions specified in 12 CFR 252.162 of the final TLAC rules. Total loss-absorbing capacity is the sum of tier 1 capital and eligible long-term debt. ⁸ In the fourth quarter of 2023, the liquidity coverage ratio (the LCR) of UBS AG was 260.2%, remaining above the prudential requirements communicated by FINMA. ⁹ In the fourth quarter of 2023, the LCR of UBS Switzerland AG, which is a Swiss SRB, was 142.5%, remaining above the prudential requirement communicated by FINMA in connection with the Swiss Emergency Plan. ¹⁰ The net stable funding ratio requirement became effective as of 1 July 2021 and related disclosures came into effect in the second quarter of 2023. ¹¹ In accordance with Art. 17h para. 3 and 4 of the Liquidity Ordinance, UBS AG standalone is required to maintain a minimum NSFR of at least 80% without taking into account excess funding of UBS Switzerland AG and 100% after taking into account such excess funding. ¹² Refer to the "Capital, liquidity and funding, and balance sheet" section of our Annual Report 2023 for more information about the joint and several liability. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG, Credit Suisse AG and subsidiaries thereof. UBS Group AG, UBS AG and Credit Suisse AG have contributed a significant portion of their respective capital to, and provide substantial liquidity to, such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. The table in this section summarizes the regulatory capital components and capital ratios of our significant regulated subsidiaries and sub-groups determined under the regulatory framework of each subsidiary's or sub-group's home jurisdiction.

- › Refer to **"Capital and capital ratios of our significant regulated subsidiaries"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information
- › Refer to **"Note 23 Restricted and transferred financial assets"** in the **"Consolidated financial statements"** section of this report for more information

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis and may limit the ability of an entity to engage in new activities or take capital actions based on the results of those tests.

In June 2023, the Federal Reserve Board released the results of its 2023 Dodd–Frank Act Stress Test (DFAST). UBS's US intermediate holding company, UBS Americas Holding LLC, and Credit Suisse's intermediate holding, Credit Suisse Holdings (USA), Inc., exceeded the minimum capital requirements under the severely adverse scenario. Following the completion of the annual DFAST and the Comprehensive Capital Analysis and Review (CCAR), UBS Americas Holding LLC was assigned a stress capital buffer (an SCB) of 9.1% (previously 4.8%) under the SCB rule as of 1 October 2023, resulting in a total common equity tier 1 (CET1) capital requirement of 13.6%. Credit Suisse Holdings (USA), Inc. was assigned an SCB of 7.2% (previously 9.0%), resulting in a total CET1 capital requirement of 11.7%.

Additional information on the above entities is provided in the 31 December 2023 Pillar 3 report, which is available under "Pillar 3 disclosures" at ubs.com/investors.

| All values in million, except where indicated | Credit Suisse AG (consolidated) | | Credit Suisse AG (standalone) | | Credit Suisse (Schweiz) AG (consolidated) | | Credit Suisse (Schweiz) AG (standalone) | | Credit Suisse International (standalone) | | Credit Suisse Holdings (USA), Inc. (consolidated) | |
|---|---------------------------------|----------|--|----------|---|----------|---|----------|---|----------|---|-----------------------|
| | CHF | | CHF | | CHF | | CHF | | USD | | USD | |
| | US GAAP Swiss SRB rules | | Swiss GAAP Swiss SRB rules (phase-in) ¹ | | US GAAP Swiss SRB rules | | Swiss GAAP Swiss SRB rules ¹ | | IFRS Accounting Standards UK regulatory rules | | US GAAP US Basel III rules | |
| As of or for the year ended | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 | 31.12.23 | 31.12.22 ² |

Financial information³

| | | | | | | | | | | | | |
|--------------------------------------|----------------|---------|----------------|----------|--|--|----------------|---------|----------------|---------|----------------|---------|
| Income statement | | | | | | | | | | | | |
| Total operating income ⁴ | 18,862 | 15,198 | 4,166 | 5,726 | | | 3,806 | 4,455 | 1,397 | 2,327 | 2,113 | 3,895 |
| Total operating expenses | 22,122 | 18,529 | 11,678 | 18,714 | | | 3,146 | 3,025 | 3,133 | 2,658 | 5,400 | 10,455 |
| Operating profit / (loss) before tax | (3,260) | (3,331) | (7,512) | (12,988) | | | 660 | 1,430 | (1,736) | (331) | (3,369) | (6,543) |
| Net profit / (loss) | (4,041) | (7,273) | 10,126 | (12,565) | | | 596 | 1,191 | (1,793) | (685) | (3,354) | (9,063) |
| Balance sheet | | | | | | | | | | | | |
| Total assets | 452,507 | 530,039 | 257,935 | 378,363 | | | 227,143 | 215,407 | 122,259 | 182,672 | 28,202 | 57,452 |
| Total liabilities | 414,391 | 481,563 | 231,554 | 362,108 | | | 216,018 | 202,478 | 107,296 | 164,768 | 18,341 | 44,245 |
| Total equity | 38,116 | 48,476 | 26,381 | 16,255 | | | 11,125 | 12,929 | 14,963 | 17,904 | 9,861 | 13,207 |

Capital⁵

| | | | | | | | | | | | | |
|--|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|
| Common equity tier 1 capital | 38,187 | 40,987 | 33,346 | 32,262 | 11,051 | 12,492 | 10,396 | 11,724 | 12,688 | 14,609 | 9,387 | 12,405 |
| Additional tier 1 capital | 458 | 13,856 | 458 | 13,891 | 3,100 | 3,100 | 3,100 | 3,100 | 1,200 | 1,200 | 522 | 523 |
| Total going concern capital / Tier 1 capital | 38,646 | 54,843 | 33,805 | 46,153 | 14,151 | 15,592 | 13,496 | 14,824 | 13,888 | 15,809 | 9,909 | 12,928 |
| Tier 2 capital | | | | | | | | | 0 | 3 | 78 | 109 |
| Total capital | | | | | | | | | 13,888 | 15,812 | 9,987 | 13,037 |
| Total gone concern loss-absorbing capacity | 38,284 | 42,930 | 38,216 | 43,139 | 9,040 | 10,000 | 9,066 | 10,000 | 4,586 | 4,586 | 3,000 | 3,500 |
| Total loss-absorbing capacity | 76,930 | 97,773 | 72,021 | 89,292 | 23,191 | 25,592 | 22,562 | 24,824 | 18,474 | 20,398 | 12,909 | 16,428 |

Risk-weighted assets and leverage ratio denominator⁵

| | | | | | | | | | | | | |
|--|----------------|---------|----------------|---------|----------------|---------|----------------|---------|---------------|---------|---------------|--------|
| Risk-weighted assets | 181,690 | 249,953 | 182,772 | 263,844 | 83,254 | 88,602 | 82,611 | 88,949 | 35,438 | 60,646 | 12,979 | 44,632 |
| Leverage ratio denominator | 524,968 | 653,551 | 288,610 | 456,691 | 253,818 | 243,946 | 251,692 | 242,288 | 78,135 | 126,360 | 29,484 | 65,298 |
| Supplementary leverage ratio denominator | | | | | | | | | | | 34,370 | 78,593 |

Capital and leverage ratios (%)⁵

| | | | | | | | | | | | | |
|--|-------------|------|--------------|-------|-------------|------|-------------|------|-------------|------|-------------|------|
| Common equity tier 1 capital ratio | 21.0 | 16.4 | 18.2 | 12.2 | 13.3 | 14.1 | 12.6 | 13.2 | 35.8 | 24.1 | 72.3 | 27.8 |
| Going concern capital ratio / Tier 1 capital ratio | 21.3 | 21.9 | 18.5 | 17.5 | 17.0 | 17.6 | 16.3 | 16.7 | 39.2 | 26.1 | 76.4 | 29.0 |
| Total capital ratio | | | | | | | | | 39.2 | 26.1 | 77.0 | 29.2 |
| Total loss-absorbing capacity ratio | 42.3 | 39.1 | | | 27.9 | 28.9 | 27.3 | 27.9 | 52.1 | 33.6 | 23.1 | 7.8 |
| Tier 1 leverage ratio | | | | | | | | | 17.8 | 12.5 | 33.6 | 19.8 |
| Supplementary tier 1 leverage ratio | | | | | | | | | | | 28.8 | 16.4 |
| Going concern leverage ratio | 7.4 | 8.4 | 11.7 | 10.1 | 5.6 | 6.4 | 5.4 | 6.1 | | | | |
| Total loss-absorbing capacity leverage ratio | 14.7 | 15.0 | | | 9.1 | 10.5 | 9.0 | 10.2 | 23.6 | 16.1 | 10.2 | 5.4 |
| Gone concern capital coverage ratio | | | 143.4 | 130.7 | | | | | | | | |

Liquidity coverage ratio⁵

| | | | | | | | | | | | | |
|---------------------------------|--------------------------|-------|--------------------------|-------|--------------------------|-------|--------------------------|-------|--------------|-------|--------------|-------|
| High-quality liquid assets (bn) | 142.6 | 120.0 | 67.3 | 50.1 | 52.1 | 32.4 | 52.0 | 32.4 | 15.4 | 25.5 | 12.6 | 17.4 |
| Net cash outflows (bn) | 53.8 | 81.2 | 17.1 | 40.2 | 34.4 | 27.4 | 34.9 | 27.8 | 6.0 | 16.6 | 6.6 | 11.9 |
| Liquidity coverage ratio (%) | 265.1⁶ | 147.7 | 393.6⁷ | 124.6 | 151.3⁸ | 118.2 | 149.3⁹ | 116.6 | 280.3 | 150.4 | 195.1 | 150.1 |

Net stable funding ratio⁵

| | | | | | | | | | | | | |
|-------------------------------------|--------------|-------|---------------------------|--------------------|--------------|-------|---------------------------|---------------------|--------------|-------|--------------|--|
| Total available stable funding (bn) | 287.1 | 342.8 | 160.3 | 207.5 | 128.5 | 151.2 | 126.8 | 149.4 | 30.4 | 49.3 | 15.3 | |
| Total required stable funding (bn) | 213.1 | 289.3 | 121.6 | 224.0 | 118.7 | 126.2 | 116.7 | 123.2 | 24.2 | 38.7 | 8.6 | |
| Net stable funding ratio (%) | 134.7 | 118.5 | 131.8¹⁰ | 92.6 ¹⁰ | 108.3 | 119.8 | 108.7¹⁰ | 121.3 ¹⁰ | 125.6 | 127.5 | 179.1 | |

Other

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|------------|-----|--|--|--|--|
| Joint and several liability between Credit Suisse AG standalone and Credit Suisse (Schweiz) AG standalone (bn) ¹¹ | | | | | | | 0.5 | 0.6 | | | | |
|--|--|--|--|--|--|--|------------|-----|--|--|--|--|

¹ Swiss GAAP statutory accounting rules for banks allow the use of certain US GAAP accounting rules, such as current expected credit loss (the CECL) requirements. ² Comparative information has been aligned with Credit Suisse Holdings (USA), Inc. standalone's final second quarter of 2023 financial statements. ³ The financial information disclosed does not represent financial statements under the respective GAAP / IFRS Accounting Standards. ⁴ The total operating income includes credit loss expense or release. ⁵ Refer to the 31 December 2023 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information. ⁶ In the fourth quarter of 2023, the liquidity coverage ratio (the LCR) of Credit Suisse AG consolidated was 265.1%, remaining above the prudential requirements communicated by FINMA. ⁷ In the fourth quarter of 2023, the LCR of Credit Suisse AG standalone was 393.6%, remaining above the prudential requirements communicated by FINMA. ⁸ In the fourth quarter of 2023, the LCR of Credit Suisse (Schweiz) AG consolidated was 151.3%, remaining above the prudential requirements communicated by FINMA. ⁹ In the fourth quarter of 2023, the LCR of Credit Suisse (Schweiz) AG standalone was 149.3%, remaining above the prudential requirements communicated by FINMA. ¹⁰ Based on Art. 17h para. 3 and 4 of the Liquidity Ordinance, Credit Suisse AG standalone is allowed to fulfill the minimum NSFR of 100% by taking into consideration any excess funding of Credit Suisse (Schweiz) AG standalone, and Credit Suisse AG standalone has an NSFR requirement of at least 80% without taking into consideration any such excess funding. Credit Suisse (Schweiz) AG must always fulfill the NSFR of at least 100% on a standalone basis. ¹¹ The liabilities were fully collateralized through cash deposits from Credit Suisse AG.

Additional regulatory information

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UBS Group AG consolidated supplemental disclosures required under SEC regulations

A – Introduction

The following pages contain supplemental UBS Group AG disclosures that are required under US Securities and Exchange Commission (SEC) regulations. UBS Group AG's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the IASB) and are denominated in US dollars.

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG. The acquisition of the Credit Suisse Group constitutes a business combination under IFRS 3, Business Combinations, and is required to be accounted for by applying the acquisition method of accounting. With the acquisition date of 12 June 2023, for convenience the Credit Suisse Group was consolidated from 31 May 2023, as the impact of transactions and activities in the period from 31 May 2023 to 12 June 2023 on the consolidated financial statements was not material.

› Refer to “**Note 2 Accounting for the acquisition of the Credit Suisse Group**” in the “**Consolidated financial statements**” section of this report for more information

B – Selected financial data

Selected information

| | As of or for the year ended | | |
|---|-----------------------------|----------|----------|
| | 31.12.23 | 31.12.22 | 31.12.21 |
| Ordinary cash dividends declared per share (CHF) ^{1,2} | | 0.50 | 0.47 |
| Ordinary cash dividends declared per share (USD) ^{1,2} | 0.70 | 0.55 | 0.50 |

¹ Dividends and / or distributions out of the capital contribution reserve are normally approved and paid in the year subsequent to the reporting period. Beginning in 2020, dividends have been declared in US dollars. The Swiss franc equivalent amount for the 2023 dividend will be determined after the Annual General Meeting using the exchange rate applicable on that date and is therefore not provided in this table. ² Refer to “Statement of proposed appropriation of total profit and dividend distribution out of total profit and capital contribution reserve” in the “UBS Group AG standalone financial statements” section of the UBS Group AG Standalone financial statements and regulatory information for the year ended 31 December 2023 report, available under “Holding company and significant regulated subsidiaries and sub-groups” at ubs.com/investors, for more information.

Dividends received from investments in subsidiaries

In 2023, UBS Group AG received dividends of USD 6,269m (2022: USD 4,373m; 2021: USD 4,672m) from its subsidiaries. This includes dividends received from its Credit Suisse subsidiaries since the acquisition of Credit Suisse Group AG on 12 June 2023. Dividends disclosed have been translated to US dollars from the functional currency of the entity paying the dividend, using the closing exchange rate of the month the dividend was received.

Balance sheet data

| USD m | 31.12.23 | 31.12.22 | 31.12.21 |
|---|------------------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | 314,148 | 169,445 | 192,817 |
| Amounts due from banks | 21,161 | 14,792 | 15,480 |
| Receivables from securities financing transactions at amortized cost | 99,039 | 67,814 | 75,012 |
| Cash collateral receivables on derivative instruments | 50,082 | 35,032 | 30,514 |
| Loans and advances to customers | 639,844 | 387,220 | 397,761 |
| Other financial assets measured at amortized cost | 65,498 | 53,264 | 26,209 |
| Total financial assets measured at amortized cost | 1,189,773 | 727,568 | 737,794 |
| Financial assets at fair value held for trading | 169,633 | 107,866 | 130,821 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | <i>51,263</i> | <i>36,742</i> | <i>43,397</i> |
| Derivative financial instruments | 176,084 | 150,108 | 118,142 |
| Brokerage receivables | 21,037 | 17,576 | 21,839 |
| Financial assets at fair value not held for trading | 104,018 | 59,796 | 60,080 |
| Total financial assets measured at fair value through profit or loss | 470,773 | 335,347 | 330,882 |
| Financial assets measured at fair value through other comprehensive income | 2,233 | 2,239 | 8,844 |
| Investments in associates | 2,373 | 1,101 | 1,243 |
| Property, equipment and software | 17,849 | 12,288 | 12,888 |
| Goodwill and intangible assets | 7,515 | 6,267 | 6,378 |
| Deferred tax assets | 10,682 | 9,389 | 8,876 |
| Other non-financial assets | 16,049 | 10,166 | 10,277 |
| Total assets | 1,717,246 | 1,104,364 | 1,117,182 |
| Liabilities | | | |
| Amounts due to banks | 70,962 | 11,596 | 13,101 |
| Payables from securities financing transactions at amortized cost | 14,394 | 4,202 | 5,533 |
| Cash collateral payables on derivative instruments | 41,582 | 36,436 | 31,798 |
| Customer deposits | 792,029 | 525,051 | 542,007 |
| Debt issued measured at amortized cost | 237,817 | 114,621 | 139,155 |
| Other financial liabilities measured at amortized cost | 20,851 | 9,575 | 9,001 |
| Total financial liabilities measured at amortized cost | 1,177,633 | 701,481 | 740,595 |
| Financial liabilities at fair value held for trading | 34,159 | 29,515 | 31,688 |
| Derivative financial instruments | 192,181 | 154,906 | 121,309 |
| Brokerage payables designated at fair value | 42,522 | 45,085 | 44,045 |
| Debt issued designated at fair value | 128,289 | 73,638 | 73,799 |
| Other financial liabilities designated at fair value | 29,484 | 30,237 | 30,074 |
| Total financial liabilities measured at fair value through profit or loss | 426,635 | 333,381 | 300,916 |
| Provisions | 12,250 | 3,243 | 3,518 |
| Other non-financial liabilities | 14,089 | 9,040 | 11,151 |
| Total liabilities | 1,630,607 | 1,047,146 | 1,056,180 |
| Equity attributable to shareholders | 86,108 | 56,876 | 60,662 |
| Equity attributable to non-controlling interests | 531 | 342 | 340 |
| Total equity | 86,639 | 57,218 | 61,002 |
| Total liabilities and equity | 1,717,246 | 1,104,364 | 1,117,182 |

C – Information about the company

Property, plant and equipment

As of 31 December 2023, UBS operated in about 923 business and banking locations worldwide, of which approximately 38% were in Switzerland, 39% in the Americas, 12% in the rest of Europe, the Middle East and Africa, and 11% in Asia Pacific. Of the business and banking locations in Switzerland, 23% were owned directly by UBS, with the remainder, along with most of UBS's offices outside Switzerland, being held under commercial leases. These premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for current and anticipated operations.

D – Information required by Subpart 1400 of Regulation S-K

Selected statistical information

The tables below set forth selected statistical information regarding the Group's banking operations extracted from its financial statements. Unless otherwise indicated, average balances for the years ended 31 December 2023, 31 December 2022 and 31 December 2021 are calculated from monthly data. From 31 May 2023 to 31 December 2023, the calculation includes the effect of the acquisition of the Credit Suisse Group. Unless otherwise indicated, the distinction between domestic (Swiss) and foreign (non-Swiss) is generally based on the booking location.

Average balances and interest rates

The tables below set forth average interest-earning assets and average interest-bearing liabilities, along with the average yield, for 2023, 2022 and 2021. Refer to "Note 4 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information about interest income and interest expense.

| For the year ended | 31.12.23 | | | 31.12.22 | | | 31.12.21 | | |
|--|------------------|---------------------------|-------------------|------------------|---------------------------|-------------------|------------------|--------------------------|-------------------|
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Assets | | | | | | | | | |
| Balances at central banks | | | | | | | | | |
| Domestic | 113,953 | 1,777 | 1.6 | 99,777 | 92 | 0.1 | 98,804 | (105) | (0.1) |
| Foreign | 100,608 | 4,297 | 4.3 | 88,267 | 595 | 0.7 | 71,529 | (31) | 0.0 |
| Amounts due from banks | | | | | | | | | |
| Domestic | 3,592 | 68 | 1.9 | 2,966 | 50 | 1.7 | 3,158 | 40 | 1.3 |
| Foreign | 14,993 | 619 | 4.1 | 12,345 | 8 | 0.1 | 13,074 | 12 | 0.1 |
| Receivables from securities financing transactions measured at amortized cost ¹ | | | | | | | | | |
| Domestic | 10,978 | 344 | 3.1 | 6,431 | 30 | 0.5 | 9,435 | (28) | (0.3) |
| Foreign | 81,085 | 3,339 | 4.1 | 70,942 | 1,105 | 1.6 | 79,297 | 234 | 0.3 |
| Loans and advances to customers | | | | | | | | | |
| Domestic | 345,812 | 10,422 | 3.0 | 223,970 | 3,187 | 1.4 | 228,070 | 3,211 | 1.4 |
| Foreign | 173,161 | 8,974 | 5.2 | 160,509 | 4,829 | 3.0 | 160,902 | 2,700 | 1.7 |
| Financial assets at fair value ^{1,2} | | | | | | | | | |
| Domestic | 7,352 | 210 | 2.9 | 5,892 | 50 | 0.8 | 10,006 | 11 | 0.1 |
| Foreign | 214,671 | 9,672 | 4.5 | 151,504 | 2,113 | 1.4 | 169,267 | 1,203 | 0.7 |
| Other interest-earning assets | | | | | | | | | |
| Domestic | 12,574 | 357 | 2.8 | 8,226 | 125 | 1.5 | 7,477 | 121 | 1.6 |
| Foreign | 81,284 | 2,730 | 3.4 | 63,107 | 858 | 1.4 | 47,040 | 298 | 0.6 |
| Total interest-earning assets³ | 1,160,061 | 42,809 | 3.7 | 893,936 | 13,043 | 1.5 | 898,059 | 7,666 | 0.9 |
| Net interest income on swaps | | 2,672 | | | 1,804 | | | 1,552 | |
| Interest income on off-balance sheet securities and other | | 744 | | | 677 | | | 472 | |
| Interest income and average interest-earning assets | 1,160,061 | 46,224⁴ | 4.0 | 893,936 | 15,525⁴ | 1.7 | 898,059 | 9,689⁴ | 1.1 |
| Non-interest-earning assets ⁵ | 333,210 | | | 299,488 | | | 298,224 | | |
| Total average assets | 1,493,271 | | | 1,193,424 | | | 1,196,284 | | |

¹ Reverse repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS Accounting Standards. ² Includes financial assets at fair value held for trading, financial assets at fair value not held for trading, financial assets at fair value through other comprehensive income and brokerage receivables. ³ Non-taxable positions and amounts were not material for the years presented. ⁴ For the purpose of this disclosure, negative interest income on assets is presented as a reduction to interest income, while in the consolidated income statement negative interest income on assets is presented as interest expense. Refer to "Note 4 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information. ⁵ Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial assets for unit-linked investment contracts.

Average balances and interest rates (continued)

| For the year ended | 31.12.23 | | | 31.12.22 | | | 31.12.21 | | |
|---|-----------------|---------------------|---------------------------|-----------------|--------------------|---------------------------|-----------------|--------------------|---------------------------|
| | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Liabilities and equity | | | | | | | | | |
| Amounts due to banks | | | | | | | | | |
| Domestic | 42,049 | 1,385 | 3.3 | 10,733 | 3 | 0.0 | 10,369 | (32) | (0.3) |
| Foreign | 5,386 | 137 | 2.5 | 3,255 | 43 | 1.3 | 2,897 | 18 | 0.6 |
| Payables from securities financing transactions measured at amortized cost ¹ | | | | | | | | | |
| Domestic | 7,874 | 382 | 4.9 | 3,357 | 40 | 1.2 | 4,786 | 1 | 0.0 |
| Foreign | 17,065 | 890 | 5.2 | 13,351 | 289 | 2.2 | 14,161 | 209 | 1.5 |
| Customer deposits | | | | | | | | | |
| Domestic | 350,102 | 2,401 | 0.7 | 272,926 | (82) | 0.0 | 289,096 | (290) | (0.1) |
| <i>of which: demand deposits</i> | 161,596 | 754 | 0.5 | 147,903 | (149) | (0.1) | 160,019 | (273) | (0.2) |
| <i>of which: savings and sweep deposits</i> | 140,716 | 328 | 0.2 | 119,685 | 6 | 0.0 | 126,290 | 4 | 0.0 |
| <i>of which: time deposits</i> | 47,790 | 1,321 | 2.8 | 5,337 | 60 | 1.1 | 2,786 | (20) | (0.7) |
| Foreign | 283,952 | 9,656 | 3.4 | 246,072 | 1,819 | 0.7 | 232,165 | 107 | 0.0 |
| <i>of which: demand deposits</i> | 44,435 | 736 | 1.7 | 66,987 | 120 | 0.2 | 82,226 | (31) | 0.0 |
| <i>of which: savings and sweep deposits</i> | 75,871 | 2,187 | 2.9 | 111,130 | 578 | 0.5 | 99,847 | 81 | 0.1 |
| <i>of which: time deposits</i> | 163,647 | 6,733 | 4.1 | 67,955 | 1,121 | 1.7 | 50,092 | 58 | 0.1 |
| Commercial paper | | | | | | | | | |
| Domestic | 1 | 0 | 0.0 | 1 | 0 | 0.0 | 292 | 0 | 0.0 |
| Foreign | 22,108 | 1,159 | 5.2 | 20,452 | 256 | 1.3 | 24,461 | 33 | 0.1 |
| Other short-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 322 | 4 | 1.3 | 366 | 4 | 1.2 | 13 | 0 | (0.1) |
| Foreign | 12,023 | 610 | 5.1 | 11,927 | 124 | 1.0 | 18,473 | 37 | 0.2 |
| Long-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 112,466 | 4,125 | 3.7 | 67,462 | 1,946 | 2.9 | 67,916 | 1,789 | 2.6 |
| Foreign | 32,387 | 1,900 | 5.9 | 22,929 | 439 | 1.9 | 27,820 | 491 | 1.8 |
| Financial liabilities at fair value (excluding debt issued designated at fair value) ^{1,2} | | | | | | | | | |
| Domestic | 419 | 13 | 3.1 | 291 | 11 | 3.7 | 421 | 3 | 0.8 |
| Foreign | 157,558 | 5,760 | 3.7 | 139,657 | 1,392 | 1.0 | 137,268 | 13 | 0.0 |
| Debt issued designated at fair value | | | | | | | | | |
| Domestic | 10,513 | 391 | 3.7 | 9,278 | 127 | 1.4 | 9,905 | 48 | 0.5 |
| Foreign | 93,902 | 4,566 | 4.9 | 63,470 | 1,283 | 2.0 | 60,388 | 429 | 0.7 |
| Other interest-bearing liabilities | | | | | | | | | |
| Domestic | 2,832 | 90 | 3.2 | 2,883 | 14 | 0.5 | 2,884 | (7) | (0.2) |
| Foreign | 39,197 | 1,618 | 4.1 | 38,938 | 432 | 1.1 | 34,943 | 105 | 0.3 |
| Total interest-bearing liabilities | | | | | | | | | |
| | 1,190,157 | 35,088 | 2.9 | 927,347 | 8,142 | 0.9 | 938,259 | 2,954 | 0.3 |
| Swap interest on hedged debt issued and other swaps | | | | | | | | | |
| | | 3,132 | | | 40 | | | (765) | |
| Interest expense on off-balance sheet securities and other | | | | | | | | | |
| | | 707 | | | 723 | | | 795 | |
| Interest expense and average interest-bearing liabilities | | | | | | | | | |
| | 1,190,157 | 38,927 ³ | 3.3 | 927,347 | 8,904 ³ | 1.0 | 938,259 | 2,985 ³ | 0.3 |
| Non-interest-bearing liabilities ⁴ | | | | | | | | | |
| | 230,664 | | | 208,049 | | | 198,130 | | |
| Total liabilities | | | | | | | | | |
| | 1,420,822 | | | 1,135,396 | | | 1,136,389 | | |
| Total equity | | | | | | | | | |
| | 72,450 | | | 58,028 | | | 59,895 | | |
| Total average liabilities and equity | | | | | | | | | |
| | 1,493,271 | | | 1,193,424 | | | 1,196,284 | | |
| Net interest income | | | | | | | | | |
| | | 7,297 | | | 6,621 | | | 6,705 | |
| Net yield on interest-earning assets | | | | | | | | | |
| | | | 0.6 | | | 0.7 | | | 0.7 |

¹ Repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS Accounting Standards. ² Includes financial liabilities at fair value held for trading, other financial liabilities designated at fair value and brokerage payables designated at fair value. ³ For the purpose of this disclosure, negative interest expense on liabilities is presented as a reduction to interest expense, while in the consolidated income statement negative interest income on liabilities is presented as interest income. Refer to "Note 4 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information. ⁴ Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial liabilities related to unit-linked investment contracts.

The percentage of total average interest-earning assets attributable to foreign activities was 57% for 2023 (2022: 61%; 2021: 60%). The percentage of total average interest-bearing liabilities attributable to foreign activities was 56% for 2023 (2022: 60%; 2021: 59%). All assets and liabilities are translated into US dollars at uniform month-end rates. Interest income and expense are translated at monthly average rates.

Average rates earned and paid on assets and liabilities can change from period to period, based on the changes in interest rates in general, but are also affected by changes in the currency mix included in the assets and liabilities. Tax-exempt income is not recorded on a tax-equivalent basis. For all three years presented, tax-exempt income is considered to be insignificant, and the effect from such income is therefore negligible.

Analysis of changes in interest income and expense

The tables below provide information, by categories of interest-earning assets and interest-bearing liabilities, about the changes in interest income and expense due to changes in volume and interest rates for the year ended 31 December 2023 compared with the year ended 31 December 2022, and for the year ended 31 December 2022 compared with the year ended 31 December 2021. The change in average volume represents the change in the current average balance compared to the average balance from the prior year with respect to the average rate of the prior year. The change in average rate represents the difference between the net change in interest income and expense and the change in average volume.

| | 2023 compared with 2022 | | | 2022 compared with 2021 | | |
|---|---|--------------------------|---------------|--|--------------------------|---------------|
| | Increase / (decrease) due to changes in ¹ | | | Increase / (decrease) due to changes in | | |
| | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| <i>USD m</i> | | | | | | |
| Interest income from interest-earning assets | | | | | | |
| Balances at central banks | | | | | | |
| Domestic | 14 | 1,670 | 1,684 | (1) | 198 | 197 |
| Foreign | 86 | 3,616 | 3,702 | 0 | 626 | 626 |
| Amounts due from banks | | | | | | |
| Domestic | 11 | 7 | 18 | (2) | 12 | 10 |
| Foreign | 3 | 608 | 611 | (1) | (3) | (4) |
| Receivables from securities financing transactions measured at amortized cost | | | | | | |
| Domestic | 23 | 291 | 314 | 9 | 49 | 58 |
| Foreign | 162 | 2,072 | 2,234 | (25) | 896 | 871 |
| Loans and advances to customers | | | | | | |
| Domestic | 1,706 | 5,528 | 7,234 | (57) | 34 | (23) |
| Foreign | 380 | 3,765 | 4,145 | (7) | 2,135 | 2,128 |
| Financial assets at fair value | | | | | | |
| Domestic | 12 | 148 | 160 | (4) | 43 | 39 |
| Foreign | 884 | 6,675 | 7,559 | (124) | 1,034 | 910 |
| Other interest-earning assets | | | | | | |
| Domestic | 66 | 166 | 232 | 12 | (8) | 4 |
| Foreign | 247 | 1,625 | 1,872 | 102 | 458 | 560 |
| Interest income | | | | | | |
| Domestic | 1,832 | 7,810 | 9,642 | (43) | 328 | 285 |
| Foreign | 1,762 | 18,361 | 20,123 | (55) | 5,147 | 5,092 |
| Total interest income from interest-earning assets | | | | | | |
| Net interest income on swaps | | | 867 | | | 253 |
| Interest income on off-balance sheet securities and other | | | 67 | | | 205 |
| Total interest income | | | | | | |
| | | | 30,699 | | | 5,836 |

¹ In 2023, the Swiss franc and the euro strengthened significantly against the US dollar. This effect is included within the variances disclosed in this table.

Analysis of changes in interest income and expense (continued)

| USD m | 2023 compared with 2022 | | | 2022 compared with 2021 | | |
|--|---|--------------------------|---------------|--|--------------------------|---------------|
| | Increase / (decrease) due to changes in ¹ | | | Increase / (decrease) due to changes in | | |
| | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest expense on interest-bearing liabilities | | | | | | |
| Amounts due to banks | | | | | | |
| Domestic | 9 | 1,373 | 1,382 | (1) | 36 | 35 |
| Foreign | 28 | 65 | 93 | 2 | 23 | 25 |
| Payables from securities financing transactions measured at amortized cost | | | | | | |
| Domestic | 54 | 288 | 342 | 0 | 39 | 39 |
| Foreign | 80 | 521 | 601 | (12) | 92 | 80 |
| Customer deposits | | | | | | |
| Domestic | 464 | 2,021 | 2,485 | 2 | 206 | 208 |
| <i>of which: demand deposits</i> | (14) | 917 | 903 | 21 | 104 | 125 |
| <i>of which: savings and sweep deposits</i> | 1 | 320 | 321 | 0 | 2 | 2 |
| <i>of which: time deposits</i> | 477 | 784 | 1,261 | (19) | 99 | 80 |
| Foreign | 280 | 7,556 | 7,836 | 6 | 1,707 | 1,713 |
| <i>of which: demand deposits</i> | (40) | 656 | 616 | 6 | 145 | 151 |
| <i>of which: savings and sweep deposits</i> | (183) | 1,792 | 1,609 | 9 | 488 | 497 |
| <i>of which: time deposits</i> | 503 | 5,109 | 5,612 | (9) | 1,073 | 1,064 |
| Commercial paper | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 21 | 882 | 903 | (5) | 228 | 223 |
| Other short-term debt issued measured at amortized cost | | | | | | |
| Domestic | (1) | 1 | 0 | 0 | 5 | 5 |
| Foreign | 1 | 485 | 486 | (13) | 100 | 87 |
| Long-term debt issued measured at amortized cost | | | | | | |
| Domestic | 1,298 | 881 | 2,179 | (12) | 170 | 158 |
| Foreign | 181 | 1,280 | 1,461 | (86) | 34 | (52) |
| Financial liabilities at fair value (excluding debt issued designated at fair value) | | | | | | |
| Domestic | 5 | (3) | 2 | (1) | 8 | 7 |
| Foreign | 178 | 4,190 | 4,368 | 0 | 1,379 | 1,379 |
| Debt issued designated at fair value | | | | | | |
| Domestic | 17 | 247 | 264 | (3) | 82 | 79 |
| Foreign | 615 | 2,668 | 3,283 | 22 | 832 | 854 |
| Other interest-bearing liabilities | | | | | | |
| Domestic | 0 | 76 | 76 | 0 | 21 | 21 |
| Foreign | 3 | 1,183 | 1,186 | 12 | 316 | 328 |
| Interest expense | | | | | | |
| Domestic | 1,846 | 4,883 | 6,729 | (15) | 567 | 552 |
| Foreign | 1,387 | 18,832 | 20,219 | (74) | 4,710 | 4,636 |
| Total interest expense on interest-bearing liabilities | | | | | | |
| Swap interest on hedged debt issued and other swaps | | | 3,092 | | | 805 |
| Interest expense on off-balance sheet securities and other | | | (16) | | | (73) |
| Total interest expense | | | | | | |
| | | | 30,025 | | | 5,920 |

¹ In 2023, the Swiss franc and the euro strengthened significantly against the US dollar. This effect is included within the variances disclosed in this table.

Deposits

The table below analyzes average deposits and average rates on each deposit category for the years ended 31 December 2023, 31 December 2022 and 31 December 2021. For the purpose of this disclosure, foreign deposits represent deposits from depositors who are based outside of Switzerland. Deposits by foreign depositors in domestic offices were USD 92,784m as of 31 December 2023 (31 December 2022: USD 59,744m; 31 December 2021: USD 77,011m).

| | 31.12.23 | | 31.12.22 | | 31.12.21 | |
|---------------------------------------|----------------|------------|----------------|------------|----------------|--------------|
| <i>USD m, except where indicated</i> | | | | | | |
| Due to banks | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 1,355 | 0.0 | 908 | (0.3) | 927 | (0.5) |
| Time deposits | 29,827 | 4.0 | 2,793 | 0.5 | 3,026 | 0.0 |
| Total domestic | 31,183 | 3.8 | 3,700 | 0.3 | 3,953 | (0.1) |
| Foreign | | | | | | |
| Demand deposits | 9,331 | 1.1 | 5,774 | (0.1) | 5,414 | (0.6) |
| Time deposits | 6,922 | 3.3 | 4,513 | 0.8 | 3,899 | 0.5 |
| Total foreign | 16,253 | 2.0 | 10,288 | 0.3 | 9,313 | (0.1) |
| Total due to banks¹ | 47,435 | 3.2 | 13,988 | 0.3 | 13,266 | (0.1) |
| Customer deposits | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 119,782 | 0.6 | 95,866 | (0.1) | 101,338 | (0.2) |
| Savings and sweep deposits | 127,017 | 0.2 | 109,039 | 0.0 | 114,792 | 0.0 |
| Time deposits | 45,708 | 2.6 | 8,825 | 0.2 | 8,371 | (0.4) |
| Total domestic | 292,508 | 0.8 | 213,730 | 0.0 | 224,502 | (0.1) |
| Foreign | | | | | | |
| Demand deposits | 86,249 | 0.8 | 119,024 | 0.1 | 140,906 | (0.1) |
| Savings and sweep deposits | 89,569 | 2.5 | 121,776 | 0.5 | 111,345 | 0.1 |
| Time deposits | 165,728 | 4.1 | 64,468 | 1.8 | 44,507 | 0.1 |
| Total foreign | 341,546 | 2.9 | 305,267 | 0.6 | 296,758 | 0.0 |
| Total customer deposits | 634,054 | 1.9 | 518,997 | 0.3 | 521,260 | 0.0 |

¹ For the purpose of this table, the distinction between foreign and domestic deposits is based on the domicile of the depositor, while foreign and domestic deposits disclosed in previous tables are based on the booking location.

Uninsured deposits

From the combined total of Due to banks and Customer deposits as of 31 December 2023, total estimated uninsured deposits were USD 670bn (31 December 2022: USD 362bn; 31 December 2021: USD 392bn). Uninsured deposits are deposits that are in excess of local deposit insurance or protection scheme limits in the key locations in which UBS operates, calculated based on the respective local regulations, as well as deposits in uninsured accounts. The main deposit insurance schemes applicable to UBS deposits are the Swiss depositor protection scheme in Switzerland (which protects applicable deposits up to a maximum of CHF 100,000 per client and per bank or securities firm), the Compensation Scheme of German Banks in combination with the Deposit Protection Fund of the Association of German Banks in Germany (which protects applicable deposits up to a maximum of EUR 5m per client and EUR 50m per business) and the Federal Deposit Insurance Corporation (the FDIC) scheme in the Americas (which protects applicable deposits up to a maximum of USD 250,000 per depositor, per insured bank, for each account ownership category).

The table below presents the maturity of estimated uninsured time deposits as of 31 December 2023. Where a depositor holds multiple accounts that in aggregate are in excess of a deposit insurance or protection limit, the insured amount is first allocated to the account with the shortest time to maturity.

| <i>USD m</i> | Uninsured time deposits¹ |
|---|--|
| Within 3 months | 270,332 |
| 3 to 6 months | 36,505 |
| 6 to 12 months | 30,923 |
| Over 12 months | 14,441 |
| Total uninsured time deposits as of 31 December 2023 | 352,202 |

¹ Amounts are estimated based on the methodologies defined in each local jurisdiction. As of 31 December 2023, there were no US time deposits subject to the FDIC scheme that were in excess of the FDIC insurance limit.

Investments in debt instruments

The table below presents the carrying amount and weighted average yield of debt instruments presented within Financial assets measured at fair value through other comprehensive income and Other financial assets measured at amortized cost on the balance sheet by contractual maturity bucket. The yield for each range of maturities is calculated by dividing the annualized interest income by the average balance of the investment per contractual maturity bucket. The maturity information presented does not consider any early redemption features, and debt instruments without fixed maturities are not included.

| | Within 1 year | | 1 to 5 years | | 5 to 10 years | | Over 10 years | | Total carrying amount |
|---|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------------|
| | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Debt instruments measured at fair value through other comprehensive income | | | | | | | | | |
| Government bills / bonds | 10 | 0.86 | | | | | | | 10 |
| Corporate and other | 2,151 | 4.65 | 72 | 2.56 | | | | | 2,223 |
| Subtotal as of 31 December 2023 | 2,161 | | 72 | | | | | | 2,233 |
| Debt securities measured at amortized cost | | | | | | | | | |
| Asset-backed securities | | | 289 | 1.56 | 1,569 | 2.57 | 6,662 | 2.87 | 8,520 |
| Government bills / bonds | 4,369 | 1.97 | 8,096 | 2.17 | 4,005 | 2.03 | 2,302 | 3.78 | 18,772 |
| Corporate and other | 1,433 | 1.54 | 12,927 | 2.27 | 3,405 | 2.37 | | | 17,765 |
| Subtotal as of 31 December 2023 | 5,803 | | 21,312 | | 8,979 | | 8,964 | | 45,057 |
| Total as of 31 December 2023 | 7,964 | | 21,384 | | 8,979 | | 8,964 | | 47,290 |

Loan portfolio

The table below provides the maturity profile of UBS's core loan portfolio as of 31 December 2023. The contractual maturity is based on carrying amounts and includes the effect of callable features. For loans due after one year, a breakdown between fixed and adjustable or floating interest rates is also provided.

| <i>USD m</i> | 31.12.23 | | | | | Total | <i>of which: over 1 year</i> | |
|---------------------------------------|----------------|----------------|---------------|---------------|----------------|----------------|------------------------------|--|
| | Within 1 year | 1 to 5 years | 5 to 15 years | Over 15 years | Fixed rate | | Adjustable or floating rate | |
| Private clients with mortgages | 42,480 | 140,574 | 57,091 | 28,472 | 268,616 | 142,780 | 83,356 | |
| Real estate financing | 44,321 | 36,024 | 16,992 | 480 | 97,817 | 39,754 | 13,743 | |
| Large corporate clients | 14,005 | 13,778 | 2,299 | 2 | 30,084 | 5,195 | 10,884 | |
| SME clients | 16,665 | 7,036 | 2,209 | 47 | 25,957 | 6,349 | 2,943 | |
| Lombard | 141,085 | 14,424 | 844 | 1 | 156,353 | 10,426 | 4,843 | |
| Credit cards | 2,041 | 0 | 0 | 0 | 2,041 | 0 | 0 | |
| Commodity trade finance | 5,547 | 180 | 0 | 0 | 5,727 | 90 | 90 | |
| Ship / aircraft financing | 1,197 | 5,643 | 2,373 | 0 | 9,214 | 189 | 7,827 | |
| Consumer financing | 1,050 | 1,671 | 261 | 0 | 2,982 | 1,932 | 0 | |
| Other loans and advances to customers | 21,063 | 15,791 | 4,096 | 102 | 41,052 | 7,072 | 12,916 | |
| Loans to financial advisors | 92 | 711 | 1,497 | 316 | 2,615 | 2,524 | 0 | |
| Total | 289,547 | 235,831 | 87,662 | 29,419 | 642,459 | 216,310 | 136,602 | |

Allowance for credit losses

For the years ended 31 December 2023, 31 December 2022 and 31 December 2021, the ratio of net charge-offs (i.e., write-offs of expected credit loss allowances to gross carrying amount of the average loans outstanding) during the period was not material for UBS's core loan portfolio, both on an overall basis and on an individual loan category basis. Total write-offs for 31 December 2023 were USD 93m (31 December 2022: USD 95m; 31 December 2021: USD 137m). Refer to the coverage ratio tables in "Note 10 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" in the "Consolidated financial statements" section of this report for the ratio of expected credit loss allowances to total loans outstanding at each period end.

Appendix

Alternative performance measures

Alternative performance measures

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

| APM label | Calculation | Information content |
|---|---|--|
| Active Digital Banking clients in Corporate & Institutional Clients (%) – Personal & Corporate Banking | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients, excluding clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers or per legal entity in a digital banking contract). | This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) which are serviced by Corporate & Institutional Clients. |
| Active Digital Banking clients in Personal Banking (%) – Personal & Corporate Banking | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract). | This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking. |
| Active Mobile Banking clients in Personal Banking (%) – Personal & Corporate Banking | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on via the mobile app at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract). | This measure provides information about the proportion of active Mobile Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking. |
| Cost / income ratio (%) | Calculated as operating expenses divided by total revenues. | This measure provides information about the efficiency of the business by comparing operating expenses with gross income. |
| Fee and trading income for Corporate & Institutional Clients (USD and CHF) – Personal & Corporate Banking | Calculated as the total of recurring net fee and transaction-based income for Corporate & Institutional Clients. | This measure provides information about the amount of fee and trading income for Corporate & Institutional Clients. |

| APM label | Calculation | Information content |
|---|---|--|
| Fee-generating assets (USD) – Global Wealth Management | Calculated as the sum of discretionary and nondiscretionary wealth management portfolios (mandate volume) and assets where generated revenues are predominantly of a recurring nature, i.e., mainly investment, mutual, hedge and private-market funds where we have a distribution agreement, including client commitments into closed-ended private-market funds from the date that recurring fees are charged. Assets related to our Global Financial Intermediaries business are excluded, as are assets of sanctioned clients. | This measure provides information about the volume of invested assets that create a revenue stream, whether as a result of the nature of the contractual relationship with clients or through the fee structure of the asset. An increase in the level of fee-generating assets results in an increase in the associated revenue stream. Assets of sanctioned clients are excluded from fee-generating assets. |
| Fee-pool-comparable revenues (USD) – the Investment Bank | Calculated as the total of revenues from: merger-and-acquisition-related transactions; Equity Capital Markets, excluding derivatives; Leveraged Capital Markets, excluding the impact of mark-to-market movements on loan portfolios; and Debt Capital Markets, excluding revenues related to debt underwriting of UBS instruments. | This measure provides information about the amount of revenues in the Investment Bank that are comparable with the relevant global fee pools. |
| Gross margin on invested assets (bps) – Asset Management | Calculated as total revenues (annualized as applicable) divided by average invested assets. | This measure provides information about the total revenues of the business in relation to invested assets. |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) – Global Wealth Management, Personal & Corporate Banking | Calculated as impaired loan portfolio divided by total gross loan portfolio. | This measure provides information about the proportion of impaired loan portfolio in the total gross loan portfolio. |
| Integration-related expenses (USD) | Generally include costs of internal staff and contractors substantially dedicated to integration activities, retention awards, redundancy costs, incremental expenses from the shortening of useful lives of property, equipment and software, and impairment charges relating to these assets. Classification as integration-related expenses does not affect the timing of recognition and measurement of those expenses or the presentation thereof in the income statement. Integration-related expenses incurred by Credit Suisse also included expenses associated with restructuring programs that existed prior to the acquisition. | This measure provides information about expenses that are temporary, incremental and directly related to the integration of Credit Suisse into UBS. |
| Invested assets (USD and CHF) – Global Wealth Management, Personal & Corporate Banking, Asset Management | Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. | This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes. |
| Investment products for Personal Banking (USD and CHF) – Personal & Corporate Banking | Calculated as the sum of investment funds (including UBS Vitainvest third-pillar pension funds, as well as money market funds), mandates and third-party life insurance operated in Personal Banking. | This measure provides information about the volume of investment funds (including UBS Vitainvest third-pillar pension funds, as well as money market funds), mandates and third-party life insurance operated in Personal Banking. |
| Net interest margin (bps) – Personal & Corporate Banking | Calculated as net interest income (annualized as applicable) divided by average loans. | This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value. |
| Net new assets (USD) – Global Wealth Management | Calculated as the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period, plus interest and dividends. Excluded from the calculation are movements due to market performance, foreign exchange translation, fees, and the effects on invested assets of strategic decisions by UBS to exit markets or services. | This measure provides information about the development of invested assets during a specific period as a result of net new asset flows, plus the effect of interest and dividends. |
| Net new assets growth rate (%) – Global Wealth Management | Calculated as the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period (annualized as applicable), plus interest and dividends, divided by total invested assets at the beginning of the period. | This measure provides information about the growth of invested assets during a specific period as a result of net new asset flows. |
| Net new fee-generating assets (USD) – Global Wealth Management | Calculated as the net amount of fee-generating asset inflows and outflows, including dividend and interest inflows into mandates and outflows from mandate fees paid by clients during a specific period. Excluded from the calculation are the effects on fee-generating assets of strategic decisions by UBS to exit markets or services. | This measure provides information about the development of fee-generating assets during a specific period as a result of net flows, excluding movements due to market performance and foreign exchange translation, as well as the effects on fee-generating assets of strategic decisions by UBS to exit markets or services. |

| APM label | Calculation | Information content |
|---|--|--|
| Net new investment products for Personal Banking (USD and CHF) – Personal & Corporate Banking | Calculated as the net amount of inflows and outflows of investment products during a specific period. | This measure provides information about the development of investment products during a specific period as a result of net new investment product flows. |
| Net new money (USD) – Global Wealth Management, Asset Management | Calculated as the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period. Excluded from the calculation are movements due to market performance, foreign exchange translation, dividends, interest and fees, as well as the effects on invested assets of strategic decisions by UBS to exit markets or services. Net new money is not measured for Personal & Corporate Banking. | This measure provides information about the development of invested assets during a specific period as a result of net new money flows. |
| Net new money growth rate (%) – Global Wealth Management | Calculated as the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period (annualized as applicable) divided by total invested assets at the beginning of the period. | This measure provides information about the growth of invested assets during a specific period as a result of net new money flows. |
| Net profit growth (%) | Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period. | This measure provides information about profit growth since the comparison period. |
| Operating expenses (underlying) (USD) | Calculated by adjusting operating expenses as reported in accordance with IFRS Accounting Standards for items that management believes are not representative of the underlying performance of the businesses. <ul style="list-style-type: none"> › Refer to the “Group performance” section of this report for more information | This measure provides information about the amount of operating expenses, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Operating profit / (loss) before tax (underlying) (USD) | Calculated by adjusting operating profit / (loss) before tax as reported in accordance with IFRS Accounting Standards for items that management believes are not representative of the underlying performance of the businesses. <ul style="list-style-type: none"> › Refer to the “Group performance” section of this report for more information | This measure provides information about the amount of operating profit / (loss) before tax, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Pre-tax profit growth (%) – Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank | Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period. | This measure provides information about pre-tax profit growth since the comparison period. |
| Pre-tax profit growth (underlying) (%) – Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank | Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period. Net profit before tax attributable to shareholders from continuing operations excludes items that management believes are not representative of the underlying performance of the businesses and also excludes related tax impact. | This measure provides information about pre-tax profit growth since the comparison period, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Recurring net fee income (USD and CHF) – Global Wealth Management, Personal & Corporate Banking | Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts. | This measure provides information about the amount of recurring net fee income. |
| Return on attributed equity¹ (%) | Calculated as annualized business division operating profit before tax divided by average attributed equity. | This measure provides information about the profitability of the business divisions in relation to attributed equity. |
| Return on common equity tier 1 capital¹ (%) | Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital. | This measure provides information about the profitability of the business in relation to common equity tier 1 capital. |
| Return on equity¹ (%) | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders. | This measure provides information about the profitability of the business in relation to equity. |
| Return on leverage ratio denominator, gross¹ (%) | Calculated as annualized total revenues divided by average leverage ratio denominator. | This measure provides information about the revenues of the business in relation to the leverage ratio denominator. |

| APM label | Calculation | Information content |
|--|---|--|
| Return on tangible equity¹ (%) | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. | This measure provides information about the profitability of the business in relation to tangible equity. |
| Tangible book value per share (USD) | Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding. | This measure provides information about tangible net assets on a per-share basis. |
| Total book value per share (USD) | Calculated as equity attributable to shareholders divided by the number of shares outstanding. | This measure provides information about net assets on a per-share basis. |
| Total revenues (underlying) (USD) | Calculated by adjusting total revenues as reported in accordance with IFRS Accounting Standards for items that management believes are not representative of the underlying performance of the businesses. › Refer to the “Group performance” section of this report for more information | This measure provides information about the amount of total revenues, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Transaction-based income (USD and CHF) – Global Wealth Management, Personal & Corporate Banking | Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, and credit card fees, as well as fees for payment and foreign-exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss. | This measure provides information about the amount of the non-recurring portion of net fee and commission income, together with other net income from financial instruments measured at fair value through profit or loss. |
| Underlying cost / income ratio (%) | Calculated as underlying operating expenses (as defined above) divided by underlying total revenues (as defined above). | This measure provides information about the efficiency of the business by comparing operating expenses with total revenues, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Underlying net profit growth (%) | Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period. Net profit attributable to shareholders from continuing operations excludes items that management believes are not representative of the underlying performance of the businesses and also excludes related tax impact. | This measure provides information about profit growth since the comparison period, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Underlying return on common equity tier 1 capital¹ (%) | Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital. Net profit attributable to shareholders excludes items that management believes are not representative of the underlying performance of the businesses and also excludes related tax impact. | This measure provides information about the profitability of the business in relation to common equity tier 1 capital, while excluding items that management believes are not representative of the underlying performance of the businesses. |
| Underlying return on tangible equity¹ (%) | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. Net profit attributable to shareholders excludes items that management believes are not representative of the underlying performance of the businesses and also excludes related tax impact. | This measure provides information about the profitability of the business in relation to tangible equity, while excluding items that management believes are not representative of the underlying performance of the businesses. |

¹ Profit or loss information for 2023 includes seven months (June to December 2023, inclusive) of Credit Suisse data for the return measures.

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

Information related to underlying return on common equity tier 1 (CET1) capital and underlying return on tangible equity (%)

| | As of or for the year ended | |
|--|-----------------------------|----------|
| <i>USD m</i> | 31.12.23 | 31.12.22 |
| Underlying operating profit / (loss) before tax | 3,963 | 8,500 |
| Underlying tax expense / (benefit) | 1,194 | 1,909 |
| NCI | 16 | 32 |
| Underlying net profit / (loss) | 2,753 | 6,559 |
| Underlying net profit / (loss), annualized | 2,753 | 6,559 |
| Tangible equity | 78,593 | 50,609 |
| Average tangible equity | 67,435 | 51,249 |
| CET1 capital | 78,485 | 45,457 |
| Average CET1 capital | 65,763 | 44,856 |
| Underlying return on tangible equity (%) | 4.1 | 12.8 |
| Underlying return on common equity tier 1 capital | 4.2 | 14.6 |

Abbreviations frequently used in our financial reports

| | | | | | |
|----------|--|----------|--|----------------------|---|
| A | | CRM | credit risk mitigation (credit risk) or comprehensive risk measure (market risk) | FSB | Financial Stability Board |
| ABS | asset-backed securities | | | FTA | Swiss Federal Tax Administration |
| AG | Aktiengesellschaft | | | | |
| AGM | Annual General Meeting of shareholders | CST | combined stress test | FVA | funding valuation adjustment |
| A-IRB | advanced internal ratings-based | CUSIP | Committee on Uniform Security Identification Procedures | FVOCI | fair value through other comprehensive income |
| AIV | alternative investment vehicle | CVA | credit valuation adjustment | FVTPL | fair value through profit or loss |
| ALCO | Asset and Liability Committee | D | | FX | foreign exchange |
| AMA | advanced measurement approach | DBO | defined benefit obligation | G | |
| AML | anti-money laundering | DCCP | Deferred Contingent Capital Plan | GAAP | generally accepted accounting principles |
| AoA | Articles of Association | DE&I | diversity, equity and inclusion | GBP | pound sterling |
| APM | alternative performance measure | DFAST | Dodd–Frank Act Stress Test | GCRG | Group Compliance, Regulatory & Governance |
| ARR | alternative reference rate | DM | discount margin | GDP | gross domestic product |
| ARS | auction rate securities | DOJ | US Department of Justice | GEB | Group Executive Board |
| ASF | available stable funding | DTA | deferred tax asset | GHG | greenhouse gas |
| AT1 | additional tier 1 | DVA | debit valuation adjustment | GIA | Group Internal Audit |
| AuM | assets under management | E | | GRI | Global Reporting Initiative |
| B | | EAD | exposure at default | G-SIB | global systemically important bank |
| BCBS | Basel Committee on Banking Supervision | EB | Executive Board | | |
| BIS | Bank for International Settlements | EC | European Commission | H | |
| BoD | Board of Directors | ECB | European Central Bank | HQLA | high-quality liquid assets |
| C | | ECL | expected credit loss | I | |
| CAO | Capital Adequacy Ordinance | EGM | Extraordinary General Meeting of shareholders | IAS | International Accounting Standards |
| CCAR | Comprehensive Capital Analysis and Review | EIR | effective interest rate | IASB | International Accounting Standards Board |
| CCF | credit conversion factor | EL | expected loss | IBOR | interbank offered rate |
| CCP | central counterparty | EMEA | Europe, Middle East and Africa | IFRIC | International Financial Reporting Interpretations Committee |
| CCR | counterparty credit risk | EOP | Equity Ownership Plan | IFRS | Accounting Standards issued by the IASB |
| CCRC | Corporate Culture and Responsibility Committee | EPS | earnings per share | Accounting Standards | |
| CDS | credit default swap | ESG | environmental, social and governance | IRB | internal ratings-based |
| CEA | Commodity Exchange Act | ESR | environmental and social risk | IRRBB | interest rate risk in the banking book |
| CEO | Chief Executive Officer | ETD | exchange-traded derivatives | ISDA | International Swaps and Derivatives Association |
| CET1 | common equity tier 1 | ETF | exchange-traded fund | ISIN | International Securities Identification Number |
| CFO | Chief Financial Officer | EU | European Union | | |
| CGU | cash-generating unit | EUR | euro | | |
| CHF | Swiss franc | EURIBOR | Euro Interbank Offered Rate | | |
| CIO | Chief Investment Office | EVE | economic value of equity | | |
| C&ORC | Compliance & Operational Risk Control | EY | Ernst & Young Ltd | | |
| | | F | | | |
| | | FA | financial advisor | | |
| | | FCA | UK Financial Conduct Authority | | |
| | | FDIC | Federal Deposit Insurance Corporation | | |
| | | FINMA | Swiss Financial Market Supervisory Authority | | |
| | | FMIA | Swiss Financial Market Infrastructure Act | | |

Abbreviations frequently used in our financial reports (continued)

| | | | | | |
|----------|--|----------|---|----------|---|
| K | | R | | T | |
| KRT | Key Risk Taker | RBC | risk-based capital | TBTF | too big to fail |
| L | | RbM | risk-based monitoring | TCFD | Task Force on Climate-related Financial Disclosures |
| LAS | liquidity-adjusted stress | REIT | real estate investment trust | TIBOR | Tokyo Interbank Offered Rate |
| LCR | liquidity coverage ratio | RMBS | residential mortgage-backed securities | TLAC | total loss-absorbing capacity |
| LGD | loss given default | RniV | risks not in VaR | TTC | through the cycle |
| LIBOR | London Interbank Offered Rate | RoCET1 | return on CET1 capital | U | |
| LLC | limited liability company | RoU | right-of-use | USD | US dollar |
| LoD | lines of defense | rTSR | relative total shareholder return | V | |
| LRD | leverage ratio denominator | RWA | risk-weighted assets | VaR | value-at-risk |
| LTIP | Long-Term Incentive Plan | S | | VAT | value added tax |
| LTV | loan-to-value | SA | standardized approach or société anonyme | | |
| M | | SA-CCR | standardized approach for counterparty credit risk | | |
| M&A | mergers and acquisitions | SAR | Special Administrative Region of the People's Republic of China | | |
| MRT | Material Risk Taker | SDG | Sustainable Development Goal | | |
| N | | SEC | US Securities and Exchange Commission | | |
| NII | net interest income | SFT | securities financing transaction | | |
| NSFR | net stable funding ratio | SI | sustainable investing or sustainable investment | | |
| NYSE | New York Stock Exchange | SIBOR | Singapore Interbank Offered Rate | | |
| O | | SICR | significant increase in credit risk | | |
| OCA | own credit adjustment | SIX | SIX Swiss Exchange | | |
| OCI | other comprehensive income | SME | small and medium-sized entities | | |
| OECD | Organisation for Economic Co-operation and Development | SMF | Senior Management Function | | |
| OTC | over-the-counter | SNB | Swiss National Bank | | |
| P | | SOR | Singapore Swap Offer Rate | | |
| PCI | purchased credit impaired | SPPI | solely payments of principal and interest | | |
| PD | probability of default | SRB | systemically relevant bank | | |
| PIT | point in time | SRM | specific risk measure | | |
| PPA | purchase price allocation | SVaR | stressed value-at-risk | | |
| P&L | profit or loss | | | | |
| Q | | | | | |
| QCCP | Qualifying central counterparty | | | | |

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

Information sources

Reporting publications

Annual publications

UBS Group Annual Report: Published in English, this report provides descriptions of: the Group strategy and performance; the strategy and performance of the business divisions and Group Items; risk, treasury and capital management; corporate governance; the compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.

“Auszug aus dem Geschäftsbericht”: This publication provides a German translation of selected sections of the UBS Group Annual Report.

Compensation Report: This report discusses the compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German (*“Vergütungsbericht”*) and represents a component of the UBS Group Annual Report.

Sustainability Report: Published in English, the Sustainability Report provides disclosures on environmental, social and governance topics related to the UBS Group. It also provides certain disclosures related to diversity, equity and inclusion.

Quarterly publications

Quarterly financial report: This report provides an update on performance and strategy (where applicable) for the respective quarter. It is available in English.

The annual and quarterly publications are available in .pdf and online formats at ubs.com/investors, under “Financial information.” Starting with the Annual Report 2022, printed copies, in any language, of the aforementioned annual publications are no longer provided.

Other information

Website

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

Results presentations

Quarterly results presentations are webcast live. Recordings of most presentations can be downloaded from ubs.com/presentations.

Messaging service

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

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

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

Cautionary statement regarding forward-looking statements | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS’s judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. In particular, terrorist activity and conflicts in the Middle East, as well as the continuing Russia–Ukraine war, may have significant impacts on global markets, exacerbate global inflationary pressures, and slow global growth. In addition, the ongoing conflicts may continue to cause significant population displacement, and lead to shortages of vital commodities, including energy shortages and food insecurity outside the areas immediately involved in armed conflict. Governmental responses to the armed conflicts, including, with respect to the Russia–Ukraine war, coordinated successive sets of sanctions on Russia and Belarus, and Russian and Belarusian entities and nationals, and the uncertainty as to whether the ongoing conflicts will widen and intensify, may continue to have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. UBS’s acquisition of the Credit Suisse Group has materially changed our outlook and strategic direction and introduced new operational challenges. The integration of the Credit Suisse entities into the UBS structure is expected to take between three and five years and presents significant risks, including the risks that UBS Group AG may be unable to achieve the cost reductions and other benefits contemplated by the transaction. This creates significantly greater uncertainty about forward-looking statements. Other factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility and the size of the combined Group; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions, including as a result of the acquisition of the Credit Suisse Group; (iii) increased inflation and interest rate volatility in major markets; (iv) developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates, deterioration or slow recovery in residential and commercial real estate markets, the effects of economic conditions, including increasing inflationary pressures, market developments, increasing geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties, as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any adverse changes in UBS’s credit spreads and credit ratings of UBS, Credit Suisse, sovereign issuers, structured credit products or credit-related exposures, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC), in particular in light of the acquisition of the Credit Suisse Group; (vi) changes in central bank policies or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the EU and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (vii) UBS’s ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS in response to legal and regulatory requirements and any additional requirements due to its acquisition of the Credit Suisse Group, or other developments; (viii) UBS’s ability to maintain and improve its systems and controls for complying with sanctions in a timely manner and for the detection and prevention of money laundering to meet evolving regulatory requirements and expectations, in particular in current geopolitical turmoil; (ix) the uncertainty arising from domestic stresses in certain major economies; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers adversely affect UBS’s ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA, including as a result of its acquisition of the Credit Suisse Group, as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS’s business, in particular cross-border banking, of sanctions, tax or regulatory developments and of possible changes in UBS’s policies and practices; (xiv) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, data leakage and systems failures, the risk of which is increased with cyberattack threats from both nation states and non-nation-state actors targeting financial institutions; (xix) restrictions on the ability of UBS Group AG and UBS AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others for UBS to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and the possibility of conflict between different governmental standards and regulatory regimes; (xxii) the ability of UBS to access capital markets; (xxiii) the ability of UBS to successfully recover from a disaster or other business continuity problem due to a hurricane, flood, earthquake, terrorist attack, war, conflict (e.g., the Russia–Ukraine war), pandemic, security breach, cyberattack, power loss, telecommunications failure or other natural or man-made event, including the ability to function remotely during long-term disruptions such as the COVID-19 (coronavirus) pandemic; (xxiv) the level of success in the absorption of Credit Suisse, in the integration of the two groups and their businesses, and in the execution of the planned strategy regarding cost reduction and divestment of any non-core assets, the existing assets and liabilities of Credit Suisse, the level of resulting impairments and write-downs, the effect of the consummation of the integration on the operational results, share price and credit rating of UBS – delays, difficulties, or failure in closing the transaction may cause market disruption and challenges for UBS to maintain business, contractual and operational relationships; and (xxv) the effect that these or other factors or unanticipated events, including media reports and speculations, may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the US Securities and Exchange Commission (the SEC). More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including the UBS Group AG and UBS AG Annual Reports on Form 20-F for the year ended 31 December 2023. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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

Tables | Within tables, blank fields generally indicate non-applicability or that presentation of any content would not be meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Values that are zero on a rounded basis can be either negative or positive on an actual basis.

Websites | In this report, any website addresses are provided solely for information and are not intended to be active links. UBS is not incorporating the contents of any such websites into this report.

UBS Group AG
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ubs.com



Organization Regulations

of **UBS Group AG**

Valid as of 1 March 2024

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Abbreviations and definitions

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

| | |
|------------------------------------|---|
| AC | Audit Committee |
| Affiliated person | Person who directly or indirectly through one or more intermediaries controls or is controlled by or is under common control of UBS Group AG |
| AGM | Annual General Meeting of the shareholders |
| ALM Authorities | Asset and Liability Management Authorities – internal document setting out the high-level delegated authorities within the Group for asset and liability management |
| AoA | Articles of Association of UBS Group AG |
| BD(s) | Business division(s), organizational units of the business: (i) Global Wealth Management, (ii) Personal & Corporate Banking, (iii) Asset Management, (iv) the Investment Bank and (v) Non-Core and Legacy |
| Board/BoD | Board of Directors of UBS Group AG; non-executive Board members who do not perform management functions within UBS Group AG |
| Business Regulations | Regulations issued by the BDs or GF |
| CCRC | Corporate Culture and Responsibility Committee |
| Chairman | Chairman of the Board |
| Chairpersons | Board members who chair the Committees |
| CO | Swiss Code of Obligations |
| Committees | Committees of the Board as set out in section 2.1 |
| Committees' charter | Charter of the Committees of the Board setting out the objectives, composition, authorities and responsibilities of the permanent Committees |
| CompCo | Compensation Committee |
| Corporate Bodies | The Board and bodies of the Group exercising delegated Board functions, such as the Committees, the GEB, committees established by the GEB, Group IA or other bodies mentioned herein |
| CS AG CEO | Credit Suisse AG Chief Executive Officer |
| Divisional President / DP | Divisional Presidents are the heads of the respective BDs, as set out in section 25 and in the respective Business Regulations |
| EGM | Extraordinary General Meeting of the shareholders |
| EMEA | Europe, the Middle East and Africa |
| Financial statements | Quarterly and annual financial statements including, among others, the disclosure under "Management's Discussion and Analysis" and the 6K Report to the Securities and Exchange Commission and any formal announcements relating to the Group's performance |
| FINMA | Swiss Financial Market Supervisory Authority |
| GCRG | Group Compliance, Regulatory & Governance |
| GEB | Group Executive Board |
| GNC | Governance and Nominating Committee |
| Group ALCO | Group Asset and Liability Committee |
| Group CCGO | Group Chief Compliance and Governance Officer |
| Group CEO | Group Chief Executive Officer |
| Group CFO | Group Chief Financial Officer |
| Group Company Secretary | Company Secretary of the Board |
| Group COTO | Group Chief Operations and Technology Officer |
| Group CRO | Group Chief Risk Officer |
| Group Functional Head / GFH | Group CFO, Group COTO, Group CRO, Group GC, Group CCGO, Head GHR&GCS, Group IO and Group CEO (as related to the responsibilities for the Group CEO Functions as outlined in section 16.4) |

| | |
|---|--|
| GF | Group Functions, which comprises the functions headed by the Group CEO, the Group CFO, the Group COTO, the Group CRO, the Group GC, the Group CCGO, the Head GHR&GCS and the Group IO |
| Group GC | Group General Counsel |
| Group IA | Group Internal Audit |
| Group IO | Group Integration Officer |
| Head GHR&GCS | Head Group Human Resources & Group Corporate Services |
| HR | Human Resources |
| ICAAP | Internal Capital Adequacy Assessment Process |
| MD | Managing Director |
| ORs | Organization Regulations of UBS Group AG including annexes |
| Other UBS Entities | UBS Entities which are neither Significant Group Entities nor Significant Regional Entities |
| RC | Risk Committee |
| Regional President / RP | Regional Presidents as set out in section 24 and in the RP terms of reference |
| Risk Authorities | Internal document setting out the high-level delegated authorities within the Group for risk management and control |
| Shareholders | Shareholders of UBS Group AG |
| SID | The Senior Independent Director of the Board as set out in section 11 |
| Significant Branches | Branches of UBS Entities subject to enhanced standards of corporate governance as designated by the Group CEO |
| Significant Group Entities / SGEs | Significant subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the GNC |
| Significant Regional Entities / SREs | Subsidiaries of the Group subject to enhanced standards of corporate governance as designated by the Group CEO |
| SOX | Sarbanes–Oxley Act |
| Stakeholders | Persons, groups or organizations that have a direct or indirect stake in the Group and may, as a result, affect or be affected by the Group’s actions, objectives and policies |
| UBS/Group | UBS Group AG and its subsidiaries; the UBS group of companies |
| UBS Entities | All subsidiaries (excluding Special Purpose Entities) which are either wholly or majority, directly or indirectly owned or otherwise controlled by UBS Group AG and which are intended to be held indefinitely |
| UBS Group AG | UBS Group AG, the listed parent company of the Group |
| Vice Chairman | The Vice Chairman of the Board as set out in section 11 |

Preamble by the Chairman

The combination of UBS and Credit Suisse is the first merger of two Global Systemically Important Financial Institutions in history and a pivotal moment for the Swiss banking industry. Building on the heritage of the combined firm, we want to write the next successful chapter by serving private, institutional and corporate clients worldwide, as well as retail clients in Switzerland and create long-term sustainable value for investors. Our shareholders, employees, clients and other interest groups hold high expectations of how we conduct our business. As we enter this phase of integration, good governance policies and processes are more important than ever and, together with the strong values we have defined, are at the heart of UBS's culture. UBS and its employees apply the highest standards of business ethics and personal integrity to all of our business dealings and interactions.

The Organization Regulations constitute the Group's primary corporate governance guidelines establishing a corporate governance structure for UBS Group AG and its subsidiaries. These Organization Regulations have been approved by the Board of UBS Group AG, they comply with all relevant corporate governance requirements but are not intended in any way to be a substitute for mandatory provisions of law, rules or regulations applicable to the Group.

In the interest of transparency, the Organization Regulations are published on our website.

Colm Kelleher

Introduction

1 Basis and purpose

- 1.1 Basis** These ORs are enacted by the Board of UBS Group AG pursuant to article 716b of the CO and articles 25 and 27 of the AoA.
- 1.2 Purpose** The purpose of these ORs is:
- (i) to implement and supplement requirements contained in applicable laws, stock exchange regulations, supervisory regulations and the AoA having regard to pertinent codes of best practice. In addition, these ORs constitute the corporate governance guidelines required by the New York Stock Exchange;
 - (ii) to define the functions, responsibilities and authorities of UBS Group AG's and the Group's Corporate Bodies and their members; and
 - (iii) to establish a coherent and efficient corporate governance structure by constituting the Group's primary governance guidelines to be applied to all direct and indirect subsidiaries of UBS Group AG and which supersede any other regulations and shall prevail in case of a conflict with such documents, subject to local law.
- Mandatory provisions of applicable laws, rules and regulations or rules contained in the AoA take precedence over the ORs.

2 Organization of the Group

- 2.1 Organization in general** The Group and its business are organized as follows:
- (i) The Board, under the leadership of the Chairman, has the ultimate responsibility for the direction, supervision and control of the Group, and performs the other duties described herein or as prescribed by mandatory provisions of law. The Board is responsible for deciding all matters and taking business decisions where such decisions exceed the authority delegated by the Board to the Committees, the GEB or the Group CEO.
 - (ii) As provided by mandatory law, rules and regulations, the AoA or these ORs, the executive management of the Group is delegated to the GEB under the leadership of the Group CEO.
 - (iii) The following permanent Committees assist the Board in the performance of its responsibilities:
 - (a) the Audit Committee;
 - (b) the Compensation Committee;
 - (c) the Corporate Culture and Responsibility Committee;
 - (d) the Governance and Nominating Committee; and
 - (e) the Risk Committee.
- 2.2 Group steering** UBS Group AG, as the listed parent company of the Group, controls directly or indirectly all subsidiaries and leads the Group by setting a harmonized strategic direction. It further sets principles and organizational structures to enable efficient and coordinated management of the Group and control of its subsidiaries.
- Notwithstanding these endeavors, the legal independence of all subsidiaries, including formal decision-making by the Corporate Bodies of the respective entities as required under applicable constitutional documents, and the provisions of applicable local laws, rules and regulations relating to them, must be observed to the extent legally required.
- 2.3 Corporate culture** Under the leadership of the Chairman and the Group CEO, the Board and the GEB issue a Code of Conduct and Ethics to foster a coherent and effective corporate and compliance culture for the Group.

2.4 Organization of the Group's business

The banking business and support operations are performed by UBS Group AG's direct or indirect subsidiaries within the scope of applicable licenses. The business of the Group is organized into:

- (i) business divisions;
- (ii) Group Functions; and
- (iii) other structures as the Group CEO and the GEB consider appropriate for the effective management and supervision of the business.

This organization must be detailed in the Business Regulations.

2.5 Transparency, collaboration and reporting within the Group

Subject to and in accordance with applicable local laws, rules and regulations, Corporate Bodies are bound to ensure transparency and collaboration within the Group and may have additional responsibilities and reporting lines within the Group or within other legal entities of the Group. Any resulting conflicts of interest shall be governed by the provisions of the Organization Regulations (or similar constitutional documents) of the companies concerned.

Board of Directors

3 Membership

- 3.1 Election proposal** In consultation with the Chairman, the GNC recommends candidates for election to the Board. The Board proposes such candidates for election by the shareholders.
- 3.2 Independence of Board members** The Board's proposal for election ensures that three-quarters of the Board members will be independent. For this purpose, independence is determined in accordance with:
(i) the FINMA circular 2017/1 "Corporate governance – banks"; and
(ii) the New York Stock Exchange rules.
Furthermore, there must be a sufficient number of Board members who meet the independence criteria for the Committee members set out in the annex "Charter of the Committees of the Board." The Chairman does not need to be independent.
- 3.3 Notification duty** Each Board member must notify the Chairman and the GNC immediately if circumstances change in a manner that may affect their independence.
- 3.4 Expectations of the Board members** The Board, as a group, must have the necessary qualifications, skills and diversity to perform all Board duties. In particular, the Board must together possess financial literacy, experience in banking and risk management, as well as international experience, including experience of international financial matters, and knowledge of the duties of directors.

Candidates for election to the Board shall be considered in light of their personal experience and abilities, including any specialist knowledge or skills required to fulfill specific Board functions as outlined herein, as well as their ability to contribute to building a complementary and effective Board.

4 Constitution

- 4.1 Number of members** The Board consists of six to twelve Board members as per article 19 of the AoA.
- 4.2 Term of office** The term of office for each Board member is one year pursuant to article 20 of the AoA. Subject to election by shareholders, Board members are normally expected to serve for a minimum of three years. No Board member may serve for more than 10 consecutive terms of office, in exceptional circumstances the Board can extend this limit.
- 4.3 Constitutional meeting** The Board constitutes itself at its first meeting following the AGM. In this meeting
(i) the Vice Chairmen;
(ii) the SID;
(iii) the Chairpersons of the Committees; and
(iv) the Committee members, with the exception of the Compensation Committee members,
are appointed by the Board.

The Board may remove these Board members from their special functions at any time.

5 Responsibilities and authorities

- 5.1 In general** In addition to mandatory provisions of law, rules, regulations and the AoA, the Board has the responsibilities and authorities set out in these ORs.
- 5.2 Supervision** The Board is responsible for the overall direction, supervision and control of the Group and its management, as well as for supervising compliance with applicable laws, rules and regulations. The Board exercises oversight over UBS Group AG and its subsidiaries and is responsible for ensuring the establishment of a clear Group governance framework to ensure effective steering and supervision of the Group taking into account the material risks to which the Group and its subsidiaries are exposed.

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| 5.3 Ultimate responsibility | The Board has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on the Group's strategy and the necessary financial and human resources upon recommendation of the Group CEO and sets the Group's values and standards to ensure that its obligations to shareholders and other stakeholders are met. |
| 5.4 Strategy and financial success | The Board's ultimate responsibility for strategy and financial success includes in particular: <ul style="list-style-type: none"> (i) deciding the strategy of the Group upon recommendation of the Group CEO, taking into account the proposals and alternatives presented; (ii) approving the risk management and control framework of the Group, including the overall risk appetite of the Group and BDs; (iii) deciding whether the Group should enter substantial new business areas or exit an existing business area, in cases where the entry or exit is not covered by the current approved strategic framework; and (iv) approving major acquisitions, mergers, disposals or capital expenditure, including decisions on major changes to the company and Group structure, major changes in Significant Group Entities, and other projects of strategic importance for the Group. |
| 5.5 Finance | With respect to the ultimate responsibility for the financial situation, the Board has in particular the following duties: <ul style="list-style-type: none"> (i) approving the applicable accounting standards and financial control frameworks, as well as significant changes to them; (ii) annually reviewing and approving the three-year strategic plan and one-year operating plan of the Group, including the financial objectives and a capital allocation framework, as well as the capital and liquidity plans; (iii) annually reviewing and approving the Group ICAAP; (iv) reviewing and approving the annual financial statements of UBS Group AG; and (v) reviewing and approving the consolidated annual and quarterly financial statements, as well as the consolidated annual report of the Group prior to its submission to the AGM. |
| 5.6 Organization | The Board is responsible for establishing an appropriate business organization, including in particular: <ul style="list-style-type: none"> (i) approving and regularly reviewing the governance principles and the management structures as set out herein; (ii) appointing and removing GEB members, the Group Company Secretary and the Head Group IA and reviewing their performance; (iii) overseeing the effectiveness of the business organization and management information system implemented by the GEB; (iv) supervising the internal control system; (v) approving the charter for Group IA and monitoring Group IA; and (vi) approving the compensation and benefits principles of the Group. |
| 5.7 Meetings of shareholders | The Board has a duty to convene AGMs and EGMs, prepare the agenda for such meetings and implement resolutions adopted by the shareholders. |
| 5.8 Loss of equity | In case of financial difficulties or insufficient equity, the Board must undertake all steps required under applicable law. |
| 5.9 Delegation | Within the limits of applicable law, regulations and the AoA, the Board may delegate part of its responsibilities and authorities to: <ul style="list-style-type: none"> (i) the Committees; (ii) individual Board members; (iii) the GEB; and (iv) individual GEB members. |
| 5.10 Advice from third parties | The Board and the Committees may, in performing their duties, take advice from third parties. |

6 Meetings

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| 6.1 Number of meetings | The Board meets as often as business requires, and at least six times a year. |
| 6.2 Convening meetings | Board meetings are convened by the Chairman. Upon written request, including reasons, of any Board member or the Group CEO addressed to the Chairman, he shall convene a Board meeting in accordance with sections 6.3 and 6.4. |
| 6.3 Invitation | The Chairman or, if absent, one of the Vice Chairmen invites the Board members to the Board meetings in writing (including by e-mail or other electronic means). |

- 6.4 Agenda and notice period** The invitation contains the agenda and must be sent to Board members and other attendees as a rule at least five business days prior to the date of the Board meeting together with all necessary supporting material. In exceptional cases, supporting material may be sent later to allow the Board to receive the latest available information. This applies in particular to updates on financial data.
- In time-critical cases (as determined at the Chairman's discretion), a Board meeting may be held and the supporting material may be sent at shorter notice.
- 6.5 Chair** Board meetings are chaired by the Chairman or, if absent, by one of the Vice Chairmen or, in their absence, by the SID or, in their absence, by another Board member selected by the Board members present.
- 6.6 Attendees** The Board may hold Board meetings as determined by the Chairman:
- (i) with or without the participation of the Group CEO and all or some of the other GEB members; and
 - (ii) with the participation of other persons, who are invited to attend.
- 6.7 Meetings of independent Board members** At least twice a year, the SID holds a meeting of the independent Board members without the participation of the Chairman.
- 6.8 Meeting format** Board meetings may be held in person or by audio or video conference.
- 6.9 Minutes of Board meetings** The minutes (including the annexes as presented to the Board) contain all Board resolutions made and reflect in a general manner the considerations that led to the decisions made. Dissenting opinions of and votes cast by Board members must also be reflected in the minutes.
- 6.10 Form of minutes, inspection rights** The minutes must be signed by the Board member chairing the meeting (in accordance with section 6.5) and the keeper of the minutes and must be made available for review prior to the next Board meeting at which these shall be approved. Board members are entitled to examine the minutes of any Board meeting at any time.
- ## 7 Resolutions
- 7.1 Quorum of attendance** The presence of either the Chairman, one of the Vice Chairmen or the SID, as well as the majority of the Board members, is required to pass valid Board resolutions. If this quorum is not present, the Chairman can seek a circular resolution of the Board (see section 7.4). No such quorum is required for decisions confirming, implementing and amending resolutions relating to capital increases (article 23(2) of the AoA).
- 7.2 Quorum of resolutions, decisive vote** Board resolutions are passed by an absolute majority of the votes of Board members present; in case of a tie, the Chairman's vote is decisive (article 23(1) of the AoA).
- 7.3 Resolutions on items not on agenda** If time-critical matters arise after a Board meeting has already been convened, such matters may be discussed at the Board meeting and Board resolutions made if a majority of all Board members present agree. If feasible, a revised agenda will be sent to all Board members prior to the meeting. Absent Board members are informed of the resolution made after the Board meeting.
- 7.4 Circular resolutions** Board resolutions may be passed in writing (including by e-mail or other electronic means) if no material discussions are required, the matter is time-critical or has been prediscussed. A proposal for a circular resolution must be communicated to all Board members and is only deemed to have passed if:
- (i) more than two-thirds of all Board members cast a vote or give written notice that they abstain; and
 - (ii) an absolute majority of all Board members participating in this circular resolution approve the proposed resolution; and
 - (iii) no Board member requests a Board meeting in relation to the subject matter of the proposed Board resolution within three business days of receiving notice of the proposal.
- 7.5 Effect of circular resolutions** A circular resolution is as binding as a Board resolution adopted at a Board meeting and must be recorded under a separate heading in the Board minutes prepared pursuant to sections 6.9 and 6.10 for the next Board meeting.

8 Information rights

- 8.1 Right of information** Board members have the right to access all information concerning the business and the affairs of the Group as may be necessary or helpful for them to fulfill their duties as Board members.
- 8.2 Request for information during Board meetings** At Board meetings, any Board member is entitled to request information on any matter relating to the Group regardless of the agenda, and the Board or GEB members present must provide such information to the best of their knowledge.
- 8.3 Request for information outside of Board meetings** Should a Board member require information or wish to review documents outside a Board meeting, such request must be routed through the Group Company Secretary and addressed to the Chairman.
- 8.4 Request for information outside of Committee meetings** Should a Chairperson require information or wish to review documents outside a Committee meeting, they can, within the range of responsibilities of their Committee, address their request to a member of the GEB directly, to Group IA or to external auditors. The Chairman and the Group CEO must be informed as appropriate.

9 Self-assessment

- 9.1 Board self-assessment** At least annually, on the basis of an assessment conducted by the GNC (which includes an appraisal by an external expert at least every three years), the Board reviews its own performance, as well as the performance of each of the Committees. Such a review seeks to determine whether the Board and the Committees function effectively and efficiently.
- 9.2 Performance evaluation** The GNC also arranges a performance evaluation for the Chairman. In light of the annual performance evaluation, the Board must consider whether any changes should be made to the membership of the Board or Committees.

10 Chairman

- 10.1 Election** The Board proposes the Chairman who in turn is elected by shareholders at the general meeting.
- 10.2 In general** The Chairman promotes the highest standards of corporate governance for the Group as well as the highest standards of integrity and probity within the Group.
- 10.3 Management of the Board and the Board meetings** The Chairman leads the Board, in this regard he has in particular the following responsibilities:
- (i) to call Board meetings and set their agenda;
 - (ii) to coordinate the tasks within the Board and together with the Chairpersons the work of all Committees;
 - (iii) to ensure that Board members receive accurate, timely, clear and necessary material and information to enable the Board and its Committees to make sound decisions, monitor the management of the Group effectively and promote the success of the Group;
 - (iv) to manage the Board, its meetings and resources to ensure its effectiveness by balancing the time allocated to its strategic and supervisory functions, as well as ensuring sufficient time is allowed for discussion of complex or contentious matters and arranging, if necessary, informal meetings among Board members;
 - (v) to encourage active engagement by all Board members in all matters concerning the Board;
 - (vi) to ensure that Board resolutions are accurate in form and content and that they are implemented properly;
 - (vii) to build, together with the GNC, an effective and highly complementary Board with an appropriate balance of skills and experience, and to initiate changes in and planning Board succession and appointments;
 - (viii) to ensure the operation of a clear Committee structure;
 - (ix) to provide guidance to other Board members about what is expected of them and take into full account their issues and concerns; and
 - (x) to consider and address, together with the GNC, the development needs of individual Board members and the Board as a whole to ensure the necessary depth and breadth of knowledge and experience and to enhance the effectiveness and efficiency of the Board as a team through the establishment of an induction program for new Board members and a satisfactory ongoing training and education program for existing Board members, and organize, together with the GEB members, an annual seminar on the Group's strategy.

- 10.4 Shareholders' meetings** The Chairman ensures that the Board convenes the AGMs and EGMs and that it prepares, and decides on, proposals to be made to the shareholders. In accordance with article 13 of the AoA, the Chairman presides over the AGMs and EGMs and ensures that the Board implements resolutions adopted at the AGMs and EGMs insofar as permitted by law.
- 10.5 External communication** The Chairman, together with the Group CEO, undertakes responsibility for UBS's reputation, is further closely involved in and responsible for ensuring effective communication with shareholders and stakeholders, including government officials, regulators and public organizations. The Chairman maintains close contact with the Group's principal regulators.
- The Chairman is the primary representative of the Board and, together with the Group CEO, of the Group with the media. Other Board members may only discuss Group matters with the media with the approval of the Chairman. The SID ensures communication with those shareholders who wish to conduct discussions with an independent Board member.
- 10.6 Relationship with Board and GEB** The Chairman establishes and maintains close and constructive working relationships with and promotes open communication between the Board and the Group CEO and the other GEB members, providing advice and support to them while respecting that executive management responsibility is delegated to the GEB. Where appropriate, the Chairman ensures effective challenge of the Group CEO and the GEB by the Board and the Committees and fosters ongoing and effective monitoring of performance.
- 10.7 Further responsibilities and authorities** Further details of the responsibilities and authorities delegated to the Chairman are set out in the annexes to these ORs.

11 Vice Chairmen and Senior Independent Director

- 11.1 Appointment** The Board appoints one or more Vice Chairmen and a SID. Both offices may be held by the same person. If the Board appoints more than one Vice Chairman, one of them must be independent. The Vice Chairmen support the Chairman with the responsibilities and authorities outlined herein.
- 11.2 Responsibilities and authorities of each Vice Chairman** Each of the Vice Chairmen is required to:
- (i) lead the Board in the absence of the Chairman;
 - (ii) provide support and advice to the Chairman; and
 - (iii) undertake such specific additional duties or functions as the Board may entrust to him from time to time.
- 11.3 Responsibilities and authorities of the SID** The SID is required to:
- (i) create an appropriate information flow and communication system among the independent Board members;
 - (ii) collect and relay any issues or concerns of independent Board members to the Chairman;
 - (iii) handle communication on behalf of the independent Board members and facilitate communication, where appropriate, between shareholders and independent Board members; and
 - (iv) be available to act as a point of contact for shareholders and stakeholders who wish to conduct discussions with an independent Board member, including with concerns that have not been resolved or are not raised through the normal channels.
- Further responsibilities and authorities of the SID follow from sections 6.7, 10.5 and 15.9.

12 Group Company Secretary

- 12.1 Appointment and function** At the constitutional meeting of the Board, the Board appoints a Group Company Secretary, who acts as secretary to the Board and its Committees.
- 12.2 Responsibilities and authorities** The Group Company Secretary prepares the agenda for each Board meeting, keeps the Board minutes and the Committees' minutes, and assists the Board and its members in coordinating and fulfilling their duties. In accordance with section 8.3, the Group Company Secretary coordinates requests for information from the members of the Board outside of Board meetings and informs the Group CEO of such requests as appropriate.
- 12.3 Staff and reporting** The Group Company Secretary manages the staff supporting the Board and its Committees and reports to the Chairman.
- 12.4 Official documents** The Group Company Secretary is responsible for keeping UBS Group AG's official company documents and records including their certification.

13 Board Committees

- 13.1 Permanent and other Committees** The Board establishes the AC, the Compensation Committee, the CCRC, the GNC and the RC as permanent Committees. The Board may set up other Committees, including ad hoc Committees, if deemed appropriate or necessary.
- 13.2 Appointment and election** From among its members, the Board appoints the Committee members and the respective Chairpersons. The Compensation Committee members are proposed by the Board and in turn elected by shareholders at the general meeting.
- 13.3 Responsibilities and authorities** Based on articles 25 and 27 of the AoA, the Board delegates certain responsibilities and authorities to the Committees pursuant to the annexes to these ORs. The overall responsibility for such delegated competences remains with the Board.

Group Executive Board

14 Delegation

- 14.1 Delegation of management** The Board delegates the executive management of the Group as set out in section 2.1(ii).
- 14.2 Further delegation by the GEB** The Group CEO and the GEB may further delegate certain responsibilities and authorities within the Group and may empower further delegation of such responsibilities and authorities. Such delegations must be in writing, and clear rules on responsibilities, authorities and accountabilities must be established. Specific responsibilities and authorities delegated by the GEB to a committee of the GEB will be set forth in a resolution adopted or a charter approved by the GEB.
- 14.3 Time-critical matters** The GEB will establish arrangements to ensure that decisions are made in a time-critical business matter, should the responsible GEB member be unable to act.

15 Group Executive Board

- 15.1 Composition and appointment** Under the leadership of the Group CEO, the GEB is comprised of the members detailed in sections 16 to 26 of these ORs and such further GEB members as appointed by the Board upon proposal of the Group CEO.
- 15.2 Responsibilities and authorities** Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of the Group and its business. It develops the strategies for the Group, the BDs and GF, and implements the Board-approved strategies. The GEB develops, implements and maintains an appropriate and adequate business organization designed to ensure compliance with applicable laws and regulations and an appropriate management information system.
- 15.3 GEB as risk council** The GEB acts as the risk council of the Group. It has overall responsibility for establishing and implementing risk management and control in the Group. It manages the risk profile of the Group as a whole as determined by the Board and the RC and manages the Group's reputation. The GEB determines its requirements for risk reporting, including improvements and changes to the reports, and receives periodic updates on risk data limitations.
- 15.4 Preparation of Board decisions** Where proposals for decisions must be made to the Board, the GEB prepares such proposals and supports the Board in its decision-making process.
- 15.5 Group ALCO as a committee of the GEB** The GEB is responsible for managing the Group's assets and liabilities in line with the Group strategy, risk appetite, regulatory commitments and interests of shareholders and other stakeholders. For this purpose, the GEB has established the Group ALCO pursuant to section 14.2. Further details, specific responsibilities and authorities delegated by the GEB to the Group ALCO are set forth in its terms of reference.
- 15.6 Further duties** The GEB is furthermore responsible for all management matters not reserved under the AoA or the ORs to any other person or Corporate Body.
- 15.7 Meetings, agenda and notice period** The GEB meets at least once every month or as appropriate. The agenda must be sent to the GEB members at least five calendar days prior to the date of the GEB meeting together with all necessary supporting material. In time-critical cases, a GEB meeting (called by the Group CEO as required or at the request of one GEB member addressed to the Group CEO) may be held and the supporting material may be sent on shorter notice. GEB meetings are chaired by the Group CEO or, if absent, by the nominated deputy CEO. GEB meetings may be held in person or by audio or video conference.
- 15.8 Quorum of attendance** The presence, either in person or by audio or video conference, of a majority of the GEB members is required to pass valid GEB resolutions.

- 15.9 Quorum of resolutions** The resolutions of the GEB are passed by the majority of the votes of the GEB members present. The Group CEO has the power to overrule any GEB resolution. If the Group CEO exercises this power, he must inform the Chairman and the SID as well as the GEB immediately.
- 15.10 Minutes of GEB meetings** Minutes are taken of all GEB meetings. They contain all resolutions made by the GEB. The minutes are sent to all GEB members and to the Chairman. Board members may inspect the GEB minutes in accordance with section 8. Section 6.10 applies mutatis mutandis to the GEB minutes.
- 15.11 Circular resolutions** With respect to circular resolutions of the GEB, sections 7.4 and 7.5 apply mutatis mutandis.
- 15.12 Matters requiring immediate attention** With regard to matters which require immediate attention, and if it is not feasible to convene an audio or video conference or to proceed by circular resolution within the time available, the Group CEO may, together with two other GEB members, make decisions, which have the effect of GEB resolutions. GEB members who could not be reached in time must be informed together with the Chairman as soon as possible. Section 7.5 applies mutatis mutandis to such resolutions.
- 15.13 Assessment** At least annually, the Group CEO assesses the performance of the GEB. Such a review seeks to determine whether the GEB functions effectively and efficiently. In light of the annual assessment, the Group CEO must consider whether any changes should be made to the composition of the GEB.
- 15.14 Further duties of GEB members** In addition to the responsibilities for each GEB member set out below, further details of the responsibilities and key authorities delegated to the GEB members are set out in the annexes to these ORs and the relevant Business Regulations or terms of reference.

16 Group Chief Executive Officer

- 16.1 Appointment** The Group CEO is appointed by the Board upon proposal of the Chairman and the GNC.
- 16.2 Function, substitution** The Group CEO is the highest executive officer of the Group and has responsibility and accountability for the management and performance of the Group. The Group CEO nominates a deputy CEO from within the GEB, who is confirmed by the Board. The deputy CEO shall temporarily exercise all responsibilities and authorities if the Group CEO should be incapacitated or unavailable to exercise the function as Group CEO.
- 16.3 Main responsibilities and authorities** The Group CEO sets the business and corporate agenda, ensures sound and timely decision-making and controls the implementation of decisions made. The Group CEO is in particular responsible for the following:
- (i) ensuring the GEB fulfills its tasks and assumes its responsibilities;
 - (ii) ensuring alignment of the individual GEB members to the business and corporate agenda;
 - (iii) planning succession at GEB level;
 - (iv) supporting and advising senior management, as well as fostering an integrated entrepreneurial leadership spirit across the Group;
 - (v) assuming a leading role in preparation of strategy, risk, compensation and governance principles for the Board's consideration; and
 - (vi) together with the Chairman, undertaking responsibility for UBS's reputation and ensuring effective communications with shareholders and stakeholders (see also section 10.5).
- 16.4 Further responsibilities and duties** In addition to the responsibilities outlined in section 16.3, the Group CEO has responsibility for management and control of the Group CEO Functions.
- 16.5 Right to overrule decisions** The Group CEO has an all-encompassing right to information about and examination of all matters handled in the business. He has the power to overrule any decisions made by any management body, including any resolution by the GEB (see section 15.9).

16.6 Reporting to the Board The Group CEO ensures that the Chairman and the Board are kept informed in a timely and appropriate manner on all matters falling within the scope of their responsibilities, as well as important business developments, issues or decisions taken by the GEB in particular with regard to matters which may have a material financial, operational or reputational impact on the Group.

Further, the Group CEO (either personally or through any other GEB member) regularly informs the Board on:

- (i) key performance indicators and other relevant financial data of the Group;
- (ii) existing and emerging risks, issues and mitigating measures;
- (iii) updates on developments in important markets and on peers; and
- (iv) information on all issues which may affect the supervisory or control function of the Board.

16.7 Reporting by GEB members Each member of the GEB detailed in sections 17 to 26 below reports directly to the Group CEO and shall inform the Group CEO or GEB as appropriate of material matters and key developments within the scope of their responsibilities. The Group Functional Heads have an obligation to advise the Chairman and relevant Committees on significant issues arising in the field of their responsibilities.

17 Group Chief Financial Officer

17.1 Responsibilities and authorities The Group CFO has in particular the following responsibilities:

- (i) managing the Group's financial accounting, controlling, forecasting, planning and reporting processes;
- (ii) ensuring transparency in and assessing the financial performance of the Group and the BDs;
- (iii) developing the Group's inorganic strategy in collaboration with the GEB and supporting GEB members in mergers and acquisitions, as well as equity investment topics, by monitoring the progress of key inorganic growth initiatives;
- (iv) managing and controlling the Group's tax affairs, treasury and capital management, including funding and liquidity risk, and regulatory capital ratios;
- (v) ensuring asset and liability management by balancing consumption of the Group's financial resources;
- (vi) consulting with the AC to make proposals to the Board regarding the standards for accounting to be adopted by UBS Group AG and the Group and defining the standards for financial reporting and disclosure;
- (vii) managing relations with analysts and investors in coordination with the Group CEO;
- (viii) under the supervision of the AC, coordinating the working relationships with the external auditors; and
- (ix) managing the function "Group Finance".

18 Group Chief Operations and Technology Officer

18.1 Responsibilities and authorities The Group COTO has in particular the following responsibilities:

- (i) formulating the approach, objectives, financial and execution plans for the Group Operations and Technology Office area in support of the BDs and GF;
- (ii) driving Group-wide digitalization, delivering IT services, tools and infrastructure, including cyber protection and IT security, in line with the needs of the BDs and GF;
- (iii) overseeing the prioritization of the technology enabled change initiatives;
- (iv) directing and governing all IT development and engineering management activities;
- (v) delivering operational services, maintaining and overseeing the Group's crisis management operations and providing Group-wide data governance; and
- (vi) managing the function "Group Operations and Technology Office".

19 Group Chief Risk Officer

19.1 Responsibilities and authorities The Group CRO has in particular the following responsibilities:

- (i) the development of the Group's risk management and control framework (including risk principles and risk appetite) for the credit, market, country, liquidity, funding, model, and environmental and social risk categories, as well as the implementation of independent control frameworks for these risk categories, on the basis of and in accordance with the framework approved by the Board, including:
 - (a) risk measurement, aggregation, portfolio controls and risk reporting; and
 - (b) taking decisions on transactions, positions, exposures, portfolio limits and allowances in accordance with the risk control authorities delegated to the Group CRO;
- (ii) monitoring and challenging the Group's risk-taking activities for the risk categories under Group CRO responsibility; and
- (iii) managing the function "Group Risk Control".

20 Group General Counsel

20.1 Responsibilities and authorities

The Group GC has in particular the following responsibilities:

- (i) managing the Group's legal affairs and ensuring effective and timely assessment of legal matters impacting the Group or its businesses;
- (ii) providing the legal advice required by the Group;
- (iii) management and reporting of all litigation and other significant contentious matters, including all legal proceedings, that involve UBS; and
- (iv) managing the function "Group Legal".

21 Group Chief Compliance and Governance Officer

21.1 Responsibilities and authorities

The Group CCGO has in particular the following responsibilities:

- (i) developing the Group's risk management and control framework (including taxonomies and risk appetite) for non-financial risks as well as implementing the independent control frameworks for these risks;
- (ii) developing the Group's governmental policy and regulatory approach;
- (iii) coordinating external governmental and regulatory relations and overseeing important regulatory matters, including key regulatory change programs across the Group;
- (iv) managing the firm's new business governance process;
- (v) developing global and local recovery and resolution plans and defining adequate resolvability improvement measures;
- (vi) developing the Group's organization and legal entity structure, as well as corporate governance standards;
- (vii) governing the Group's internal and external investigations portfolio and performing important investigations; and
- (viii) managing the function "Group Compliance, Regulatory & Governance".

22 Head Group Human Resources & Group Corporate Services

22.1 Responsibilities and authorities

The Head GHR&GCS has in particular the following responsibilities:

- (i) defining and executing an HR strategy aligned to UBS's objectives, positioning the Group as employer of choice and providing HR services to employees as well as strategic advice to line managers and GEB members supporting them to attract, engage, develop and retain talent;
- (ii) supplying real estate infrastructure and general administrative services to the Group;
- (iii) directing and controlling all supply and demand management activities, supporting the Group with its third-party risk and sourcing strategies and managing the Group's near-/offshore, outsourcing and supplier-related processes; and
- (iv) managing the function "Group Human Resources & Group Corporate Services".

23 Group Integration Officer

23.1 Responsibilities and authorities

The Group IO has in particular the following responsibilities:

- (i) developing the Group's integration strategy with regard to Credit Suisse within agreed design principles and in accordance with the Group strategy;
- (ii) coordinating with integration teams and, if required, other GEB members to ensure coherent and consistent execution of integration plans and milestones;
- (iii) prioritizing integration activities and monitoring overall progress, coordinating management of operational and execution risks and issues, as well as overseeing development of migration plans and interdependencies;
- (iv) ensuring regular communication and appropriate escalation to the GEB, or other relevant governance bodies;
- (v) challenging timelines, operating models, synergies, and deliverables, as appropriate and for the benefit of the Group; and
- (vi) managing the function "Group Integration".

24 Regional Presidents

24.1 Responsibilities and authorities

The Regional Presidents have in particular the following responsibilities:

- (i) cross-divisional collaboration;
- (ii) representing the Group to the broader public in their region;
- (iii) providing input to and facilitating the implementation of the Group's strategy; and
- (iv) for Significant Group Entities, Significant Regional Entities and Significant Branches, the Regional Presidents assume responsibility for certain entity governance processes.

- 24.2 Reporting obligation** The Regional Presidents shall inform the relevant GEB member of any activities and issues that may give rise to actual or potential material regulatory or reputational concerns and of other relevant matters within the scope of their responsibilities.

25 Divisional Presidents

- 25.1 Responsibilities and authorities** The Divisional Presidents have in particular the following responsibilities:
- (i) proposing BD strategies in line with the Group strategy taking into account input from the Regional Presidents;
 - (ii) the operation and management of their BD;
 - (iii) controlling and administering the dedicated financial resources, risk appetite, people and infrastructure of the BD;
 - (iv) collaborating with the Regional Presidents to support them in the exercise of their competences with regard to certain key entity governance processes; and
 - (v) the success, risks, results and value of their BD.

They are further accountable for the front-to-back control environment of the respective BD and are supported by the Group Functional Heads, who are accountable for confirming end-to-end completeness and effectiveness of the respective Group Function.

26 Credit Suisse AG Chief Executive Officer

- 26.1 Responsibilities and authorities** The CS AG CEO has in particular the following responsibilities:
- (i) the operation, management and performance of the Credit Suisse businesses in alignment with the strategy, risk appetite and governance principles set by the Group;
 - (ii) managing financial and non-financial risks and regulatory issues of the Credit Suisse businesses;
 - (iii) ensuring Credit Suisse's operational continuity and client focus;
 - (iv) ensuring appropriate escalation and reporting of significant matters related to the Credit Suisse businesses within the Group;
 - (v) collaborating with other GEB members to facilitate consolidated management and control of the Credit Suisse businesses across divisional, functional and regional dimensions; and
 - (vi) supporting and facilitating a swift integration of Credit Suisse into the Group.

Group Internal Audit

27 Scope, responsibilities, authorities and reporting

27.1 Scope

Group IA is the internal audit function for the Group.

27.2 Responsibilities

Group IA independently, objectively and systematically assesses the:

- (i) soundness of the Group's risk and control culture;
- (ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and
- (iii) design, operating effectiveness and sustainability of:
 - (a) processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy;
 - (b) governance processes;
 - (c) risk management, including whether risks are appropriately identified and managed;
 - (d) internal controls, specifically whether they are commensurate with the risks taken;
 - (e) remediation activities; and
 - (f) processes to comply with legal and regulatory requirements, internal policies, and the Group's constitutional documents and contracts.

Group IA also conducts special audits at the request of the AC or other Board members, Committees or the Group CEO in consultation with the AC.

27.3 Charter

Details of the role, responsibilities and authorities of Group IA are set out in the charter for Group IA. The charter is approved by the Board on the recommendation of the Chairman and the AC.

27.4 Access rights

Group IA possesses unrestricted auditing rights within the Group; it has access at all times to all accounts, books, records, systems, property and personnel to fulfill its auditing responsibilities. The Head Group IA has open, direct and unrestricted access to the Chairman, the RC and the AC, as well as to the Group CEO.

27.5 Independence

Group IA is independent in determining its activities, in particular when defining audit scope and executing audit engagements. Group IA reports are not subject to any instructions or restrictions, and its authority to audit is unrestricted.

28 Head Group IA

28.1 Reporting

The Head Group IA reports directly to the Chairman. In addition, the Head Group IA has a functional reporting line to the AC in line with the responsibilities of the AC as set forth in the AC charter. The Head Group IA must inform the AC of the results of the annual internal audit plan and the status of annual internal audit objectives and must be in regular contact with the AC.

28.2 Appointment

The Head Group IA is appointed by the Board based on the proposal of the Chairman and the AC.

28.3 Responsibilities

The Head Group IA is responsible for:

- (i) maintaining and developing a professional audit team with sufficient knowledge, skills and experience to meet the requirements of these ORs, the audit charter, future challenges and emerging risks;
- (ii) developing an annual audit plan based on an annual risk assessment;
- (iii) continuously considering the firm's risk profile and audit universe;
- (iv) reviewing and assessing the audit plan at least quarterly as well as implementing the approved annual audit plan (including any changes and special projects) and covering the audit universe in a risk-based audit cycle, in accordance with the budget and resource plan approved by the AC;
- (v) delivering assurance over the effective and sustainable remediation of issues, taking a risk-based approach;
- (vi) issuing quarterly governance and annual activity reports which provide an overview of significant audit results and other key developments;
- (vii) coordinating the scope of Group IA's work with external auditors to provide optimal audit coverage;
- (viii) maintaining effective relationships with UBS's regulators; and
- (ix) leveraging Group IA's audit results with the activities of other control functions within UBS, while maintaining independence.

Special provisions

29 Authority to sign

- 29.1 In general** Signing in the name of UBS Group AG requires two authorized signatures to be binding. The Board shall designate those persons authorized to sign on behalf of UBS Group AG.
- 29.2 Signing authority rules** The Board issues signing authority rules, specifying details and principles, including the scope of signature authorities and possible extensions, exceptions to the joint signature authority principle, and the possibility for signatories of UBS Entities to sign on behalf of UBS Group AG. In addition, UBS Entities establish their own rules, according to mandatory provisions of local law, rules and regulations.

30 Form of signature

- 30.1 Signature form** All authorized signatories sign by adding their signature to the name of the legal entity on whose behalf they act.

31 Conduct of Board and GEB members

- 31.1 Duty of care and loyalty** Each member of the Board and the GEB is under a duty to carry out their responsibilities with due care and to safeguard and further the interests of UBS and of all of its shareholders.
- 31.2 Conflicts of interest** The Board and GEB members must arrange their personal and business affairs, including their affairs with regard to a related person or company, so as to avoid, as much as possible, an actual, perceived or potential conflict with the interests of the Group.
- 31.3 Disclosure of conflict of interest** Each Board member must disclose to the Chairman, and each GEB member must disclose to the Group CEO, any conflict of interest generally arising or relating to any matter to be discussed at a meeting, as soon as the Board or GEB member becomes aware of its existence.
- 31.4 Procedural measures** Unless exceptional circumstances dictate that in the best interests of UBS, a Board or GEB member with a conflict of interest shall not participate in the discussions and decision-making involving the interest at stake, the Board or GEB member with a conflict of interest shall participate in discussions and:
- (i) a double vote (a vote with and a vote without the conflicted individual) shall take place;
 - (ii) a binding decision on the matter requires the same outcome in both votes;
 - (iii) the Chairman or the Group CEO must advise the respective Corporate Body of the conflict of interest; and
 - (iv) the existence of the conflict must be recorded in the meeting minutes.
- In the event of doubt, the Chairman or the Group CEO shall request the respective Corporate Body to determine whether a conflict of interest or exceptional circumstances exist. Further, section. 2.5 applies where GEB members have additional reporting lines within legal entities of the Group.
- 31.5 Duty of confidentiality** Except for information already in the public domain, each Board and GEB member shall handle all information relating to the Group learned during the performance of their duties with the utmost discretion at all times. Such information may only be disclosed to third parties with prior written clearance from the Chairman or the Group CEO. This obligation and duty continues even after the term of office of the Board or GEB member has expired for as long as the relevant information remains confidential.
- 31.6 Benefits of Board and GEB members** If a Board or a GEB member becomes aware of the fact that they may receive a financial or non-financial benefit other than any salary, remuneration or other benefit from UBS, as a result of employment within the Group, that person must:
- (i) promptly inform the Board, in the case of a Board member or the Group CEO; and
 - (ii) promptly inform the Group CEO, in the case of a GEB member other than the Group CEO.

32 Entry into force, amendments

32.1 Entry into force

These ORs replace the former regulations of 12 June 2023 governing the internal organization of UBS Group AG and come into effect on 1 March 2024, based on a Board resolution of UBS Group AG dated 25 January 2024.

32.2 Amendments

These ORs may be amended by the Board only with the approval of FINMA.

Annex A – Organizational chart of UBS Group AG

Organizational chart of UBS Group AG



Annex B – Charter of the Committees of the Board

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Introduction

1 Basis and purpose

1.1 Basis

This Committees' charter is enacted by the Board pursuant to articles 716–716b CO, articles 25 and 27 of the AoA and sections 5.9 and 13.3 of the ORs.

1.2 Purpose

The purpose of this Committees' charter is to set out the objectives, composition and responsibilities of the permanent Board Committees, being:

- (i) the Audit Committee;
- (ii) the Compensation Committee;
- (iii) the Corporate Culture and Responsibility Committee;
- (iv) the Governance and Nominating Committee; and
- (v) the Risk Committee.

Membership and constitution

2 Number of Committee members, their independence and knowledge

- 2.1 Minimum number of Committee members** Each Committee must have at least three Committee members.
- 2.2 Independence** Each Committee must consist of members of the Board who:
- (i) with respect to the Compensation Committee, GNC and CCRC, are independent, in a majority, as defined by section 3.2 of the ORs;
 - (ii) with respect to the AC, fulfill the independence criteria set out in sections 2.3 and 2.4 of this Committees' charter; and
 - (iii) with respect to the RC, are independent, in a majority, as defined by section 3.2 of the ORs and fulfill the independence criteria set out in section 2.4 of this Committees' charter.
- At least one member of the RC must also be a member of the Compensation Committee.
- 2.3 Special independence rules for AC members** In addition to the independence criteria set out in section 3.2 of the ORs, each AC member must meet the requirements set forth in rule 10A-3 of the Securities Exchange Act of 1934 and the New York Stock Exchange rules.
- 2.4 Special rules for AC and RC members** Each AC and RC member must:
- (i) not be an affiliated person of UBS; for the avoidance of doubt, serving as a member of the Board of a subsidiary of UBS Group AG or an affiliated company of the Group and receiving remuneration for such activity does not, of itself, make an AC or an RC member an affiliated person; and
 - (ii) not receive any consulting, advisory or other compensatory fees from UBS or any of its affiliated persons other than in their capacity as a Board member or a Committee member.
- Each AC member must not serve on the audit committee of more than two other public companies, unless the Board has made a determination that such AC member or prospective AC member has the availability to properly fulfill their duties with UBS.
- 2.5 Special rules for GNC members** At least one of the Vice Chairmen and/or the SID is a member of the GNC.
- 2.6 Knowledge** Committee members must have the necessary knowledge and experience to fulfill their functions.
- 2.7 Membership and presence of the Chairman** Generally, the Chairman or one of the Vice Chairmen chairs the GNC. The Chairman may, in consultation with the relevant Chairperson, attend the meetings of other Committees as a non-voting guest.

3 Constitution

- 3.1 Appointment and removal by the Board** The Chairperson and the Committee members, with the exception of the Compensation Committee members, are appointed pursuant to section 4.3 of the ORs, and the Board may remove any Committee member or any Chairperson at any time. Should a vacancy arise on any Committee, even if the minimum number of Committee members pursuant to section 2.1 of this Committees' charter is still met, the Board may appoint the missing member from among its members for the remaining term of office.

Responsibilities and authorities

4 Delegation of responsibilities and authorities

- 4.1 In general** Pursuant to section 13.3 of the ORs, the Committees have the responsibilities and authorities set out in the annexes to the ORs.

5 Audit Committee

- 5.1 In general** The function of the AC is to support the Board in fulfilling its oversight duty relating to financial reporting and internal controls over financial reporting, the effectiveness of the external and internal audit functions, and the effectiveness of whistleblowing procedures.

Management is responsible for the preparation, presentation and integrity of the financial statements, while the external auditors are responsible for auditing financial statements. The AC's responsibility is one of oversight and review.

- 5.2 Responsibilities and authorities** **and** The AC's responsibilities and authorities for UBS Group AG and the Group are to:
- (i) Financial reporting:
 - (a) monitor the integrity of the financial statements and any announcements related to financial performance, and review significant financial reporting judgements contained in them, before recommending their approval to the Board;
 - (b) advise the Board on whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy;
 - (c) review the organization and completeness of the financial reporting process, including the Group's internal control system and procedures as they relate to the integrity of the financial statements, taking into account the reports provided by the GEB, the external auditors, Group IA, regulators or other information as determined by the Committee to be appropriate;
 - (d) review management's SOX 404 report in relation to internal controls over financial reporting;
 - (e) review significant accounting policies and practices and compliance with accounting standards; and
 - (f) review arrangements for compliance with the Group's legal, regulatory and other requirements (including tax matters) as they relate to the integrity of the financial statements or financial report;
 - (ii) External audit:
 - (a) oversee the Group's relationship with and assess the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner; support the Board in reaching a decision in relation to the appointment, reappointment or dismissal of the external auditors and the rotation of the lead audit partner;
 - (b) approve the engagement letter of the external auditors, including the scope of the audit and the fees and terms for the planned audit work;
 - (c) oversee all audit and permitted non-audit services provided by the external auditors and establish such policies as the Committee deems appropriate;
 - (d) annually review the external auditors' summary of adjusted and unadjusted differences; and
 - (e) review the regulatory audit plan and the results of regulatory audits;
 - (iii) Group IA:
 - (a) monitor and assess the effectiveness, independence and performance of the Head Group IA and Group IA;
 - (b) approve Group IA's annual audit plan and objectives including subsequent important amendments;
 - (c) monitor Group IA's discharge of its annual audit objectives; and
 - (d) order special audits to be conducted either by Group IA or by mandating third parties and review and approve such requests from other Board members, Committees or the Group CEO;

- (iv) Whistleblowing and investigations:
 - (a) review the effectiveness of the firm's whistleblowing policies and procedures and ensure that appropriate whistleblowing mechanisms are in place;
 - (b) review on a quarterly basis the levels of new and pending whistleblowing cases and reports on complaints made regarding accounting, auditing or other matters;
 - (c) review on a quarterly basis reports on internal investigations; and
 - (d) conduct or direct any investigation, including the retention of external advisors and consultants (at UBS's expense), as it considers necessary to discharge its responsibilities; and
- (v) Human Resources:
 - (a) annually provide input on the performance of the Group CFO, Group GC, Group CRO and Group CCGO to the Group CEO; and
 - (b) review and make recommendations to the Board regarding decisions relating to the hiring and dismissal of the Group CFO.

6 Compensation Committee

6.1 In general

The function of the Compensation Committee is to support the Board in its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive performance.

6.2 Responsibilities and authorities

The Compensation Committee's responsibilities and authorities are to:

- (i) Group compensation strategy and principles:
 - (a) periodically review the Group compensation strategy and principles and propose any material changes to the Board for approval; and
 - (b) evaluate the effectiveness of pay for performance results across the Group;
- (ii) GEB performance targets and objectives:
 - (a) propose, upon proposal of the Chairman, financial and non-financial performance targets and objectives for the Group CEO for approval by the Board;
 - (b) review, upon proposal of the Group CEO, the performance framework for the other GEB members; and
 - (c) inform the Board of the Group CEO's financial and non-financial performance targets and objectives, as well as the performance framework for the other GEB members;
- (iii) GEB performance assessments:
 - (a) propose, upon proposal of the Chairman, the Group CEO's performance assessment for approval by the Board;
 - (b) propose, upon proposal of the Group CEO, the performance assessments of the other GEB members for approval by the Board; and
 - (c) inform the Board of the performance assessments of all GEB members, including the Group CEO;
- (iv) Compensation framework and plans:
 - (a) approve key features of the compensation framework and plans for the non-independent Board members and GEB members;
 - (b) be informed of key features of the compensation framework and plans for employees other than GEB members;
 - (c) approve key terms of any new or amended compensation plans or other compensation arrangements with a material financial, reputational or strategic impact or significant use of UBS Group AG shares;
 - (d) be informed of key terms of any new or amended pension and benefit plans with a material financial, reputational or strategic impact;
 - (e) approve the share ownership policy for GEB members;
 - (f) propose, upon proposal of the Chairman, the remuneration/fee framework for independent Board members for approval by the Board; and
 - (g) approve, upon proposal of the Chairman and Group CEO, the remuneration/fee frameworks for external supervisory board members of Significant Group Entities and be informed of remuneration/fee frameworks for external supervisory board members of Significant Regional Entities;

- (v) Compensation governance:
 - (a) approve key terms for material individual variations to standard employment and termination agreements for non-independent Board members and, upon proposal of the Chairman, for the Group CEO and, upon proposal of the Group CEO, for other GEB members;
 - (b) approve the engagement of and fees for any external advisors/consultants retained by the Compensation Committee; considering factors relevant to the advisors' independence from management and any requirements under New York Stock Exchange listing standards prior to selecting, or receiving advice from any such advisor/consultant;
 - (c) propose to the Board for approval the annual compensation report and approve other material public disclosures on UBS compensation matters;
 - (d) approve the peer group framework used for non-independent Board and GEB members' pay comparison purposes;
 - (e) meet with the RC annually to ensure that the compensation framework supports appropriate risk awareness and management, as well as appropriate risk-taking; and
 - (f) be informed of major regulatory developments, shareholder initiatives and best practices in executive compensation;
- (vi) Other compensation competencies:
 - (a) approve the total compensation for the Chairman and the non-independent Board members;
 - (b) propose, upon proposal of the Chairman, the total compensation for the Group CEO for approval by the Board;
 - (c) propose, upon proposal of the Group CEO, the individual total compensation for the other GEB members for approval by the Board;
 - (d) approve, upon proposal of the Chairman, the total compensation for the Head Group IA, the Group Company Secretary and, upon proposal of the Group CEO, the total compensation for former GEB members for the first financial year after leaving the GEB;
 - (e) propose, to the Board, for approval by the general meeting of the shareholders and subject to the relevant periods as outlined in the AoA:
 - a. the maximum aggregate amount of compensation for the Board;
 - b. the maximum aggregate amount of fixed compensation for the GEB; and
 - c. the aggregate amount of variable compensation for the GEB;
 - (f) For employees within the Group:
 - a. approve the total individual compensation for the 50 highest-paid employees (excluding GEB members) at year-end compensation review;
 - b. be informed of all employees with an annual total compensation of USD 3 million or more, and approve all employees with an annual total compensation of USD 5 million or more;
 - c. be informed of or approve retention awards, severance payments, replacement awards and sign-on payments above internally defined thresholds, including commitments to compensate new hires; and
 - d. approve the total individual compensation of certain employees based on additional regulatory requirements; these approval authorities can be delegated to the Chairperson of the Compensation Committee;
 - (g) be informed of business performance progress and other variables that impact the funding of the performance award pool; and
 - (h) propose, upon proposal of the Group CEO, the final annual Group performance award pool to the Board for approval and approve, upon proposal of the Group CEO, the performance award pools for the BDs and GF.

7 Corporate Culture and Responsibility Committee

7.1 In general

The CCRC supports the Board in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct. Its function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. The CCRC's function also encompasses the monitoring of the current state and implementation of the programs and initiatives within the Group pertaining to corporate culture and corporate responsibility including sustainability.

7.2 Responsibilities and authorities

The CCRC's responsibilities and authorities are to:

- (i) General:
 - (a) monitor and advise the Board on current and emerging societal trends and developments of potential relevance for the Group;
 - (b) review and assess the current state and implementation of the corporate culture and corporate responsibility programs and initiatives within the Group; and
 - (c) monitor the consistent application of the behaviors of accountability with integrity, collaboration and innovation within UBS;
- (ii) Frameworks and regulations:
 - (a) monitor and advise the Board on evolving external corporate culture and corporate responsibility regulations, standards and practices;
 - (b) conduct the annual review process for the Code of Conduct and Ethics of UBS and make proposals for amendments to the Board; and
 - (c) reaffirm UBS's frameworks pertaining to the programs and initiatives outlined below on an annual basis;
- (iii) Strategy:
 - (a) monitor the effectiveness of actions taken by UBS relating to the corporate culture and corporate responsibility regulations and policies, as well as the objectives of UBS;
 - (b) support the GEB, if required, in the adjustment of processes pertaining to corporate culture and corporate responsibility;
 - (c) approve Group Sustainability and Impact's overall strategy and annual objectives;
 - (d) reaffirm the Group's memberships in organizations, as well as commitments with a sustainability and/or impact topic focus, on an annual basis; and
 - (e) support a strong and responsible corporate culture firmly founded in a spirit of long-term thinking;
- (iv) Programs and initiatives:
 - oversee UBS's corporate culture and corporate responsibility programs and initiatives, including:
 - (a) Group Sustainability and Impact;
 - (b) three keys to success;
 - (c) sustainable finance (including sustainable and impact investing);
 - (d) client and corporate philanthropy;
 - (e) environmental and social risk management;
 - (f) climate strategy (including net zero commitment);
 - (g) human rights (including modern slavery prevention);
 - (h) in-house environmental management;
 - (i) responsible supply chain management;
 - (j) diversity, equity and inclusion;
 - (k) client satisfaction;
 - (l) talent management;
 - (m) working environment; and
 - (n) other evolving initiatives;
- (v) Reporting, communications and engagements:
 - (a) advise the Board on the reporting of the Group's corporate culture and corporate responsibility strategy and activities;
 - (b) review and propose to the Board for approval the annual sustainability report including the relevant sections of the Group's annual reporting;
 - (c) provide oversight of the annual sustainability report related disclosures and the sustainability disclosure assurance audit process; and
 - (d) monitor and review communications on corporate culture and corporate responsibility with stakeholders (including relevant organizations and sustainability rating and ranking bodies) and their effectiveness with regard to the reputation of the Group.

8 Governance and Nominating Committee

8.1 In general

The function of the GNC is to support the Board in fulfilling its duty to establish best practices in corporate governance across the Group, including conducting a Board assessment, establishing and maintaining a process for appointing new Board and GEB members, as well as for the annual performance assessment of the Board.

8.2 Responsibilities and authorities

The GNC's responsibilities and authorities are to:

- (i) Corporate governance:
 - (a) address all significant corporate governance issues affecting the Group;
 - (b) develop, maintain and review these ORs and make proposals to the Board for approval;
 - (c) make recommendations to the Board concerning further corporate governance matters and practices;
 - (d) review the corporate governance section of the Group's annual report;
 - (e) coordinate as required the work of the other Committees regarding corporate governance in their specific areas of expertise;
 - (f) plan and manage proposals for changes in Board membership, taking into account factors including:
 - a. the size and composition of the Board, as well as its Committees; and
 - b. the skill mix, industry experience, diversity considerations and responsibilities of Board members;
 - (g) annually review the Board members' independence and present its assessment to the Board for approval;
 - (h) approve mandates of Board and GEB members pursuant to articles 31 and 36 of the AoA and applicable internal policies; and
 - (i) approve the appointment of supervisory board members for Significant Group Entities upon proposal by the Group CEO and ensure the Chairperson of the respective Board Committee of UBS Group AG is consulted on the appointment of Chairpersons to equivalent committees for Significant Group Entities;
- (ii) annually review the Committees' charter, taking into account best practices;
- (iii) Identification and nomination of new Board members:
 - (a) develop, maintain and review principles and criteria regarding the recruitment and nomination of new Board members and Committee members, approve their existing mandates, assess their independence pursuant to section 3.2 of the ORs and provide specific proposals to the Board for approval;
 - (b) review and propose new candidates for membership of the Board to be recommended for election by the shareholders at an AGM or EGM in accordance with selection criteria approved by the Board; and
 - (c) manage a succession plan for Board and Committee membership;
- (iv) Board education:
 - (a) ensure the establishment of a satisfactory induction program for new Board members and a satisfactory ongoing training and education program for existing Board members and Committee members; and
 - (b) maintain a list of trainings attended by individual Board members (maintained by the Group Company Secretary on behalf of the GNC);
- (v) Performance evaluation:
 - (a) set the criteria for and oversee the annual assessment of the performance and effectiveness of the Chairman, the Board as a whole and each Committee;
 - (b) conduct an annual assessment of the performance and effectiveness of the Chairman and of the Board as a whole (which includes an appraisal by an external expert at least every three years), report to the Board the conclusions and recommendations and assess on a timely basis whether or not Board members are to be proposed for re-election by the AGM;
 - (c) ensure that each Committee carries out and oversees a self-assessment of its performance and reports the conclusions and any recommendations for change to the Board; and
 - (d) ensure that each Committee is subject to an external assessment every three years; and
- (vi) Human resources:
 - supervise and approve, together with the Chairman, the succession planning for all GEB members and propose their appointment for approval by the Board (for this purpose, the GNC receives information from the Compensation Committee on its performance evaluation of the GEB members).

8.3 Responsibilities and authorities of the Vice Chairman and/or SID

In accordance with section 2.5 of this Committees' charter, at least one of the Vice Chairmen and/or the SID is a member of the GNC. The respective GNC member is required:

- (i) together with the GNC, to lead the Board in the ongoing monitoring and annual evaluation of the Chairman; and
- (ii) in conjunction with the Chairman and the GNC, to ensure good corporate governance, balanced leadership and control within the Group, the Board and the Committees.

9 Risk Committee

9.1 In general

The function of the RC is to oversee and support the Board in fulfilling its duty to set and supervise an appropriate risk management and control framework in the areas of:

- (i) financial and non-financial risks; and
- (ii) balance sheet, treasury and capital management, including funding, liquidity and equity attribution.

The RC considers the potential effects of the aforementioned risks on the Group's reputation.

9.2 Responsibilities and authorities

The RC's responsibilities and authorities are to:

- (i) Risk management and control:
 - (a) review and propose to the Board the guiding principles and framework for risk management and control (including risk appetite, delegation of risk authorities and major risk limits) relative to UBS's operations, assess management's respective proposals and recommend any required changes to the Board;
 - (b) review and approve the risk appetite methodology (including objectives and binding scenarios) relative to the Group's activities and risk profiles, including allocation of responsibilities within the risk management and control framework;
 - (c) review and propose to the Board the risk, capital, liquidity and funding, and balance sheet section of the annual report of the Group;
 - (d) periodically assess the appropriateness of major policies and procedures adopted by the GEB relating to the risk management and control of significant risks;
 - (e) review and make recommendations to the Board based on proposals from the GEB in relation to material risk limits and periodically review allocations and authority levels relating to those limits. Material risk limits include those relating to portfolios, concentrations, products, sectors or other categories relevant to the strategy, risk profile and risk capacity of UBS Group AG and the Group as approved by the Board;
 - (f) review and approve the principal characteristics of the Group's risk measurement framework (including changes thereto) used to identify, model, measure, monitor and report risks;
 - (g) monitor and oversee the risk profile of UBS Group AG and the Group within the context of the Board-determined risk profile, risk capacity and limit structure;
 - (h) systematically review high-risk areas of the Group and assess the effectiveness of the steps taken by the GEB to manage or mitigate such risks;
 - (i) review and assess the asset and liability management framework, including allocation of responsibilities, limits, capital allocation to BDs and GF, liquidity and funding;
 - (j) review regulatory framework reforms affecting areas within the scope of the RC's mandate and recommend any required changes to the Board;
 - (k) consider the Group's strategy to deal with anticipated or existing high-level risks and assist the Board by reviewing and assessing management's proposals in relation to strategy;
 - (l) review management's proposals and as appropriate propose to the Board for approval a global recovery plan and global resolution strategy;
 - (m) review management's assessments of UBS's non-financial risk exposures and related risk-oriented activity plans;
 - (n) periodically review material communications (including formal assessments) between UBS and its principal regulators;
 - (o) review projects and remediation activities (as determined by the RC) undertaken by the management to address critical changes to the risk management/control environment; and
 - (p) periodically meet with the Compensation Committee to ensure that the compensation framework appropriately reflects risk awareness and management, and ensures appropriate risk-taking;
- (ii) Risk reporting:
 - (a) determine risk reporting requirements that allow for an effective oversight by the RC and communicate changes to report owners if reporting requirements are not met or change;
 - (b) review risk reports, including reports from management that assess the likelihood of risks materializing, the monitoring of emerging trends via forecasts or stress tests, the adequacy and appropriateness of the internal controls to manage those risks and that contain agreed measures to reduce risks or deal with specific risk situations including stress situations; and

- (c) receive periodic updates on limitations that prevent full risk data aggregation in the risk reports; and
- (iii) Human Resources:
 - (a) annually provide input on the performance of the Group CRO, Group CFO, Group GC and the Group CCGO to the Group CEO; and
 - (b) review and make recommendations to the Board regarding decisions relating to the hiring and dismissal of the Group CRO and the Group CCGO.

10 Further responsibilities and authorities

- 10.1 Further responsibilities and authorities** The Board may entrust further powers and duties to the Committees by Board resolution.

11 Delegation to a member or subcommittee

- 11.1 Further delegation by the Committees** Each Committee may delegate some of its tasks to one of its members or to a subcommittee comprised of two or more of its members. Such delegations shall be recorded in the Committee's minutes and the Chairman must be informed.

12 Information rights

- 12.1 Committees** In accordance with the procedure set out in section 8.4 of the ORs, each Committee may request any relevant information or special reports from any GEB member or Group IA on matters relating to its respective responsibilities set out in this Committees' charter.

- 12.2 Committee members** For the information rights of each Board member, see section 8 of the ORs.

13 Meeting with third parties

- 13.1 Meeting with third parties** The Committees may, in performing their duties, take advice from and meet as a body with third parties. In consultation with the Group CEO, they may meet with regulators. The Chairperson shall inform the Chairman accordingly.

Meetings and resolutions of the Committees

14 Meetings

- 14.1 Number of meetings** Each Committee meets as often as its business requires, but at least:
(i) four times a year for the AC, the RC and the Compensation Committee; and
(ii) twice a year for the CCRC and the GNC.
- The AC and RC hold at least four joint meetings a year.
- The Compensation Committee and RC periodically hold joint meetings.
- 14.2 Request, invitation, agenda, notice period, chair, and format** Committee meetings, including joint meetings, are called and held in compliance with the rules set out in the ORs (sections 6.2 to 6.5 and 6.8 of the ORs to be applied mutatis mutandis).
- 14.3 Presence of third parties at Committee meetings** Each Chairperson may, on their own motion or upon request of any Committee member or the Chairman, invite GEB members, as well as other persons, to attend Committee meetings. The Group CEO will be informed accordingly.
- 14.4 Special rules for the AC** The AC holds Committee meetings:
(i) normally with the participation of the Head Group IA, representatives of the external auditors, the Group CEO, the Group CFO, and the Group Controller and Chief Accounting Officer; and
(ii) periodically, only with the participation of the Head Group IA, the external auditors, or with members of management, or a combination of any of the aforementioned.
- 14.5 Special rules for the CCRC** The CCRC normally holds Committee meetings with the participation of the Group CEO, the Head Group Sustainability and Impact, and the Chief Sustainability Officer.
- 14.6 Special rules for the Compensation Committee** The Compensation Committee normally holds Committee meetings with the participation of the Group CEO, the Head GHR&GCS, the Global Head of Reward and external advisors.
- 14.7 Special rules for the RC** Generally, the Group CEO, the Group CFO, the Group CRO, the Group GC, the Group CCGO, the Head Group IA and representatives of the external auditors participate (to the extent necessary) in each meeting of the RC. The invitation of other persons is at the discretion of the RC.
- 14.8 Resolutions** Resolutions are passed by an absolute majority of the votes of Committee members present; in case of a tie, the decision is passed on to the Board and decided in accordance with section 7.2 of the ORs. Sections 7.2 to 7.4 of the ORs apply mutatis mutandis with regard to circular resolutions.
- 14.9 Minutes** The minutes of Committee meetings, including joint meetings, must fulfill the conditions set out in sections 6.9, 6.10 and 7.5 of the ORs and be distributed to the Chairman.

15 Resolutions and information rights

- 15.1 Resolutions and information rights** Sections 7, 8.2, 8.3 and 8.4 of the ORs apply mutatis mutandis to the decision-making process and the information rights of the Committees and the Committee members.

Reporting

16 Regular reporting

16.1 In general

Each Chairperson ensures that the Chairman and the Board are kept informed in a timely and appropriate manner. Each Chairperson (either personally or through another Committee member) regularly reports to the Board at the Board meetings on the current activities of their Committee and on important Committee issues, including all matters falling within the duties and responsibilities of the Board, namely:

- (i) proposals for resolutions to be considered, or other action to be taken by the Board;
- (ii) resolutions and decisions made by the Committee and the material considerations that led to such resolutions and decisions; and
- (iii) activities and important findings of the Committee.

16.2 Submitting of proposals and recommendations

Each Chairperson submits, in writing, the proposals and resolutions mentioned in sections 16.1(i) and (ii) of this Annex to the ORs to the Board unless such proposals are contained in the Committee minutes; the remaining reporting is generally done orally.

16.3 Annual reporting of the Committees

Each Committee annually submits a report to the Board, detailing the activities of the Committee during the previous twelve months.

17 Special reporting

17.1 AC

Following the completion of the audit and the annual financial statements, the AC Chairperson submits annually to the Chairman, for the attention of the Board:

- (i) the AC's assessment of the qualification, independence and performance of the external auditors;
- (ii) the AC's assessment of the design of the Group's internal control system for financial reporting and the coordination and interaction between Group IA and the external auditors; and
- (iii) a recommendation regarding the audited financial statements in UBS's annual report.

Special provisions

18 Confidentiality

18.1 **Special rule**

The deliberations of the Compensation Committee and GNC are handled with the utmost discretion and are to be communicated outside of these Committees only to the extent permitted by the Chairpersons of these Committees. The Chairman is exempted with regard to the confidentiality of deliberations.

19 Self-assessment and adequacy review

19.1 **Self-assessment and adequacy review**

Each Committee reviews the adequacy of its charter at regular intervals, but at least annually, and recommends to the GNC any changes considered to be necessary or appropriate. For the self-assessment, section 9 of the ORs is to be applied *mutatis mutandis*.

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UBS GROUP AG

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT
OF 1934**

Description of the Corporation's Ordinary Shares

The following summary of UBS Group AG's (the "Corporation") ordinary shares (the "shares") is based on and qualified by the Corporation's Articles of Association and the laws of Switzerland. For a complete description of the terms and provisions of the shares refer to the Corporation's Articles of Association, which are filed as an exhibit to this Annual Report on Form 20-F. Throughout this exhibit, references to "we," "our," and "us" refer to the Corporation.

General

At year-end 2023, UBS Group AG had 3,462,087,722 issued shares with a nominal value of USD 0.10 each, equating to a share capital of USD 346,208,772.20. The shares are fully paid up, and there is no liability of shareholders to further capital calls by the Corporation.

The shares rank *pari passu* in all respects with each other, including voting rights, entitlement to dividends, share of the liquidation proceeds in case of the liquidation of the Corporation, preemptive rights in the event of a share issue (*Bezugsrechte*) and advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*).

At the Corporation's 2023 annual general meeting of shareholders held on 5 April 2023, shareholders approved the change of the share capital currency of the Corporation from the Swiss franc to the US dollar, which was implemented with retroactive effect as of 1 January 2023 for accounting purposes. As a result, the nominal value per share has changed from CHF 0.10 to USD 0.10.

The shares are registered shares (*Namenaktien*), are issued as uncertificated securities (*einfache Wertrechte*) (in the sense of the Swiss Code of Obligations) and, in the case of shares registered in the Corporation's Swiss register, constitute intermediated securities (*Bucheffekten*) (in the sense of the Swiss Federal Intermediated Securities Act).

The shares are listed on the SIX Swiss Exchange. They are also listed on the NYSE as global registered shares. As such, the shares can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies. We do not apply any restrictions or limitations on the transferability of shares.

Shareholders registered in the Corporation's share register may at any time request from the Corporation a confirmation of the shares that they hold according to the share register. However, shareholders have no right to request the printing and delivery of certificates for shares or the conversion of the shares into another form. In contrast, the Corporation may print and deliver certificates for shares (individual share certificates, certificates representing multiples of shares or global certificates) at any time. It may also withdraw shares that constitute intermediated securities from the applicable custody system. With the consent of the applicable shareholder, the Corporation may cancel issued certificates (if any) that are returned to it without replacement.

Share Register

Swiss law and the Corporation's Articles of Association require the Corporation to keep a share register in which the names, addresses and nationality (or registered office in the case of legal entities) of the owners of the shares are recorded. The main function of the share register is to register shareholders entitled to vote and participate in shareholders' meetings, or to assert or exercise other rights related to voting rights.

The Corporation's share register is split into two parts – a Swiss register, which is maintained by UBS Group AG, acting as Swiss transfer agent, and a U.S. register, which is maintained by Computershare Trust Company, N.A., c/o Computershare Investor Services, P.O. Box 505000, Louisville, KY 40233-5000, United States, as U.S. transfer agent.

In order to register shares in the Corporation's share register, a shareholder must file a share registration form with the share register. Failing such registration, a shareholder may not vote at or participate in a shareholders' meeting but will still be entitled to receive dividends and other rights with financial value such as preemptive rights in the event of a share issue (*Bezugsrechte*) and advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*). Shareholders registered in the Corporation's share register may at any time request from the Corporation a confirmation of the shares that they hold according to the Corporation's share register.

Dividend Rights and Dividends

Shareholders are entitled to the dividends or other distributions approved by the shareholders' meeting in proportion to their shareholdings.

Swiss law requires that at least 5% of the annual net profits of the Corporation must be retained and booked as statutory retained earnings until these retained earnings equal, together with the Corporation's statutory capital reserve, no less than 20% of the Corporation's share capital registered in the commercial register of the Canton of Zurich. Any remaining net profit of the Corporation may be allocated by the shareholders represented at the applicable shareholders' meeting.

Under Swiss law, dividends may be paid by the Corporation only if, based on its audited standalone financial statements prepared in accordance with Swiss law, the Corporation has sufficient distributable profits from the previous financial years or if the reserves of the Corporation are sufficient to allow distribution of a dividend. In either event, dividends may be paid by the Corporation only after approval by the shareholders' meeting. The Corporation's board of directors may propose to the shareholders that a dividend be paid, but cannot itself set the dividend. The Corporation's statutory auditors must confirm that any dividend proposal of the Corporation's board of directors is in accordance with Swiss law and the Corporation's Articles of Association. In addition, any interim dividend may be paid based on an interim account. The provisions governing dividends also apply to any such interim dividends.

Dividends are usually due and payable not earlier than three days after the shareholders' resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of dividend payments is five years (dividends not paid are allocated to a special reserve of the Corporation).

The Corporation declares dividends in U.S. dollars. Shareholders holding their shares through the Depository Trust Company or the U.S. transfer agent will receive dividend payments in U.S. dollars. Shareholders holding their shares through SIX SIS receive dividends in Swiss francs, based on a published exchange rate calculated up to five decimal places, on the day prior to the ex-dividend date.

Voting Rights

In principle, each share carries one vote at a shareholders' meeting. Swiss law distinguishes between registration with and without voting rights. Shareholders must be registered in the Corporation's share register as shareholders with voting rights in order to vote and participate in shareholders' meetings or to assert or exercise other rights related to voting rights. We place no restrictions on share ownership and voting rights. However, pursuant to general principles formulated by the Corporation's board of directors, nominees, which normally represent a large number of individual shareholders and may hold an unlimited number of shares, have voting rights limited to a maximum of 5% of all issued shares if they agree to disclose, upon our request, beneficial owners holding 0.3% or more of all issued shares. This 5% limit has been implemented to avoid large shareholders being entered in the Corporation's share register via nominee companies so as to exercise influence without directly registering their shares with the Corporation. An exception to the 5% voting limit rule is in place for securities clearing organizations, such as the Depository Trust Company.

Unless otherwise provided by Swiss law or the Corporation's Articles of Association, resolutions require the approval of a majority of the votes represented, excluding blank and invalid ballots, at a shareholders' meeting in order to be passed.

Under Swiss corporate law (or Swiss banking law, as the case may be), a resolution passed at a shareholders' meeting with the approval of at least a two-thirds majority of the votes, and a majority of the nominal value of shares, in each case represented at such meeting is required in order to approve certain specific issues. Such issues include introducing shares with preferential voting rights, any restriction on the transferability of registered shares, the creation of conditional capital, the introduction capital band or the introduction of reserve capital, restricting or excluding preemptive rights in the event of a share issue (*Bezugsrechte*), and, in certain circumstances, restricting or excluding advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*).

The Corporation's Articles of Association require a resolution passed at a shareholders' meeting with the approval of at least a two-thirds majority of the votes represented at such meeting in order to approve any change to their provisions regarding the number of members of the board of directors, any decision to remove one-quarter or more of the members of the board of directors or the deletion or modification of the provision thereof establishing these supermajority requirements.

Shareholder ownership disclosure

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of June 19, 2015, as amended, anyone who directly, indirectly or acting in concert with third parties, acquires or disposes of shares in a company listed in Switzerland or holds other purchase or sale positions relating to such shares, and, thereby, directly, indirectly or in concert with third parties reaches, falls below or exceeds one of the following percentage thresholds: 3, 5, 10, 15, 20, 25, 33 $\frac{1}{3}$, 50 or 66 $\frac{2}{3}$ % of the voting rights in such company, regardless of whether or not such rights may be exercised, must notify the company and the Swiss stock exchange on which such shares are listed. Nominee companies that cannot autonomously decide how voting rights are exercised are not required to notify the company and such stock exchange if they reach, exceed or fall below the aforementioned thresholds.

Board of Directors

The term of office for each member of the Corporation's board of directors is until the next annual general meeting of shareholders. Pursuant to the Corporation's organizational regulations, board members are generally expected to serve for at least three years and no board member may serve for more than 10 consecutive terms of office. In exceptional circumstances the Corporation's board of directors can extend this limit.

Members whose term of office has expired are immediately eligible for re-election.

Liquidation Rights

In the event of liquidation of the Corporation's assets, shareholders are entitled to a proportional share after all debts have been paid.

Repurchase of Shares

Swiss law limits the Corporation's ability to hold or repurchase shares. The Corporation and its subsidiaries may repurchase shares only if and to the extent that (i) the Corporation has freely distributable reserves in the amount of the purchase price and (ii) the aggregate nominal value of all shares held by the Corporation and its subsidiaries does not exceed 10% of the Corporation's nominal share capital (or 20% of its nominal share capital in specific circumstances). Repurchases for cancellation purposes approved by the shareholders' meeting are not subject to the 10% threshold for the Corporation's own shares within the meaning of article 659 paragraph 2 of the Swiss Code of Obligations. The Corporation must create a special reserve in its standalone financial statements prepared in accordance with Swiss law in the amount of the purchase price of any repurchased shares. Furthermore, in the Corporation's consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares held by the Corporation or any of its subsidiaries do not carry any rights to vote at shareholders' meetings.

Preemptive and Advanced Subscription Rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or for no consideration, is subject to the prior approval of the shareholders' meeting. Existing shareholders of a Swiss corporation have certain preemptive rights in the event of a share issue (*Bezugsrechte*) and advance subscription rights in the event of the issuance of equity-linked securities (*Vorwegzeichnungsrechte*) to subscribe for the new shares or equity-linked securities, as the case may be, in proportion to the nominal amount of shares held. However, the articles of association of the corporation, or a resolution approved at a shareholders' meeting by at least a two-thirds majority of the votes, and a majority of the nominal value of the shares, in each case represented at the meeting, may limit or exclude such preemptive or advance subscription rights in certain limited circumstances.



High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|--------------------------|--|
| Issuer | UBS Group AG |
| ISIN | US902613BF40 (144A) / USH42097ES26 (Reg S) |
| Issue Date | 13.11.2023 |
| Currency | USD |
| Nominal (million) | 1,750 |
| Interest Rate | 9.250% ¹ |
| Maturity Date | perpetual |
| First Call Date | 13.11.2028 |

¹ Rate subject to change after first call date.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

1. DEFINITIONS

"**Acquiror**" has the meaning assigned to such term in subclause (e)(iv) of Condition 9 (*Conversion*).

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 11 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Agent Insolvency Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 10 (*Payments; Agents*).

"**Agents**" means the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and any other agent from time to time appointed pursuant to the terms of the Fiscal Agency Agreement and the Settlement Agent.

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (e) of Condition 7 (*Trigger Event and Viability Event*).

"**Approved Entity**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Articles of Association**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"**Bankruptcy Event**" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, (ii) the opening of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such proceedings, "**Restructuring Proceedings**"), and/or (iii) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betriebsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the ordering of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such measures, "**Protective Measures**"), including, in the case of each of subclauses (x), (y) and (z), any steps (other than any steps described in clauses (i) through (iii) of this definition) taken under or in connection therewith.

"BIS Regulations" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"BIS Risk Weighted Assets" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term **"risk-weighted assets"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in (i) for purposes of the definitions of the terms "Extraordinary Publication Date", "Higher-Trigger Amount" and "Ordinary Publication Date", Zurich, and (ii) otherwise, New York City and Zurich.

"Calculation Agent" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"Calculation Amount" means USD 1,000.

"Capital Adequacy Ordinance" means the Swiss Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Firms of 1 June 2012, as amended from time to time, or any successor Swiss law or regulation.

"Cash Distribution" means any dividend or distribution in respect of the Ordinary Shares that is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including any cash distribution or payment to Shareholders upon or in connection with a reduction of capital. For the avoidance of doubt, the term "Cash Distribution" does not include consideration paid or any other payments made by UBS Group AG or any of its affiliates in connection with the repurchase of Ordinary Shares in connection with any share buyback programme.

"Certificate" means a Global Certificate and/or a Definitive Certificate, as the case may be.

"CET1 Capital" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term **"common equity tier 1 capital"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"CET1 Ratio" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"Clearstream, Luxembourg" means Clearstream Banking S.A.

"Code" has the meaning assigned to such term in clause (c) of Condition 11 (*Taxation*).

"Compliant Securities" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), provided that:

- (a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;
- (b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;
- (c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and
- (d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"Contingent Write-down" means the events described in clauses (a) through (c) of Condition 8 (*Contingent Write-down*).

"Conversion" has the meaning given to it in clause (a) of Condition 9 (*Conversion*), and "convert" and "converted" shall be construed accordingly.

"Conversion Capital" means conversion capital (*Wandlungskapital*) within the meaning of the FBA.

"Conversion Capital Availability Event" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"Conversion Date" means, with respect to any Conversion, the Trigger Event Conversion Date or the Viability Event Conversion Date, as applicable.

"Conversion Event" means a Trigger Event in respect of which the relevant Trigger Event Notice is a Trigger Event Conversion Notice or a Viability Event that occurs on or after a Conversion Capital Availability Event.

"Conversion Price" means USD 22.37, subject to any adjustment in accordance with clause (d) of Condition 9 (*Conversion*).

"Current Market Price" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), 10 consecutive dealing days) ending on the dealing day immediately preceding such date (such period, the **"Reference Period"**), *provided* that, if at any time during the Reference Period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of the Reference Period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price cum-dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary

Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit; or

- (b) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price ex-dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if on each of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period the Volume Weighted Average Price was based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) that has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices that are available in the Reference Period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the Reference Period, the Current Market Price shall be determined by an Independent Adviser.

"Day Count Fraction" means, in respect of any period (the **"Calculation Period"**), the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

"**dealing day**" means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares or other securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Definitive Certificate**" has the meaning assigned to such term in subclause (c)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Depository**" means DTC or any other Relevant Clearing System outside of Switzerland designated as Depository by the Issuer; *provided, however*, that, irrespective of the number of Regulation S Global Certificates and/or Rule 144A Global Certificates, as the case may be, outstanding, there will be no more than one Depository for the Notes at any time.

"**Distributable Items**" means, in respect of any Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Distribution Compliance Period**" means the 40-day period commencing on (and including) the later of (i) the day on which the Notes are first offered to Persons other than distributors (as defined in Regulation S under the US Securities Act), and (ii) the day on which the closing of the offering of the Notes occurs.

"**DTC**" means The Depository Trust Company.

"**EEA Regulated Market**" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets on financial instruments.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 13 (*Events of Default*).

"**Exempt Reorganisation**" means a Reorganisation where, immediately after completion of the relevant proceedings, the ordinary shares or units or equivalent of Newco (or depository or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Recognised Stock Exchange as UBS Group AG or Newco may determine.

"**Existing Shareholders**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Extraordinary Distribution**" means any Cash Distribution (i) that is expressly declared by UBS Group AG to be an extraordinary or special dividend or an extraordinary or special distribution to Shareholders as a class or any analogous or similar term, and (ii) the amount of which exceeds the arithmetic average of the ordinary dividend per Ordinary Share paid by UBS Group AG in the three most recently preceding calendar years (each such ordinary dividend translated, if necessary, into the currency in which the applicable Cash Distribution is expressed at the Prevailing Rate on the date on which such ordinary dividend was paid) by more than 25 per cent.

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Notice in accordance with Condition 7 (*Trigger Event and Viability Event*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Fair Market Value" means, with respect to any property on any date (the **"Relevant Valuation Date"**), the fair market value of that property as determined by an Independent Adviser, *provided* that:

- (a) the Fair Market Value of a cash amount shall be the amount of such cash;
- (b) where securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Adviser), the Fair Market Value (i) of such securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of each of subclauses (i) and (ii), during the period of five dealing days on the relevant stock exchange or securities market commencing on the later of (x) the applicable Relevant Valuation Date and (y) the first dealing day on which such securities, options, warrants or other rights are publicly traded, or such shorter period as such securities, options, warrants or other rights are publicly traded; and
- (c) where securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such securities, options, warrants or other rights shall be determined by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Any amounts determined pursuant to the above shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on the Relevant Valuation Date. In addition, in the case of clause (a) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

"FBA" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"Final Cancellation Date" means the date specified in the Trigger Event Conversion Notice or a Viability Event Conversion Notice, as applicable, as being the date on which any Notes in relation to which no valid Settlement Shares Settlement Notice has been received by the Settlement Share Depository (or its designated agent(s)) on or before the Settlement Notice Cut-off Date shall be cancelled, which date is expected to be no more than 12 Business Days following the Settlement Notice Cut-off Date.

"FINMA" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"First Call Date" means 13 November 2028.

"Fiscal Agency Agreement" means the fiscal agency agreement dated as of 10 February 2021, among the Issuer, the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and the other Agents from time to time party thereto, as may be amended, supplemented or otherwise modified from time to time.

"Fiscal Agent" means Deutsche Bank Trust Company Americas, in its capacity as fiscal agent for the Notes, and includes any successor fiscal agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"Fixed Interest Rate" means 9.250 per cent. per annum.

"Former Residence" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"Global Certificate" means a Regulation S Global Certificate and/or Rule 144A Global Certificate, as the case may be.

"Going-Concern LR Requirement" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"Going-Concern RWA Requirement" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"Group" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"Group Holding Company" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"Higher-Trigger Amount" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"Higher-Trigger Contingent Capital" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Threshold Ratio (with respect to the relevant Higher-Trigger Contingent Capital, its **"Higher-Trigger Threshold Ratio"**).

"Higher-Trigger Threshold Ratio" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"Higher-Trigger Write-down/Conversion Date" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"Higher-Trigger Write-down/Conversion Notice" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the

CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold Ratio and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the "**Higher-Trigger Write-down/Conversion Date**"). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher- Trigger Threshold Ratio, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date will be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Holder" means, with respect to any Note, the Person in whose name the Certificate representing such Note is registered in the Register. For the avoidance of doubt, with respect to Notes represented by a Global Certificate, no Indirect Holder or other Person will be a Holder for purposes of these Terms and Conditions or such Notes or have any rights, or be owed any obligations by the Issuer, under such Notes.

"Independent Adviser" means an independent financial institution of international repute or an independent adviser of recognised standing and expertise, in either case, appointed by UBS Group AG at its own expense to make any determination that is required to be made, or may be made, by an Independent Adviser under these Terms and Conditions.

"Indirect Holder" means, with respect to any Note represented by a Global Certificate, any Person (other than the Holder) that owns a beneficial interest in such Notes through a bank, broker or other financial institution that (i) participates in the book-entry system of DTC, Euroclear, Clearstream, Luxembourg and/or any other clearing system (each, a "**Relevant Clearing System**"), or (ii) holds an interest in such Note through a participant in the book-entry system of any Relevant Clearing System. No Indirect Holder will have any rights, or be owed any obligations by the Issuer, under the Notes.

"Interest Payment Date" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"Interest Period" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"Interest Rate" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"Issue Date" means 13 November 2023.

"Issuer" means UBS Group AG in its capacity as issuer of the Notes.

"Junior Obligations" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"Margin" means 4.745 per cent. per annum.

"Minimum Conversion Capital Availability Amount" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"National Regulations" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Conversion Condition**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Condition Effective Date**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Price**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"**New York Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in New York City.

"**Newco**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Non-Qualifying Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Notes**" means the USD 1,750,000,000 9.250 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**OECD**" means the Organisation for Economic Co-operation and Development.

"**Offer Settlement Period**" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG, which as of the Issue Date have a par value of USD 0.10 each. The Ordinary Shares deliverable on Conversion will be newly issued from the capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) and/or Conversion Capital of UBS Group AG, and rank *pari passu* with all other registered ordinary shares of UBS Group AG for any and all distributions payable on them on or after the relevant Share Creation Date.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Other Tier 1 Contingent Convertible Capital Note**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 10 (*Payments; Agents*).

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in New York City.

"**Permitted Transactions**" means:

- (a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any

- Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;
- (b) market-making in Ordinary Shares as part of the securities business of any member of the Group;
 - (c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;
 - (d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and
 - (e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"Presentation Currency" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (New York City time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (New York City time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser determines to be appropriate.

"Protective Measures" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Public Sector" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"Publication Date" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"Qualifying Relevant Event" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Quarterly Financial Accounts" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company,

provided that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"**QIB**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Recognised Stock Exchange**" means an EEA Regulated Market, a regulated, regularly operating, recognised stock exchange in Switzerland or any other regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

"**Record Date**" means, with respect to any Scheduled Due Date, the last Relevant Banking Day immediately preceding such Scheduled Due Date.

"**Redemption Date**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Redemption Notice**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Reference Period**" has the meaning assigned to such term in the definition of the term "Current Market Price".

"**Register**" means the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement.

"**Registrar**" means Deutsche Bank Trust Company Americas, in its capacity as registrar for the Notes, and includes any successor registrar for the Notes appointed in accordance with the Fiscal Agency Agreement.

"**Regulation S Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Banking Day**" means a day other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the Registrar and the Fiscal Agent.

"**Relevant Clearing System**" has the meaning assigned to such term in the definition of the term "Indirect Holder".

"**Relevant Currency**" means USD.

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the money payable on the Scheduled Due Date has not been received by the Fiscal Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Fiscal Agent.

"**Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Relevant Page**" means the page on Bloomberg or such other information service provider that displays the relevant information.

"**Relevant Shares**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Relevant Stock Exchange" means the New York Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the New York Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing (if any).

"Reorganisation" means proceedings that effect the interposition of a corporation or other limited liability company ("**Newco**") between the Shareholders immediately prior to such proceedings (the "**Existing Shareholders**") and UBS Group AG, *provided* that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders, (ii) immediately after completion of such proceedings the only holders of ordinary shares, units or equivalent of Newco or the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, as the case may be, are Existing Shareholders holding in the same proportions as immediately prior to completion of such proceedings, (iii) immediately after completion of such proceedings, Newco is (or one or more wholly-owned subsidiaries of Newco are) the only shareholder of UBS Group AG, (iv) all subsidiaries of UBS Group AG immediately prior to such proceedings (other than Newco, if Newco is then a subsidiary of UBS Group AG) are subsidiaries of UBS Group AG (or of Newco) immediately after completion of such proceedings, and (v) immediately after completion of such proceedings, UBS Group AG (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those subsidiaries as was held by UBS Group AG immediately prior to such proceedings.

"Reset Date" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"Reset Determination Date" means, in relation to any Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"Reset Interest Amount" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"Reset Interest Period" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"Reset Interest Rate" means, in relation to any Reset Interest Period, the sum of the Margin and the Treasury Yield in relation to such Reset Interest Period.

"Restructuring Proceedings" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Reviewed Interim Measurement" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"Rule 144A" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"Rule 144A Global Certificate" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"Scheduled Due Date" has the meaning assigned to such term in the definition of the term "Relevant Date".

"Securities" means any shares in the capital of UBS Group AG, or any options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of UBS Group AG, excluding all Other Tier 1 Contingent Convertible Capital Notes (and each a "**Security**").

"Senior Obligations" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"Settlement Agency Agreement" means the Settlement Agency Agreement dated as of the Issue Date, between the Issuer and the Settlement Agent, as amended, supplemented or otherwise modified from time to time.

"Settlement Agent" means UBS AG, in its capacity as settlement agent for the Notes, and includes any successor settlement agent for the Notes appointed in accordance with these Terms and Conditions.

"Settlement Date" means:

- (a) with respect to any Note in relation to which a valid Settlement Shares Settlement Notice is received by the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) on or before the Settlement Notice Cut-off Date,
 - (i) if the Trigger Event Conversion Notice specified that the Issuer will not appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer or if the Issuer gave a Viability Event Conversion Notice, the date that is two Business Days after the date on which the relevant Settlement Shares Settlement Notice has been so received by the Settlement Share Depository (or such agent); or
 - (ii) if the Trigger Event Conversion Notice specified that the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, the date that is two Business Days after the later of (x) the date on which the Offer Settlement Period expires or is terminated and (y) the date on which the relevant Settlement Shares Settlement Notice has been so received by the Settlement Share Depository (or such agent); and
- (b) with respect to any Note in relation to which a valid Settlement Shares Settlement Notice is not received by the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) on or before the Settlement Notice Cut-off Date, the date on which the Settlement Share Depository delivers the relevant Ordinary Shares and/or cash proceeds of the Settlement Shares Offer, as applicable, to which the Holder of such Note is entitled pursuant to Condition 9 (*Conversion*) to such Holder.

"Settlement Notice Cut-off Date" means the date specified as such in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, which date shall be at least 20 Business Days following the applicable Suspension Date.

"Settlement Share Depository" means a reputable independent financial institution, clearing institution, trust company or similar entity, to be appointed by the Issuer on or prior to any date when a function ascribed to the Settlement Share Depository in these Terms and Conditions is required to be performed to perform such functions, who will hold Ordinary Shares in a designated trust account for the benefit of the Holders and otherwise on terms consistent with these Terms and Conditions.

"Settlement Shares Offer" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Offer Agent" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Settlement Notice" has the meaning given to it in clause (j) of Condition 9 (*Conversion*).

"Share Creation Date" means, in relation to Ordinary Shares to be issued and delivered on Conversion, the date falling after the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, and on or prior to the applicable Conversion Date on which as a matter of Swiss law the relevant Ordinary Shares are paid up.

"Shareholders" means the holders of Ordinary Shares.

"**SIX SIS**" means SIX SIS Ltd and any successor thereto.

"**Specified Office**" means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar, Trust and Agency Services, 1 Columbus Circle, 17th Floor, Mail Stop: NYC01-1710, New York, NY 10019, USA, Attn: Corporates Team, UBS Group AG, (ii) in the case of UBS AG, as Swiss Paying Agent, Calculation Agent and Settlement Agent, Bahnhofstrasse 45, 8001 Zurich, Switzerland, (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after the appointment of such Agent, and (iv) in the case of the Settlement Share Depository, the office designated as such in the applicable Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, or, in the case of each of clauses (i), (ii), (iii) and (iv), such other office as the relevant Agent or Settlement Share Depository may designate from time to time by providing notice to the Issuer and the Holders in accordance with Condition 15 (*Notices*).

"**Substitute Issuer**" has the meaning assigned to such term in clause (a) of Condition 16 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in subclause (a)(iv) of Condition 16 (*Issuer Substitution*).

"**Substitution or Amendment Effective Date**" has the meaning assigned to such term in subclause (b)(iii) of Condition 14 (*Meeting of Holders; Substitution and Amendment*).

"**Suspension Date**" means the date specified in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, as the date on which the Depository is expected to suspend all clearance and settlement of transactions in the Notes in accordance with its rules and procedures, which date is expected to be, if such Trigger Event Conversion Notice specifies that the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, as proximate to the expiration or termination of the Offer Settlement Period as is reasonably practicable in accordance with the rules and procedures of the Depository; *provided, however*, that, for purposes of clause (j) of Condition 9 (*Conversion*) only, if the date on which the Depository actually suspends such clearance and settlement is different from the date specified in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, then "Suspension Date" will mean the date on which the Depository actually suspends such clearance and settlement.

"**Swiss Code**" means the Swiss Code of Obligations of 30 March 1911, as amended from time to time.

"**Swiss Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 10 (*Payments; Agents*).

"**Swiss Resolution Power**" means any statutory power of FINMA that it may exercise during Restructuring Proceedings as set forth in article 28 et seqq. of the FBA or in any implementing ordinance or successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, the power to (i) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (ii) stay (for a maximum of two business days) the termination of, or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such Restructuring Proceedings is a party, (iii) partially or fully convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (iv) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 11 (*Taxation*).

"**Threshold Ratio**" means 7 per cent.

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Treasury Yield**" means, in relation to any Reset Interest Period,

- (a) the rate per annum equal to the semi-annual equivalent yield to maturity, that represents the average of such yield to maturity for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for a five-year maturity, appearing under the caption "Treasury constant maturities" in the most recent H.15; or
- (b) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (a) above, the rate per annum equal to the semi-annual equivalent yield to maturity determined by interpolation between the most recent average of such yield to maturity, such average to be determined for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for two series of US Treasury securities trading in the public securities market, (i) one maturing as close as possible to, but earlier than, the first Reset Date following the next succeeding Reset Determination Date, and (ii) the other maturing as close as possible to, but later than, the first Reset Date following the next succeeding Reset Determination Date; or
- (c) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (b) above, the rate per annum equal to the semi-annual equivalent yield to maturity for a five-year maturity for the last available date preceding the applicable Reset Determination Date, appearing under the caption "Treasury constant maturities" in the H.15 that has been most recently published prior to the applicable Reset Determination Date,

in each case, as determined by the Calculation Agent on the applicable Reset Determination Date.

For purposes of this definition, (i) "**H.15**" means the statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System (or any successor publication that is published by the Board of Governors of the United States Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years), and (ii) "**most recent H.15**" means, in respect of any Reset Interest Period, the H.15 published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date. For purposes of clause (b) of this definition only, "**semi-annual equivalent yield to maturity**" means, for securities with two interest payments per year, the annualised yield to maturity of such interest payments, such annualised yield to be calculated in accordance with standard market practice.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger CET1 Ratio" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"Trigger Event" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Conversion Date" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Conversion Notice" means a Trigger Event Notice given on or after the occurrence of a Conversion Capital Availability Event.

"Trigger Event Notice" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Notice Date" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"Trigger Event Write-down Date" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Write-down Notice" means a Trigger Event Notice given prior to the occurrence of a Conversion Capital Availability Event.

"US" or **"United States"** means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"US Exchange Act" means the US Securities Exchange Act of 1934, as amended from time to time.

"US Investment Company Act" means the US Investment Company Act of 1940, as amended from time to time.

"US Securities Act" means the US Securities Act of 1933, as amended from time to time.

"US Transfer Agent" means Computershare Trust Company, N.A., in its capacity as US transfer agent for the Ordinary Shares, and includes any successor US transfer agent for the Ordinary Shares that may be appointed by UBS Group AG from time to time.

"USD" means United States dollars.

"Viability Event" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Conversion Date" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Conversion Notice" means a Viability Event Notice in respect of which the Viability Event has occurred on or after the occurrence of a Conversion Capital Availability Event.

"Viability Event Notice" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Date" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Notice" means a Viability Event Notice in respect of which the Viability Event has occurred prior to the occurrence of a Conversion Capital Availability Event.

"Volume Weighted Average Price" means, in respect of an Ordinary Share or other Security on any dealing day, the order book volume-weighted average price (rounded to the same number of

decimal places as the initial Conversion Price) of an Ordinary Share or such other Security, as the case may be, published on or by or derived from (i) in the case of an Ordinary Share, the relevant Bloomberg page, or (ii) in the case of a Security other than Ordinary Shares, the principal stock exchange or securities market on which such Security is then listed or quoted or dealt in, if any, or, in the case of each of clauses (i) and (ii), such other source as an Independent Adviser determines to be appropriate, on such dealing day, *provided* that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or such other Security, as the case may be, in respect of such dealing day shall be (i) the Volume Weighted Average Price, determined as provided above, on the most recently preceding dealing day on which the same can be so determined, or (ii) determined in such other manner as an Independent Adviser determines to be appropriate.

"Write-down Date" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

2. AMOUNT, DENOMINATION AND FORM

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be USD 1,750,000,000. The Notes will be issued to Holders in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 8 (*Contingent Write-down*). The Notes may be held and transferred only in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

(b) *Global Certificates*

- (i) Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the US Securities Act ("**Rule 144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act are initially represented by one or more permanent registered global certificates (each, a "**Regulation S Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC, *provided* that upon such Regulation S Global Certificate's deposit, all beneficial interests in the Notes represented thereby are maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. The form of Regulation S Global Certificate and the form of Rule 144A Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.
- (ii) The aggregate principal amount of the Notes represented by each of the Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Each Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided, however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Note represented by another Global Certificate will, upon transfer, cease to be a beneficial interest in such first Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

- (iii) So long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, the Holder of a Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of a Relevant Clearing System and Persons that may hold interests through such participants, to take any action that the Holder is entitled to take under these Terms and Conditions or the Notes (including, without limitation, delivery of a Settlement Shares Settlement Notice following a Conversion Event in accordance with clause (j) of Condition 9 (*Conversion*)), and nothing in these Terms and Conditions will prevent the Issuer or the Agents or the Settlement Share Depository (if any) or any of their respective agents from giving effect to any such proxies or other authorisations furnished by the Holder of a Global Certificate for purposes of this subclause (b)(iii). Although the Holders are the only Persons entitled to participate in, and vote at, any meeting of Holders, so long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, the Holder of a Global Certificate shall (A) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (B) vote at such meeting in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (C) abstain from representing any Note represented by such Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes represented by such Global Certificate for which the Holder received an instruction by the relevant Indirect Holder to take part at a meeting of Holders will be deemed to be present or represented at such meeting.

(c) *Definitive Certificates*

- (i) Definitive Notes in registered form (each, a "**Definitive Certificate**") shall be issued, and a Global Certificate will be exchanged, in whole, but not in part, for Definitive Certificates, if (and only if):
 - (A) the Depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to some or all of the Global Certificates, or ceases to be a "clearing agency" registered under the US Exchange Act; or
 - (B) at any time the Depository is no longer eligible to act as such, or the Notes cease for any reason to be eligible for clearing through the Depository, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depository or of the Notes, as the case may be, from or on behalf of the Depository; or
 - (C) issuance of the Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Notes; or
 - (D) the Issuer provides its consent.
- (ii) If a Global Certificate is to be exchanged for Definitive Certificates pursuant to subclause (i) of this clause (c), the Issuer will procure the prompt delivery (free of charge) of Definitive Certificates to the Fiscal Agent, duly executed without interest coupons, registered in the names of the relevant Indirect Holders, addresses and denominations provided in a written notice to be given by the Depository or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depository's procedures and also specify the taxpayer identification number, if any, of each Person in whose name such Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Definitive Certificates to the Holders thereof no later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depository (or the Issuer, as applicable) referred to above (and any other necessary information as the Fiscal Agent may reasonably request from the Issuer at such

time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Global Certificates. The form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Rule 144A Global Certificate and the form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

- (iii) If Definitive Certificates have been issued pursuant to this Condition 2(c), any Definitive Certificate that is lost, stolen, mutilated, defaced or destroyed may be replaced, subject to applicable laws and regulations, at the Specified Office of the Fiscal Agent upon payment by the claimant of the fees, costs and expenses incurred by the Fiscal Agent and the Issuer in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the Definitive Certificate allegedly or actually lost, stole or destroyed is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Certificate subsequently presented) as the Issuer may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

3. **TRANSFER**

(a) *General*

- (i) Subject to Conditions 3(b) and 3(c), title to Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Notes and entries on the Register will be made subject to the provisions concerning transfers of Notes set forth in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.
- (ii) Transfers of Notes, or of beneficial interests in Notes represented by Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Global Certificate or Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Note or beneficial interests in Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.
- (iii) Transfers of Notes and the issue of new Global Certificates or Definitive Certificates, as the case may be, on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.
- (iv) No Holder may require the transfer of a Note to be registered (x) if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*), during the period of 15 days ending on (and including) the relevant Redemption Date, or (y) during the period of 15 days ending on (and including) the Record Date for any Interest Payment Date.

No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer, under the Notes. Payments of principal, interest or any other amount in respect of Notes will be made only to the Person shown on the Register as the registered holder of such Note (i.e., the Holder) at close of business on the relevant Record Date.

(b) *Transfer of Notes represented by a Global Certificate*

- (i) Global Certificates may be transferred only in whole, but not in part, and only to a Relevant Clearing System or any of their respective successors or nominees, in each case located outside of Switzerland, except as provided below. Beneficial interests of Indirect Holders in Notes represented by Global Certificates may be transferred only in accordance with the rules and procedures of such Relevant Clearing System, the provisions of the Fiscal Agency Agreement and this Condition 3(b).
 - (ii) A beneficial interest in a Note represented by a Regulation S Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Rule 144A Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the US Securities Act, purchasing the beneficial interests in the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.
 - (iii) A beneficial interest in a Note represented by a Rule 144A Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Regulation S Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the US Securities Act.
 - (iv) Until the termination of the Distribution Compliance Period, beneficial interests in any Regulation S Global Certificate may be held only through participants acting for and on behalf of Euroclear and/or Clearstream, Luxembourg, *provided* that this subclause (iv) shall not prohibit any transfer in accordance with subclause (ii) of this Condition 3(b).
- (c) *Transfer of Notes represented by a Definitive Certificate*
- (i) If and when Definitive Certificates have been issued pursuant to Condition 2(c), one or more Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Definitive Certificate representing such Notes to be transferred, together with the form of transfer attached to such Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Definitive Certificate shall be issued to the transferee in respect of the Notes that are the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a Holder, a new Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Definitive Certificate representing the existing holding of such Person.
 - (ii) Each new Definitive Certificate to be issued pursuant to Condition 2(c) shall be available for delivery within three Relevant Banking Days of receipt of the form of transfer and surrender of the relevant Definitive Certificate. Delivery of new Definitive Certificate(s) will be made at the Specified Office of the Fiscal Agent

to which delivery and surrender of such form of transfer and Definitive Certificate or, as the case may be, surrender of such Definitive Certificate, will have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify.

(d) *Rule 144A*

Each Note that is initially sold in the United States to a QIB will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold, pledged or otherwise transferred, except (i) in accordance with Rule 144A to a Person that the Holder and any Person acting on its behalf reasonably believe is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act, (iii) pursuant to an exemption from registration under Rule 144 under the US Securities Act, or in accordance with another exemption from, or in a transaction not subject to, registration under the US Securities Act, if available, or (iv) pursuant to an effective registration statement under the US Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

4. **STATUS AND SUBORDINATION**

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 4.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions),

- (i) if such event occurs (x) prior to the occurrence of a Conversion Capital Availability Event, or (y) on or after the occurrence of a Conversion Capital Availability Event but prior to the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations, and (C) senior to the rights and claims of holders of Junior Obligations; *provided, however*, that, if a Conversion Event subsequently occurs while such Bankruptcy Event or liquidation or winding-up, as the case may be, is continuing, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary Shares in accordance with Condition 9 (*Conversion*) will rank as set forth in subclause (ii) below; or
- (ii) if such event occurs on or after the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary

Shares in accordance with Condition 9 (*Conversion*) will rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) junior to the rights and claims of holders of Parity Obligations, and (C) *pari passu* with the rights and claims of holders of Junior Obligations.

(c) *Claims subject to a Contingent Write-down or a Conversion*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 13 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), as applicable, irrespective of whether the relevant Trigger Event or Viability Event, as applicable, has occurred, or, in the case of a Viability Event, the relevant Viability Event Notice has been given, prior to or after the occurrence of an Event of Default or any other event.

5. **INTEREST**

(a) *Interest Payment Dates*

(i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (g) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.

(ii) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on 13 May and 13 November of each year (each, an "**Interest Payment Date**"), commencing on 13 May 2024.

(b) *Determination of the Treasury Yield, the Reset Interest Rate and the Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period, the Calculation Agent will, as soon as practicable on the Reset Determination Date in relation to such Reset Interest Period, determine the Treasury Yield and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event no later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*) no later than two Business Days prior to such Redemption Date.

(d) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5:

- (i) the amount of interest payable per Calculation Amount on each Interest Payment Date to (and including) the First Call Date in respect of the Notes will be USD 46.25; and
- (ii) if interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:
 - (A) applying the applicable Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and
 - (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(e) *Calculation of amount of interest payable per Note*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:

- (i) the amount of interest per Calculation Amount; and
- (ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

(f) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for purposes of this Condition 5 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent of its powers, duties and discretions under this Condition 5.

(g) *Accrual of interest in the case of redemption or a Trigger Event or a Viability Event*

- (i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided, however*, that if the payment with respect to any Note is improperly withheld or refused on such Redemption Date, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the relevant Interest Rate to the Relevant Date.
- (ii) Upon the occurrence of a Trigger Event or a Viability Event, interest on the Notes will cease to accrue from (and including) the date on which such Trigger Event or Viability Event occurs.

(h) *Cancellation of interest; prohibited interest*

- (i) The Issuer may, in its sole discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (h)(i) is without prejudice to the provisions of

subclause (h)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Fiscal Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (h)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

(ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

(A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of subclauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or

(B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or

(C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Fiscal Agent and shall give notice in accordance with Condition 15 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (h)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (h)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

(iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (h)(i) or subclause (h)(ii) of this Condition 5, UBS Group AG shall not, directly or indirectly,

(A) recommend to Shareholders that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; or

- (B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

- (iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(h) will not constitute a default for any purpose (including, without limitation, Condition 13 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this Condition 5(h) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.
- (v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

6. REDEMPTION AND PURCHASE

- (a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed (including by way of Conversion pursuant to Condition 9 (*Conversion*)) or purchased and cancelled in accordance with this Condition 6 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

- (b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Redemption Date.

- (c) *Redemption due to a Tax Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

- (ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of subclauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or

any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.
- (ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

- (i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, then the Issuer shall give the Holders not less than 15 and not more than 60 days' prior notice in accordance with Condition 15 (*Notices*) (a "Redemption Notice"), which notice shall, subject to subclauses (ii) and (iii) of this clause (e), be irrevocable and specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, (y) if any Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which date, in the case of a redemption pursuant to clause (c) or (d) of this Condition 6, shall be a Payment Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").
- (ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
- (iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.
- (iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 6, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 6 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 6 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided that* (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation

measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 6 or by way of Conversion pursuant to Condition 9 (*Conversion*) will be cancelled and may not be reissued or resold; *provided, however*, that, in the case of Notes redeemed by way of Conversion, the Issuer will not take any action to cause such Notes to be removed from the Relevant Clearing System prior to the later of (i) the applicable Settlement Date and (ii) the Final Cancellation Date. Following the issuance and delivery of the relevant Ordinary Shares to the Settlement Share Depository on the Conversion Date and until the later of (i) the applicable Settlement Date and (ii) the Final Cancellation Date, the Notes will evidence solely the Holder's right to receive Ordinary Shares and/or cash proceeds, as the case may be, from the Settlement Share Depository or the Settlement Shares Offer Agent (or such other relevant recipient).

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **TRIGGER EVENT AND VIABILITY EVENT**

(a) *Trigger Event*

(i) Upon the occurrence of a Trigger Event:

- (A) if such Trigger Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Trigger Event Write-down Date in accordance with Condition 8 (*Contingent Write-down*); or
- (B) if such Trigger Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Trigger Event Conversion Date in accordance with Condition 9 (*Conversion*).

(ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Notice in accordance with clause (b) of this Condition 7.

(b) *Trigger Event Notice*

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, the Issuer shall, subject to subclauses (ii) and (iii) of this Condition 7(b), give a notice (a "**Trigger Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), which notice shall:

- (A) if such Trigger Event Notice is given prior to the occurrence of a Conversion Capital Availability Event (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Contingent Write-down will take place, and (2) specify the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no later than 10 Business Days after the date of such notice (the "**Trigger Event Write-down Date**"); or
 - (B) if such Trigger Event Notice is given on or after the occurrence of a Conversion Capital Availability Event, (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Conversion will take place, (2) specify the date on which the Conversion will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no more than 20 Business Days after the date of such notice (the "**Trigger Event Conversion Date**"), (3) specify the Conversion Price in effect on the date of such Trigger Event Notice, and (4) specify the details of the arrangement for the settlement of the Conversion (including whether or not the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, the Suspension Date, the details of the Settlement Share Depository (including its Specified Office) or, if the Issuer is unable to appoint a Settlement Share Depository prior to giving of such notice, the other arrangements it has made in accordance with subclause (h)(i) of Condition 9 (*Conversion*) for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders, the procedures Holders must follow to obtain delivery of the Ordinary Shares from the Settlement Share Depository, the Settlement Notice Cut-Off Date and the Final Cancellation Date).
- (ii) If a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b), and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,
- (A) in the case of subclause (x) above, the giving of such Trigger Event Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and
 - (B) in the case of subclauses (x) and (y) above, if the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Notice.
- (iii) If (A) a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b) in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down or a Conversion, as applicable, is not

required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Threshold Ratio that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Notice pursuant to subclause (i) of this Condition 7(b) in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 15 (*Notices*), which notice shall state that no Contingent Write-down or Conversion, as applicable, will occur in relation to the relevant Ordinary Publication Date.

(c) *Viability Event*

(i) Subject to clause (e) of this Condition 7, upon the occurrence of a Viability Event:

(A) the Issuer shall give notice (a "**Viability Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall:

(1) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than 10 Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**"); or

(2) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, (w) state that a Viability Event has occurred and a Conversion will take place, (x) specify the date on which the Conversion will take place, which date shall be no more than 20 Business Days following the occurrence of the Viability Event (the "**Viability Event Conversion Date**"), (y) specify the Conversion Price in effect on the date of such Viability Event Notice, and (z) specify the details of the arrangements for the settlement of the Conversion (including the Suspension Date, the details of the Settlement Share Depository (including its Specified Office) or, if the Issuer is unable to appoint a Settlement Share Depository prior to giving of such notice, the other arrangements it has made in accordance with subclause (h)(i) of Condition 9 (*Conversion*) for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders, the procedures Holders must follow to obtain delivery of the Ordinary Shares from the Settlement Share Depository, the Settlement Notice Cut-Off Date and the Final Cancellation Date); and

(B) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Viability Event Write-down Date in accordance Condition 8 (*Contingent Write-down*); or

(C) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Viability Event Conversion Date in accordance with Condition 9 (*Conversion*).

- (ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):
- (A) FINMA has notified UBS Group AG in writing that it has determined a conversion or write-down, as applicable, of holders' claims in respect of the Notes and all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or
 - (B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Notice have been met.

(d) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (d) subsequently published will have no effect for purposes of this Condition 7.

(e) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

(f) *Conversion Capital Availability Event*

- (i) A "**Conversion Capital Availability Event**" will have occurred on the first date after the Issue Date on which an amendment to the Articles of Association is registered in the main register (*Hauptregister*) of the Commercial Register (*Handelsregister*) of the Canton of Zurich as a result of which the Conversion Capital provided for in the Articles of Association meets or exceeds the Minimum

Conversion Capital Availability Amount. For purposes of these Terms and Conditions, a Conversion Capital Availability Event may occur only once.

For purposes of the definition of Conversion Capital Availability Event:

"**Articles of Association**" means, at any time, the articles of association (*Statuten*) of UBS Group AG in effect at such time.

"**Minimum Conversion Capital Availability Amount**" means, at any time, the amount of Conversion Capital that UBS Group AG would require in order for it to create and issue:

- (A) the number of Ordinary Shares into which the Notes outstanding at such time would be converted if they were to be converted at the Conversion Price in effect at such time and otherwise in accordance with these Terms and Conditions; and
- (B) if any Other Tier 1 Contingent Convertible Capital Notes are outstanding at such time, the number of Ordinary Shares into which such Other Tier 1 Contingent Convertible Capital Notes would be converted if they were to be converted at the conversion price then in effect pursuant to, and otherwise in accordance with, their respective terms at such time,

in each case, out of such Conversion Capital.

"**Other Tier 1 Contingent Convertible Capital Note**" means a capital instrument (other than the Notes) that:

- (A) is eligible in full to be (A) treated as Additional Tier 1 Capital and (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both); and
- (B) subject to the terms and conditions thereof, is to be:
 - (x) converted into Ordinary Shares; or
 - (y) after a Conversion Capital Availability Event (or equivalent event described in the terms and conditions thereof) occurs, converted into Ordinary Shares,

in either case, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a certain threshold and/or a Viability Event (or equivalent event described in the terms and conditions thereof) occurs.

- (ii) If a Conversion Capital Availability Event occurs at any time on or prior to a Trigger Event or a Viability Event, the Issuer shall as soon as practicable thereafter deliver to the Fiscal Agent and the Settlement Agent a certificate signed by the Authorised Signatories and notice to the Holders in accordance with Condition 15 (*Notices*), in each case stating that a Conversion Capital Availability Event has occurred and the date on which it occurred.

8. CONTINGENT WRITE-DOWN

If the Issuer has given a Trigger Event Write-down Notice or a Viability Event Write-down Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then on the relevant Write-down Date:

- (a) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;

- (b) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (a) of this Condition 8 (*bedingter Forderungsverzicht*); and
- (c) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the date of the relevant Trigger Event Notice or Viability Event Notice, as the case may be, or the Write-down Date.

9. CONVERSION

(a) *Conversion upon a Trigger Event or a Viability Event*

If the Issuer has given a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then:

- (i) each Note shall, subject to and as provided in this Condition 9, be redeemed and settled (the "**Conversion**") on the applicable Conversion Date by (x) the delivery of new fully paid Ordinary Shares to the Settlement Share Depository on behalf of the Holders, and (y) the cancellation of any accrued and unpaid interest on the Notes (whether or not due and payable); and
- (ii) receipt by the Settlement Share Depository of such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares in respect of the Conversion on the applicable Conversion Date shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes.

In the case of the Ordinary Shares to be delivered upon Conversion, as from the applicable Share Creation Date for such Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares into Notes.

(b) *Recourse for Ordinary Shares*

Holders shall have recourse only to the Issuer for the issue and delivery of Ordinary Shares to the Settlement Share Depository pursuant to these Terms and Conditions. After such delivery to the Settlement Share Depository, Holders shall have recourse only to the Settlement Share Depository for the delivery to them of such Ordinary Shares or, in the circumstances described in clause (h) of this Condition 9, any cash amounts to which such Holders are entitled under clause (h) of this Condition 9.

(c) *Conversion Price and determination of number of Ordinary Shares*

- (i) Upon the occurrence of a Conversion Event, as at the date on which the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice is published, each Holder shall be deemed to have accepted, and hereby accepts and agrees, (A) to the conversion of its holding of Notes into Ordinary Shares at the Conversion Price provided for herein and that, where necessary under Swiss law, the Settlement Agent shall effect such conversion on such Holder's behalf, and (B) that its obligation to pay up the Ordinary Shares to be issued shall be set off against its claim for repayment of the principal amount upon redemption of the Notes, which claim shall be deemed to be due and payable immediately prior to the time on the Share Creation Date when, as a matter of Swiss law, the relevant Ordinary Shares are paid up. Such Ordinary Shares shall be paid up and issued on the Share Creation Date whereupon the Holders shall cease as a matter of Swiss law to be treated for all purposes under Swiss law as Holders and shall instead as of such date be treated for all purposes under Swiss law as Shareholders.

- (ii) Subject to clause (g) of this Condition 9, the Issuer, with the assistance of the Settlement Agent, where necessary under Swiss law, shall issue and deliver to the Settlement Share Depository on the applicable Conversion Date such number of Ordinary Shares in respect of each Holder as is determined by the Settlement Agent by dividing the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date by the Conversion Price in effect on the date of relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be. The Settlement Agent shall determine such number of Ordinary Shares in accordance with this subclause (ii) as soon as practicable after publication of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable.
 - (iii) The initial Conversion Price per Ordinary Share in respect of the Notes is specified in the definition thereof. The Conversion Price is subject to adjustment to (and including) the date of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, in the circumstances described in clause (d) below.
- (d) *Anti-dilution adjustment of the Conversion Price*
- (i) Upon the occurrence of any of the events described below after 8 November 2023, the Conversion Price will be adjusted by the Issuer as follows:

- (A) If there is a consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares that alters the number of Ordinary Shares in issue, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification, redesignation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment will become effective on the date on which the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (B) If UBS Group AG issues any Ordinary Shares to Shareholders as a class credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Cash Distribution that the Shareholders would or could otherwise have elected to receive, (y) where the Shareholders may elect to receive a Cash Distribution in lieu of such Ordinary Shares or (z) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (C) If UBS Group AG makes or pays an Extraordinary Distribution to Shareholders, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- B is the portion of the aggregate Extraordinary Distribution attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Distribution by the number of Ordinary Shares entitled to receive the relevant Extraordinary Distribution. If the Extraordinary Distribution shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (C), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-the Extraordinary Distribution on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (C).

- (D) If UBS Group AG issues Ordinary Shares to Shareholders as a class by way of rights or UBS Group AG or any other member of the Group or (at the direction or request or pursuant to arrangements with UBS Group AG or any other member of the Group) any other Person issues or grants to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities that by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share that is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares that the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- C is the number of Ordinary Shares to be issued or the maximum number of Ordinary Shares that may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate, as the case may be,

provided that, if on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this subclause (D), "C" will be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (D), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (D).

For purposes of any calculation of the consideration receivable or price pursuant to this subclause (D), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities will be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights will be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights that are attributed by UBS Group AG to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed,

the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of subclauses (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights, and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights will be the aggregate consideration or price referred to in subclause (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (3) if the consideration or price determined pursuant to subclause (1) or (2) above (or any component thereof) is expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of subclause (1) above) or the relevant date of first public announcement (in the case of subclause (2) above);
 - (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
 - (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to UBS Group AG or another entity.
- (E) If UBS Group AG determines, in its sole discretion, that, notwithstanding subclauses (A) to (D) of this Condition 9(d)(i), a reduction to the Conversion Price should be made as a result of one or more events or circumstances not referred to in this Condition 9(d)(i) that would require an adjustment to the Conversion Price in order to comply with Swiss mandatory law on the protection of holders of instruments that may convert into shares issued out of capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) or Conversion Capital, the Conversion Price will be reduced (either generally or for a specified period) in such manner and with effect from such date as UBS Group AG shall determine and the Issuer shall notify to the Holders in accordance with Condition 15 (*Notices*).
- (ii) Notwithstanding Condition 9(d)(i):
- (A) where
 - (1) the events or circumstances giving rise to any adjustment to the Conversion Price have resulted or will result in an adjustment to the Conversion Price; or
 - (2) more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time,

that, in the opinion of UBS Group AG, a modification to the operation of the adjustment provisions set forth in this Condition 9(d) is required to give the intended result, such modification will be made to the operation of the adjustment provisions set forth in this Condition 9(d) as may be determined by an Independent Adviser to be in its opinion appropriate to give the intended result, including to ensure that (x) an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, (y) the economic effect of an Extraordinary Distribution is not taken into account more than once, and (z) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency;

- (B) any adjustment to the Conversion Price will be subject to such Conversion Price not being less than the par value of an Ordinary Share at such time (currently USD 0.10);
 - (C) UBS Group AG shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below the par value of an Ordinary Share then in effect;
 - (D) if any doubt arises as to whether an adjustment is to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, UBS Group AG may in its sole discretion appoint an Independent Adviser and, following consultation between UBS Group AG and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof will (in the absence of wilful default, bad faith and manifest error) be conclusive and binding on UBS Group AG and the Holders;
 - (E) no adjustment will be made to the Conversion Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of UBS Group AG or any of its subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme; and
 - (F) on any adjustment, if the resultant Conversion Price has more decimal places than the initial Conversion Price, it will be rounded to the same number of decimal places as the initial Conversion Price. No adjustment will be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, will be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment will be made on the basis that the adjustment not required to be made had been made at the relevant time and/or that the relevant rounding down had not been made, as the case may be.
- (iii) The Issuer shall give notice of any adjustments to the Conversion Price made pursuant to this Condition 9(d) to the Holders in accordance with Condition 15 (*Notices*) promptly after the determination thereof.
 - (iv) References in these Terms and Conditions to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market

in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

(e) *Qualifying Relevant Event*

(i) Upon the occurrence of a Relevant Event that is a Qualifying Relevant Event, then:

(A) upon the occurrence of a Conversion Event where the applicable Conversion Date falls on or after the New Conversion Condition Effective Date,

(1) the Notes shall be converted on such Conversion Date into, or be exchanged on such Conversion Date for, as the case may be, Relevant Shares of the Approved Entity, *mutatis mutandis* as provided in accordance with this Condition 9, at a Conversion Price that shall be the New Conversion Price; and

(2) the Issuer shall procure the issue and/or delivery of the relevant number of Relevant Shares of the Approved Entity in the manner provided in this Condition 9 (as may be amended as described in the definition of the term New Conversion Condition); and

(B) the New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 9 for the adjustment of the Conversion Price (if necessary with such amendments as an Independent Adviser shall determine to be appropriate) and the Issuer shall give notice in accordance with Condition 15 (*Notices*) to the Holders of the New Conversion Price and of any such amendments thereafter.

(ii) Upon the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Holders in accordance with Condition 15 (*Notices*) within 10 Business Days following the occurrence of such Relevant Event, which notice shall:

(A) specify the identity of the Acquiror;

(B) specify whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;

(C) in the case of a Qualifying Relevant Event, specify the New Conversion Price; and

(D) if applicable, specify the New Conversion Condition Effective Date.

(iii) For the avoidance of doubt, upon the occurrence of a Relevant Event that is a Non-Qualifying Relevant Event, the provisions of this clause (e) shall (subject to the subsequent operation of this clause (e) upon the occurrence of a subsequent Relevant Event) not apply, and the Notes will continue to be convertible into Ordinary Shares pursuant to and in accordance with the other provisions of this Condition 9 (*Conversion*), if and when the Issuer gives a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*).

(iv) For purposes of these Terms and Conditions:

"Acquiror" means the Person (including a Governmental Entity) that, following a Relevant Event, controls UBS Group AG.

"Approved Entity" means an Acquiror that is body corporate that is incorporated or established under the laws of an OECD member state and that, on the occurrence of the Relevant Event, has in issue Relevant Shares.

"**Governmental Entity**" means (x) the Swiss Confederation, (y) an agency of the Swiss Confederation or (z) a person or entity (other than a body corporate) controlled by the Swiss Confederation or any such agency referred to in clause (y); *provided, however*, that, if UBS Group AG is at any time organised in a jurisdiction outside of Switzerland, references in this definition to "the Swiss Confederation" shall be read as references to the government of such other jurisdiction.

The "**New Conversion Condition**" shall be satisfied in respect of a Relevant Event if, by no later than seven days following the occurrence of such Relevant Event, (x) UBS Group AG has, to the satisfaction of UBS Group AG, entered into arrangements with the Approved Entity that provide for delivery of Relevant Shares of the Approved Entity on Conversion on terms *mutatis mutandis* as provided in the provisions of this Condition 9, and (y) the Issuer has entered into such agreements and arrangements, and made such amendments to these Terms and Conditions, as may be required to ensure that, with effect from the New Conversion Condition Effective Date, the Notes shall, following the occurrence of a Conversion Event, be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 9 (as may be so amended) at the New Conversion Price; *provided, however*, that, any failure to enter into the arrangements and agreements and/or make the amendments described in clauses (x) and (y) shall not constitute a default or an Event of Default under these Terms and Conditions.

"**New Conversion Condition Effective Date**" means the date with effect from which the New Conversion Condition has been satisfied.

"**New Conversion Price**" means, in respect of any Conversion Date falling on or after the New Conversion Condition Effective Date, the amount determined by the Issuer in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

- | | |
|--------|---|
| NCP | is the New Conversion Price. |
| ECP | is the Conversion Price in effect on the last dealing day prior to the New Conversion Condition Effective Date. |
| VWAPRS | is the average of the Volume Weighted Average Price of the Relevant Shares of the Approved Entity (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the last dealing day prior to the date on which the Relevant Event occurred (and where references in the definition of "Volume Weighted Average Price" to "Ordinary Shares" shall be construed as a reference to the Relevant Shares of the Approved Entity and in the definition of "dealing day", references to the "Relevant Stock Exchange" shall be to the primary Recognised Stock Exchange on which the Relevant Shares of the Approved Entity are then listed, admitted to trading or accepted for dealing). |
| VWAPOS | is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on |

the last dealing day prior to the date on which the Relevant Event occurred.

"Non-Qualifying Relevant Event" means a Relevant Event that is not a Qualifying Relevant Event.

"Qualifying Relevant Event" means a Relevant Event where:

- (A) the Acquiror is an Approved Entity; and
- (B) the New Conversion Condition is satisfied.

A **"Relevant Event"** will have occurred if, on or after the occurrence of a Conversion Capital Availability Event, any Person or Persons acting in concert acquires control of UBS Group AG (other than as a result of an Exempt Reorganisation). For the purposes of this definition "Relevant Event", **"control"** means the acquisition or holding of legal or beneficial ownership of more than 95 per cent. of the issued Ordinary Shares of UBS Group AG (whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise) and, as a consequence thereof, the Ordinary Shares are no longer admitted to trading on any Recognised Stock Exchange, and **"controlled"** shall be construed accordingly.

"Relevant Shares" means, in respect of an Acquiror, ordinary share capital of such Acquiror that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) that is listed and admitted to trading on a Recognised Stock Exchange.

(f) *Procedure for settlement and delivery of Ordinary Shares on Conversion*

Ordinary Shares to be issued on Conversion shall be delivered subject to and as provided below.

(g) *Fractions*

Fractions of Ordinary Shares will not be issued or delivered pursuant to these Terms and Conditions on Conversion and no cash payment will be made in lieu thereof. The number of Ordinary Shares to be issued and delivered to the Settlement Share Depository for the benefit of each Holder in respect of a Conversion shall be calculated by the Settlement Agent on the basis of the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date and rounded down, if necessary, to the nearest whole number of Ordinary Shares.

(h) *Procedure for delivery in respect of a Conversion*

- (i) UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, shall on or prior to the applicable Conversion Date issue and deliver to the Settlement Share Depository such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares to the Holders in respect of the Conversion on the applicable Conversion Date. Receipt by the Settlement Share Depository of such Ordinary Shares shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes. If the Issuer is unable to appoint a Settlement Share Depository on or prior to the giving of the Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, it shall make such other arrangements for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders as it considers, in its sole discretion, to be reasonable in the circumstances, which may include issuing and delivering such Ordinary Shares to another independent nominee to be held on trust for the Holders or issuing and delivering such Ordinary Shares to the Holders directly, which issuance and delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes as if the relevant Ordinary

Shares had been issued and delivered to the Settlement Share Depository and, in which case, where the context so admits, references in these Terms and Conditions to the issue and delivery of Ordinary Shares to the Settlement Share Depository shall be construed accordingly and apply *mutatis mutandis*.

- (ii) Subject to the making of a Settlement Shares Offer and as otherwise provided herein, the Settlement Agent shall give instructions to the Settlement Share Depository for the relevant Ordinary Shares to be delivered by the Settlement Share Depository on the applicable Settlement Date to the Holders, and the Settlement Share Depository shall procure that the Ordinary Shares are so delivered to the Holders on the applicable Settlement Date.
- (iii) In respect of a Conversion as a result of the occurrence of a Trigger Event only, following receipt by the Settlement Share Depository of the Ordinary Shares and the resulting good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (i) above, the Issuer may, in its sole discretion, appoint a placement agent (the "**Settlement Shares Offer Agent**") acting on behalf, and for the accounts, of the Holders to conduct an offering of the Ordinary Shares to which the Holders are otherwise entitled (a "**Settlement Shares Offer**"). In the relevant Trigger Event Conversion Notice, the Issuer shall notify the Holders whether it will appoint such Settlement Shares Offer Agent to conduct such a Settlement Shares Offer. If it does so appoint a Settlement Shares Offer Agent, it will instruct the Settlement Share Depository to deliver the relevant Ordinary Shares to or to the order of the Settlement Shares Offer Agent for this purpose prior to the end of the Offer Settlement Period. Such Settlement Shares Offer shall be made (x) at a net price per Ordinary Share, which, translated into the Relevant Currency at the Prevailing Rate at the date of the Trigger Event Conversion Notice, is equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice, and (y) to some or, subject to applicable laws and regulations and to such an offer being practicable in the opinion of the Issuer in the Offer Settlement Period, all Shareholders on the record date of the Trigger Event Conversion Notice then eligible to participate in such offer. Any such Settlement Shares Offer shall be completed no later than 20 Business Days after the occurrence of the Trigger Event (the "**Offer Settlement Period**"). Neither the Issuer nor the Settlement Share Depository shall incur any liability whatsoever to the Holders in respect of the appointment of such Settlement Shares Offer Agent or its conduct, save for cases of gross negligence or wilful intent.

If the Settlement Shares Offer is fully subscribed by or before the end of the Offer Settlement Period, Holders shall, pursuant to the agreement appointing the Settlement Shares Offer Agent, be entitled to receive from the Settlement Shares Offer Agent on the fifth Business Day after the end of the Offer Settlement Period, in respect of each Ordinary Share to which they were otherwise entitled, cash proceeds received from the Settlement Shares Offer in an amount equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice (translated, if necessary, into the Relevant Currency at the Prevailing Rate at the date of the Trigger Event Conversion Notice). If the Settlement Shares Offer is only partially subscribed by the end of the Offer Settlement Period, Holders shall in aggregate be entitled to receive on a *pro rata* basis (x) cash proceeds received from such Settlement Shares Offer in an amount equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice (translated, if necessary, into the Relevant Currency at the Prevailing Rate at the date of the Trigger Event Conversion Notice) multiplied by the aggregate number of Ordinary Shares sold on the fifth Business Day after the end of the Offer Settlement Period from the Settlement Shares Offer Agent, pursuant to the agreement appointing the Settlement Shares Offer Agent, and rounding the resulting figure to the nearest sub-unit of the Relevant Currency (one half of any such sub-unit being rounded upwards), together with (y) the number of Ordinary Shares not subscribed pursuant to the Settlement Shares Offer within the period specified below from the Settlement Share Depository. If no Ordinary Shares are subscribed in the Settlement Shares Offer, Holders shall be entitled to receive the relevant Ordinary

Shares within the period specified below from the Settlement Share Depository. Notwithstanding Condition 10 (*Payments; Agents*), any cash proceeds that the Holders are entitled to receive pursuant to this subclause (iii) shall be delivered to the Holders in accordance with clause (j) of this Condition 9.

In relation to any Ordinary Shares not sold pursuant to a Settlement Shares Offer, the Settlement Agent shall give instructions to the Settlement Shares Offer Agent for such Ordinary Shares to be delivered by the Settlement Shares Offer Agent to the relevant Holders within five Business Days after the end of the Offer Settlement Period.

(i) *Taxes and duties*

None of the Issuer, any other member of the Group, any Agent, the Settlement Share Depository and the US Transfer Agent will pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of Ordinary Shares to the Settlement Share Depository or the delivery of any Ordinary Shares to the relevant recipient in accordance with the instructions given in the relevant Settlement Shares Settlement Notice. A Holder must pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of the Ordinary Shares to the Settlement Share Depository or the delivery of the Ordinary Shares to the relevant recipient in accordance with the instructions given in the relevant Settlement Shares Settlement Notice, and such Holder must pay all, if any, such taxes and duties arising by reference to any disposal or deemed disposal of such Holder's Notes or interest therein. Any capital, stamp, issue, registration, transfer or other taxes or duties arising on delivery or transfer of Ordinary Shares to a purchaser in any Settlement Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(j) *Delivery of Ordinary Shares and cash proceeds received from a Settlement Shares Offer*

UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, will issue and deliver the Ordinary Shares required to be issued and delivered on Conversion to the Settlement Share Depository on behalf of the Holder of the relevant Note(s). The Issuer (or another party so authorised by the Issuer) shall instruct the US Transfer Agent to credit such Ordinary Shares to a nominee account in the name of the Settlement Share Depository to be held on behalf of the Holders on the applicable Conversion Date. Receipt by the Settlement Share Depository of such Ordinary Shares on the applicable Conversion Date shall be a good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (h)(i) of this Condition 9.

In order to obtain delivery from the Settlement Share Depository of the Ordinary Shares and/or cash proceeds received from a Settlement Shares Offer, in each case to which it is entitled pursuant to this Condition 9, a Holder will be required to deliver to the Settlement Share Depository (or any of its agent designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) an executed settlement shares settlement notice substantially in the form that may be obtained from the Specified Office of the Settlement Agent (a "**Settlement Shares Settlement Notice**") and the relevant Certificate representing the relevant Note to the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice) on or before the Settlement Notice Cut-off Date. If such Settlement Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the Specified Office of the Settlement Share Depository, such delivery shall be deemed for all purposes to have been made or given on the following New York Business Day. The Settlement Shares Settlement Notice must contain certain information, including the name of the relevant recipient in which the relevant Ordinary Shares are to be registered directly on the books of the US Transfer, and Settlement Shares Settlement Notices and Certificates must be delivered to the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) in accordance with the procedures

described in the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable; *provided, however*, that, if the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, then the Settlement Shares Settlement Notice must be given in accordance with the standard procedures of the Depository (which may include, without limitation, delivery of the notice to the Settlement Share Depository by electronic means) and in a form acceptable to the Depository, the Settlement Agent and the Settlement Share Depository. Subject as otherwise provided herein, the relevant Ordinary Shares and/or cash proceeds of a Settlement Shares Offer will be delivered by or on behalf of the Settlement Share Depository or the Settlement Shares Offer Agent, as applicable, in accordance with the instructions given in the relevant Settlement Shares Settlement Notice; *provided, however*, that, if the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, then delivery of any such cash proceeds shall be made by the Settlement Shares Offer Agent in accordance with the Depository's practices from time to time.

If a Holder delivers a valid Settlement Shares Settlement Notice and the relevant Certificate on or before the Settlement Notice Cut-off Date, then the Ordinary Shares will be delivered in respect of the relevant Note(s) by way of registering the Ordinary Shares in the name of the relevant recipient directly on the books of the US Transfer Agent on the applicable Settlement Date or such other date as is specified for delivery. Once Ordinary Shares are registered in the name of the relevant recipient directly on the books of the US Transfer Agent, such relevant recipient, as Shareholder, is expected to receive periodic account statements from the US Transfer Agent with respect to its Ordinary Shares. At the time of delivery of any Ordinary Shares to the relevant recipient by registration of such Ordinary Shares directly on the books of the US Transfer Agent, the then-valid share registration rules of UBS Group AG will apply, and UBS Group AG does not offer any assurance or guarantee that such relevant recipient will be accepted as a Shareholder with voting rights in the share register of UBS Group AG.

If a Holder fails to deliver a Settlement Shares Settlement Notice or the relevant Certificate on or before the Settlement Notice Cut-off Date or if a Holder has delivered a Settlement Shares Settlement Notice and the relevant Certificate on or prior the Settlement Notice Cut-off Date but such Settlement Shares Settlement Notice has been determined by the Settlement Share Depository to be null and void, then the Settlement Share Depository shall continue to hold the relevant Ordinary Shares and/or, as applicable, cash proceeds received from a Settlement Shares Offer, in each case to which such Holder is entitled pursuant to this Condition 9, until a valid Settlement Shares Settlement Notice (and the Certificate representing the relevant Notes) is so delivered by such Holder. If any such Ordinary Shares or such cash proceeds received from a Settlement Shares Offer (as applicable) have not been claimed during the 10-year and 30-day period commencing on the Final Cancellation Date, the relevant claims of the applicable Holders are time-barred and the relevant Ordinary Shares and cash, as the case may be, will be transferred to the Issuer. None of the Issuer, the Settlement Share Depository and the Settlement Shares Offer Agent shall have any liability to any Holder for any loss resulting from such Holder not receiving any such Ordinary Shares and/or cash proceeds.

If not previously cancelled on the applicable Settlement Date, the relevant Notes shall be cancelled on the Final Cancellation Date and any Holder delivering a Settlement Shares Settlement Notice after the Settlement Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares and/or cash proceeds from a Settlement Shares Offer, as applicable, satisfactory to the Settlement Share Depository in its sole discretion in order to receive delivery of such Ordinary Shares or such cash proceeds, as applicable. None of the Issuer, the Settlement Share Depository and the Settlement Shares Offer Agent shall have any liability to any Holder for any loss resulting from such Holder not receiving any Ordinary Shares or cash proceeds from a Settlement Shares Offer, as applicable, or from any delay in the receipt thereof, in each case as a result of such Holder failing to submit a valid Settlement Shares Settlement Notice and any relevant Certificate (if applicable), on a timely basis or at all.

Any determination as to whether any Settlement Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Terms and Conditions, or whether any evidence of entitlement to Ordinary Shares or cash proceeds received from a Settlement Shares Offer, as applicable, is satisfactory, shall be made by the Settlement Share Depository in its sole discretion and shall be conclusive and binding on the relevant Holders. In the case of Notes represented by a Global Certificate, any Settlement Shares Settlement Notice delivered prior to the day following the Suspension Date will be null and void.

(k) *Ordinary Shares*

The Ordinary Shares issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Share Creation Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant Holder will not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Share Creation Date.

All Ordinary Shares issued and delivered to Holders upon Conversion are expected to be "restricted securities" within the meaning of Rule 144 under the US Securities Act, and accordingly, any Holder who receives Ordinary Shares upon Conversion will be subject to restrictions under the US Securities Act on its ability to resell such Ordinary Shares. Subject to applicable law and the policies and procedures of the US Transfer Agent from time to time, through the US Transfer Agent, Holders who receive Ordinary Shares upon Conversion are expected to be able to effect transfers of such Ordinary Shares with other Shareholders holding their Ordinary Shares through the US Transfer Agent, or with Shareholders holding their Ordinary Shares via DTC through custodian banks or brokers by means of DTC's Direct Registration System.

(l) *Purchase or redemption of Ordinary Shares*

UBS Group AG or any of its subsidiaries may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of UBS Group AG (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of Holders.

(m) *Determinations to be made by an Independent Adviser*

In the case of any determination that is required to be made by an Independent Adviser under these Terms and Conditions, the Issuer shall use reasonable endeavours to appoint an Independent Adviser to make such determination; *provided, however*, that, notwithstanding the other provisions of these Terms and Conditions, if the Issuer is unable to so appoint an Independent Adviser or the Independent Adviser so appointed by the Issuer fails to make such determination, the Issuer, acting in good faith and a commercially reasonable manner, will make such determination.

Any determination that is made by an Independent Adviser under these Terms and Conditions will be made in the sole discretion of such Independent Adviser acting in good faith and in a commercially reasonable manner.

(n) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by an Independent Adviser or the Settlement Agent for purposes of this Condition 9 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Independent Adviser or the Settlement Agent in connection with the exercise or non-

exercise by the Independent Adviser or the Settlement Agent of its powers, duties and discretions under this Condition 9.

10. **PAYMENTS; AGENTS**

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in USD, which will be placed at the free disposal of the Fiscal Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in USD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality; *provided, however*, that, in the case of Notes represented by Definitive Certificates, such Definitive Certificates must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.
- (b) The receipt by the Fiscal Agent of the due and punctual payment of funds in USD will release the Issuer from its obligations under the Notes to the extent of such payment.

Subject to clause (d) of this Condition 10:

- (i) the Issuer reserves the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, there will at all times be a Fiscal Agent, a Registrar, a Calculation Agent and a Settlement Agent, (B) for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, the Issuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"), and (C) any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations and determinations to be made by the Calculation Agent; and
- (ii) if at any time the Fiscal Agent, the Registrar, the Calculation Agent, or the Swiss Paying Agent, (A) becomes incapable of acting, or (B) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer will terminate the appointment of such Agent in accordance with the Fiscal Agency Agreement and appoint a successor Agent; and
- (iii) if at any time the Calculation Agent fails to (A) determine the Treasury Yield or the Reset Interest Rate or duly calculate the Reset Interest Amount for any Reset Interest Period or the interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (B) comply with any other requirement in relation to the Notes, then the Issuer will terminate the appointment of the Calculation Agent in accordance with the Fiscal Agency Agreement and appoint a successor Calculation Agent; *provided*,

however, that, if the Calculation Agent duly calculates such Reset Interest Rate, Reset Interest Amount or interest amount payable on the Redemption Date, as the case may be, prior to its termination (and the appointment of its successor) taking effect in accordance with clause (d) of this Condition 10, the Issuer may elect, in its sole discretion and upon notice to the Holders in accordance with Condition 15 (*Notices*), to cancel such termination (and appointment).

- (c) Any appointment or termination of appointment of, or any resignation by, any Agent (other than the Settlement Agent) may only take effect not more than 45 and not less than 30 days after the Issuer has notified the Holders of such appointment, termination or resignation in accordance with Condition 15 (*Notices*); *provided, however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior to the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, the Fiscal Agent, the Registrar, the Swiss Paying Agent or the Calculation Agent may not take effect until the Issuer has appointed a successor Fiscal Agent, Registrar, Swiss Paying Agent or Calculation Agent, as applicable; *provided, however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Fiscal Agency Agreement, the Fiscal Agent, the Registrar, any Paying Agent or the Calculation Agent, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.
- (d) Subject to subclause (c)(i) of this Condition 10, the Issuer may appoint or terminate the appointment of a Settlement Agent, and a Settlement Agent may resign, at any time. The Issuer will notify the Holders of any such appointment, termination or resignation in accordance with Condition 15 (*Notices*).

11. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").
- (c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 11 in relation to any Note:
 - (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
 - (ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or

- (iii) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code (FATCA); or]
 - (iv) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or
 - (v) to the extent any combination of subclauses (i) through (iv) of this clause (c) applies.
- (d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 11 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 11.

12. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the 10-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

13. EVENTS OF DEFAULT

- (a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":
- (i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or
 - (iv) a Bankruptcy Event;
- provided, however*, that, notwithstanding subclauses (i) to (iv) above, neither (A) the opening of Restructuring Proceedings with respect to the Issuer nor (B) the exercise of any Swiss Resolution Power with respect to the Issuer during any such Restructuring Proceedings nor (C) the ordering of any Protective Measures with respect to the Issuer that are ordered or confirmed upon the opening of or during any such Restructuring Proceedings will constitute a default or an Event of Default.
- (b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*)

payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.

- (c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 13, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.
- (d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.
- (e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.
- (f) No remedy against the Issuer other than those described in this Condition 13 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 13.

14. MEETINGS OF HOLDERS; SUBSTITUTION AND AMENDMENT

- (a) Except as otherwise specified in this Condition 14, the provisions of bondholder meetings contained in article 1157 et seqq. of the Swiss Code apply in relation to meetings of Holders.
- (b) If a Tax Event or a Regulatory Event has occurred, the Issuer may, without the consent of the Holders, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:
 - (i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;
 - (ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);
 - (iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 15 (*Notices*), which notice will, subject to subclause (v) of this clause (b), be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");
 - (iv) prior to the publication of any notice pursuant to subclause (iii) of this clause (b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance

giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) have arisen; and

- (v) no Trigger Event or Viability Event has occurred prior to the relevant Substitution or Amendment Effective Date.

In connection with any substitution or amendment in accordance with this clause (b), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (c) In addition to its rights under clause (b) of this Condition 14, the Issuer may, without the consent of the Holders, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to (A) the provisions of clause (a) of Condition 16 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 4 (*Status and Subordination*) and the provisions of Condition 13 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 16 (*Issuer Substitution*)), or (B) the provisions of subclause (e)(iii) and/or subclause (e)(i)(B) of Condition 9 (*Conversion*), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interests of the Holders.
- (d) The Issuer shall notify the Holders of any amendments made pursuant to clause (c) of this Condition 14 in accordance with Condition 15 (*Notices*), which notice shall state the date on which such amendment will be effective.
- (e) Any amendment made pursuant to this Condition 14 will be binding on the Holders in accordance with its terms.

15. NOTICES

- (a) So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (i) by means of electronic publication on the internet website of SIX Exchange Regulation Ltd (<https://www.ser-ag.com>), where notices are as at the Issue Date published under the address [https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/,](https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.
- (b) If the Notes are for any reason no longer listed on the SIX Swiss Exchange:
 - (i) if the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, notices to Holders shall only be required to be given by the Issuer in accordance with clause (c) of this Condition 15; or
 - (ii) if the Global Certificate(s) have been exchanged for Definitive Certificates, the Issuer shall send notices to Holders by first class mail at their respective addresses as recorded in the Register, and any such notice will be validly given on the fourth Business Day after the date of such mailing.
- (c) So long as the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, any notices required to be given by the Issuer to the Holders hereunder shall also be given to the Indirect Holders through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be validly given on the date of delivery to DTC in accordance with DTC's applicable procedures.

16. ISSUER SUBSTITUTION

- (a) The Issuer (for purposes of this Condition 16, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 15 (*Notices*), *provided that*:
- (i) the Substitute Issuer is UBS Group AG or, if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the US Investment Company Act, and (B) at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
 - (ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
 - (iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), (A) the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and (B) upon the occurrence of a Conversion, the due delivery of the Ordinary Shares required to be delivered pursuant to Condition 9 (*Conversion*), and on the terms whereby subclause (iii) of Condition 5(h) (*Cancellation of interest; prohibited interest*), subclause (d)(ii)(C) of Condition 9 (*Conversion*), Condition 11 (*Taxation*), Condition 13 (*Events of Default*) and Condition 21 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;
 - (iv) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 4 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Fiscal Agency Agreement, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
 - (v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 11 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in subclause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and

that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;

- (vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;
 - (vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes; and
 - (viii) such substitution does not give rise to a Tax Event or a Regulatory Event.
- (b) Upon any substitution pursuant to clause (a) of this Condition 16, (i) the Substitute Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be released from its obligations under the Notes.
- (c) After giving effect to any substitution pursuant to clause (a) of this Condition 16, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

17. **CONSOLIDATION, MERGER OR SALE**

The Issuer will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to any Person of which at least 95 per cent. of such Person's capital and voting rights are held, directly or indirectly, by the Issuer) or permit any Person to merge with or into the Issuer unless (a) the Issuer will be the continuing Person, or (b) the Person formed by such consolidation or into which the Issuer is merged or that acquired such property and assets of the Issuer expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Issuer under the Notes.

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 18, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

19. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than USD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in USD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase USD with such amount on such date, on the first date on which it is practicable to do so). If the amount of USD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall

indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 19, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 19 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

20. **RULE 144A INFORMATION**

If at any time the Issuer is neither a reporting company under Section 13 or Section 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, the Issuer will comply with any applicable requirements of Rule 144A(d)(4) under the US Securities Act in relation to the Notes.

21. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer in respect of, or arising in connection with, the Notes.

22. **GOVERNING LAW AND JURISDICTION**

- (a) The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by and construed in accordance with the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, including any non-contractual obligation arising out of or in connection with the Notes.



High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|--------------------------|--|
| Issuer | UBS Group AG |
| ISIN | US902613BE74 (144A) / USH42097ER43 (Reg S) |
| Issue Date | 13.11.2023 |
| Currency | USD |
| Nominal (million) | 1,750 |
| Interest Rate | 9.250% ¹ |
| Maturity Date | perpetual |
| First Call Date | 13.11.2033 |

¹ Rate subject to change after first call date.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

1. DEFINITIONS

"**Acquiror**" has the meaning assigned to such term in subclause (e)(iv) of Condition 9 (*Conversion*).

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 11 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Agent Insolvency Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 10 (*Payments; Agents*).

"**Agents**" means the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and any other agent from time to time appointed pursuant to the terms of the Fiscal Agency Agreement and the Settlement Agent.

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (e) of Condition 7 (*Trigger Event and Viability Event*).

"**Approved Entity**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Articles of Association**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"**Bankruptcy Event**" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, (ii) the opening of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such proceedings, "**Restructuring Proceedings**"), and/or (iii) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betriebsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the ordering of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such measures, "**Protective Measures**"), including, in the case of each of subclauses (x), (y) and (z), any steps (other than any steps described in clauses (i) through (iii) of this definition) taken under or in connection therewith.

"BIS Regulations" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"BIS Risk Weighted Assets" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term **"risk-weighted assets"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in (i) for purposes of the definitions of the terms "Extraordinary Publication Date", "Higher-Trigger Amount" and "Ordinary Publication Date", Zurich, and (ii) otherwise, New York City and Zurich.

"Calculation Agent" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"Calculation Amount" means USD 1,000.

"Capital Adequacy Ordinance" means the Swiss Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Firms of 1 June 2012, as amended from time to time, or any successor Swiss law or regulation.

"Cash Distribution" means any dividend or distribution in respect of the Ordinary Shares that is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including any cash distribution or payment to Shareholders upon or in connection with a reduction of capital. For the avoidance of doubt, the term "Cash Distribution" does not include consideration paid or any other payments made by UBS Group AG or any of its affiliates in connection with the repurchase of Ordinary Shares in connection with any share buyback programme.

"Certificate" means a Global Certificate and/or a Definitive Certificate, as the case may be.

"CET1 Capital" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term **"common equity tier 1 capital"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"CET1 Ratio" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"Clearstream, Luxembourg" means Clearstream Banking S.A.

"Code" has the meaning assigned to such term in clause (c) of Condition 11 (*Taxation*).

"Compliant Securities" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), provided that:

- (a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;
- (b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;
- (c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and
- (d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"Contingent Write-down" means the events described in clauses (a) through (c) of Condition 8 (*Contingent Write-down*).

"Conversion" has the meaning given to it in clause (a) of Condition 9 (*Conversion*), and "convert" and "converted" shall be construed accordingly.

"Conversion Capital" means conversion capital (*Wandlungskapital*) within the meaning of the FBA.

"Conversion Capital Availability Event" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"Conversion Date" means, with respect to any Conversion, the Trigger Event Conversion Date or the Viability Event Conversion Date, as applicable.

"Conversion Event" means a Trigger Event in respect of which the relevant Trigger Event Notice is a Trigger Event Conversion Notice or a Viability Event that occurs on or after a Conversion Capital Availability Event.

"Conversion Price" means USD 22.37, subject to any adjustment in accordance with clause (d) of Condition 9 (*Conversion*).

"Current Market Price" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), 10 consecutive dealing days) ending on the dealing day immediately preceding such date (such period, the **"Reference Period"**), *provided* that, if at any time during the Reference Period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of the Reference Period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price cum-dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary

Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit; or

- (b) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price ex-dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if on each of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period the Volume Weighted Average Price was based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) that has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices that are available in the Reference Period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the Reference Period, the Current Market Price shall be determined by an Independent Adviser.

"Day Count Fraction" means, in respect of any period (the **"Calculation Period"**), the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

"**dealing day**" means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares or other securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Definitive Certificate**" has the meaning assigned to such term in subclause (c)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Depository**" means DTC or any other Relevant Clearing System outside of Switzerland designated as Depository by the Issuer; *provided, however*, that, irrespective of the number of Regulation S Global Certificates and/or Rule 144A Global Certificates, as the case may be, outstanding, there will be no more than one Depository for the Notes at any time.

"**Distributable Items**" means, in respect of any Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Distribution Compliance Period**" means the 40-day period commencing on (and including) the later of (i) the day on which the Notes are first offered to Persons other than distributors (as defined in Regulation S under the US Securities Act), and (ii) the day on which the closing of the offering of the Notes occurs.

"**DTC**" means The Depository Trust Company.

"**EEA Regulated Market**" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets on financial instruments.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 13 (*Events of Default*).

"**Exempt Reorganisation**" means a Reorganisation where, immediately after completion of the relevant proceedings, the ordinary shares or units or equivalent of Newco (or depository or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Recognised Stock Exchange as UBS Group AG or Newco may determine.

"**Existing Shareholders**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Extraordinary Distribution**" means any Cash Distribution (i) that is expressly declared by UBS Group AG to be an extraordinary or special dividend or an extraordinary or special distribution to Shareholders as a class or any analogous or similar term, and (ii) the amount of which exceeds the arithmetic average of the ordinary dividend per Ordinary Share paid by UBS Group AG in the three most recently preceding calendar years (each such ordinary dividend translated, if necessary, into the currency in which the applicable Cash Distribution is expressed at the Prevailing Rate on the date on which such ordinary dividend was paid) by more than 25 per cent.

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Notice in accordance with Condition 7 (*Trigger Event and Viability Event*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Fair Market Value" means, with respect to any property on any date (the **"Relevant Valuation Date"**), the fair market value of that property as determined by an Independent Adviser, *provided* that:

- (a) the Fair Market Value of a cash amount shall be the amount of such cash;
- (b) where securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Adviser), the Fair Market Value (i) of such securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of each of subclauses (i) and (ii), during the period of five dealing days on the relevant stock exchange or securities market commencing on the later of (x) the applicable Relevant Valuation Date and (y) the first dealing day on which such securities, options, warrants or other rights are publicly traded, or such shorter period as such securities, options, warrants or other rights are publicly traded; and
- (c) where securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such securities, options, warrants or other rights shall be determined by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Any amounts determined pursuant to the above shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on the Relevant Valuation Date. In addition, in the case of clause (a) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

"FBA" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"Final Cancellation Date" means the date specified in the Trigger Event Conversion Notice or a Viability Event Conversion Notice, as applicable, as being the date on which any Notes in relation to which no valid Settlement Shares Settlement Notice has been received by the Settlement Share Depository (or its designated agent(s)) on or before the Settlement Notice Cut-off Date shall be cancelled, which date is expected to be no more than 12 Business Days following the Settlement Notice Cut-off Date.

"FINMA" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"First Call Date" means 13 November 2033.

"Fiscal Agency Agreement" means the fiscal agency agreement dated as of 10 February 2021, among the Issuer, the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and the other Agents from time to time party thereto, as may be amended, supplemented or otherwise modified from time to time.

"Fiscal Agent" means Deutsche Bank Trust Company Americas, in its capacity as fiscal agent for the Notes, and includes any successor fiscal agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"Fixed Interest Rate" means 9.250 per cent. per annum.

"Former Residence" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"Global Certificate" means a Regulation S Global Certificate and/or Rule 144A Global Certificate, as the case may be.

"Going-Concern LR Requirement" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"Going-Concern RWA Requirement" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"Group" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"Group Holding Company" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"Higher-Trigger Amount" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"Higher-Trigger Contingent Capital" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Threshold Ratio (with respect to the relevant Higher-Trigger Contingent Capital, its **"Higher-Trigger Threshold Ratio"**).

"Higher-Trigger Threshold Ratio" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"Higher-Trigger Write-down/Conversion Date" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"Higher-Trigger Write-down/Conversion Notice" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the

CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold Ratio and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the "**Higher-Trigger Write-down/Conversion Date**"). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher- Trigger Threshold Ratio, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date will be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"**Holder**" means, with respect to any Note, the Person in whose name the Certificate representing such Note is registered in the Register. For the avoidance of doubt, with respect to Notes represented by a Global Certificate, no Indirect Holder or other Person will be a Holder for purposes of these Terms and Conditions or such Notes or have any rights, or be owed any obligations by the Issuer, under such Notes.

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser of recognised standing and expertise, in either case, appointed by UBS Group AG at its own expense to make any determination that is required to be made, or may be made, by an Independent Adviser under these Terms and Conditions.

"**Indirect Holder**" means, with respect to any Note represented by a Global Certificate, any Person (other than the Holder) that owns a beneficial interest in such Notes through a bank, broker or other financial institution that (i) participates in the book-entry system of DTC, Euroclear, Clearstream, Luxembourg and/or any other clearing system (each, a "**Relevant Clearing System**"), or (ii) holds an interest in such Note through a participant in the book-entry system of any Relevant Clearing System. No Indirect Holder will have any rights, or be owed any obligations by the Issuer, under the Notes.

"**Interest Payment Date**" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"**Interest Rate**" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"**Issue Date**" means 13 November 2023.

"**Issuer**" means UBS Group AG in its capacity as issuer of the Notes.

"**Junior Obligations**" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"**Margin**" means 4.758 per cent. per annum.

"**Minimum Conversion Capital Availability Amount**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**National Regulations**" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Conversion Condition**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Condition Effective Date**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Price**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"**New York Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in New York City.

"**Newco**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Non-Qualifying Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Notes**" means the USD 1,750,000,000 9.250 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**OECD**" means the Organisation for Economic Co-operation and Development.

"**Offer Settlement Period**" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG, which as of the Issue Date have a par value of USD 0.10 each. The Ordinary Shares deliverable on Conversion will be newly issued from the capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) and/or Conversion Capital of UBS Group AG, and rank *pari passu* with all other registered ordinary shares of UBS Group AG for any and all distributions payable on them on or after the relevant Share Creation Date.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Other Tier 1 Contingent Convertible Capital Note**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 10 (*Payments; Agents*).

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in New York City.

"**Permitted Transactions**" means:

- (a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any

Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;

- (b) market-making in Ordinary Shares as part of the securities business of any member of the Group;
- (c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;
- (d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and
- (e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"Presentation Currency" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (New York City time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (New York City time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser determines to be appropriate.

"Protective Measures" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Public Sector" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"Publication Date" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"Qualifying Relevant Event" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Quarterly Financial Accounts" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company,

provided that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"**QIB**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Recognised Stock Exchange**" means an EEA Regulated Market, a regulated, regularly operating, recognised stock exchange in Switzerland or any other regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

"**Record Date**" means, with respect to any Scheduled Due Date, the last Relevant Banking Day immediately preceding such Scheduled Due Date.

"**Redemption Date**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Redemption Notice**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Reference Period**" has the meaning assigned to such term in the definition of the term "Current Market Price".

"**Register**" means the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement.

"**Registrar**" means Deutsche Bank Trust Company Americas, in its capacity as registrar for the Notes, and includes any successor registrar for the Notes appointed in accordance with the Fiscal Agency Agreement.

"**Regulation S Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Banking Day**" means a day other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the Registrar and the Fiscal Agent.

"**Relevant Clearing System**" has the meaning assigned to such term in the definition of the term "Indirect Holder".

"**Relevant Currency**" means USD.

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the money payable on the Scheduled Due Date has not been received by the Fiscal Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Fiscal Agent.

"**Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Relevant Page**" means the page on Bloomberg or such other information service provider that displays the relevant information.

"**Relevant Shares**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Relevant Stock Exchange" means the New York Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the New York Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing (if any).

"Reorganisation" means proceedings that effect the interposition of a corporation or other limited liability company ("**Newco**") between the Shareholders immediately prior to such proceedings (the "**Existing Shareholders**") and UBS Group AG, *provided* that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders, (ii) immediately after completion of such proceedings the only holders of ordinary shares, units or equivalent of Newco or the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, as the case may be, are Existing Shareholders holding in the same proportions as immediately prior to completion of such proceedings, (iii) immediately after completion of such proceedings, Newco is (or one or more wholly-owned subsidiaries of Newco are) the only shareholder of UBS Group AG, (iv) all subsidiaries of UBS Group AG immediately prior to such proceedings (other than Newco, if Newco is then a subsidiary of UBS Group AG) are subsidiaries of UBS Group AG (or of Newco) immediately after completion of such proceedings, and (v) immediately after completion of such proceedings, UBS Group AG (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those subsidiaries as was held by UBS Group AG immediately prior to such proceedings.

"Reset Date" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"Reset Determination Date" means, in relation to any Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"Reset Interest Amount" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"Reset Interest Period" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"Reset Interest Rate" means, in relation to any Reset Interest Period, the sum of the Margin and the Treasury Yield in relation to such Reset Interest Period.

"Restructuring Proceedings" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Reviewed Interim Measurement" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"Rule 144A" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"Rule 144A Global Certificate" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"Scheduled Due Date" has the meaning assigned to such term in the definition of the term "Relevant Date".

"Securities" means any shares in the capital of UBS Group AG, or any options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of UBS Group AG, excluding all Other Tier 1 Contingent Convertible Capital Notes (and each a "**Security**").

"Senior Obligations" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"Settlement Agency Agreement" means the Settlement Agency Agreement dated as of the Issue Date, between the Issuer and the Settlement Agent, as amended, supplemented or otherwise modified from time to time.

"Settlement Agent" means UBS AG, in its capacity as settlement agent for the Notes, and includes any successor settlement agent for the Notes appointed in accordance with these Terms and Conditions.

"Settlement Date" means:

- (a) with respect to any Note in relation to which a valid Settlement Shares Settlement Notice is received by the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) on or before the Settlement Notice Cut-off Date,
 - (i) if the Trigger Event Conversion Notice specified that the Issuer will not appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer or if the Issuer gave a Viability Event Conversion Notice, the date that is two Business Days after the date on which the relevant Settlement Shares Settlement Notice has been so received by the Settlement Share Depository (or such agent); or
 - (ii) if the Trigger Event Conversion Notice specified that the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, the date that is two Business Days after the later of (x) the date on which the Offer Settlement Period expires or is terminated and (y) the date on which the relevant Settlement Shares Settlement Notice has been so received by the Settlement Share Depository (or such agent); and
- (b) with respect to any Note in relation to which a valid Settlement Shares Settlement Notice is not received by the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) on or before the Settlement Notice Cut-off Date, the date on which the Settlement Share Depository delivers the relevant Ordinary Shares and/or cash proceeds of the Settlement Shares Offer, as applicable, to which the Holder of such Note is entitled pursuant to Condition 9 (*Conversion*) to such Holder.

"Settlement Notice Cut-off Date" means the date specified as such in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, which date shall be at least 20 Business Days following the applicable Suspension Date.

"Settlement Share Depository" means a reputable independent financial institution, clearing institution, trust company or similar entity, to be appointed by the Issuer on or prior to any date when a function ascribed to the Settlement Share Depository in these Terms and Conditions is required to be performed to perform such functions, who will hold Ordinary Shares in a designated trust account for the benefit of the Holders and otherwise on terms consistent with these Terms and Conditions.

"Settlement Shares Offer" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Offer Agent" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Settlement Notice" has the meaning given to it in clause (j) of Condition 9 (*Conversion*).

"Share Creation Date" means, in relation to Ordinary Shares to be issued and delivered on Conversion, the date falling after the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, and on or prior to the applicable Conversion Date on which as a matter of Swiss law the relevant Ordinary Shares are paid up.

"Shareholders" means the holders of Ordinary Shares.

"**SIX SIS**" means SIX SIS Ltd and any successor thereto.

"**Specified Office**" means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar, Trust and Agency Services, 1 Columbus Circle, 17th Floor, Mail Stop: NYC01-1710, New York, NY 10019, USA, Attn: Corporates Team, UBS Group AG, (ii) in the case of UBS AG, as Swiss Paying Agent, Calculation Agent and Settlement Agent, Bahnhofstrasse 45, 8001 Zurich, Switzerland, (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after the appointment of such Agent, and (iv) in the case of the Settlement Share Depository, the office designated as such in the applicable Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, or, in the case of each of clauses (i), (ii), (iii) and (iv), such other office as the relevant Agent or Settlement Share Depository may designate from time to time by providing notice to the Issuer and the Holders in accordance with Condition 15 (*Notices*).

"**Substitute Issuer**" has the meaning assigned to such term in clause (a) of Condition 16 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in subclause (a)(iv) of Condition 16 (*Issuer Substitution*).

"**Substitution or Amendment Effective Date**" has the meaning assigned to such term in subclause (b)(iii) of Condition 14 (*Meeting of Holders; Substitution and Amendment*).

"**Suspension Date**" means the date specified in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, as the date on which the Depository is expected to suspend all clearance and settlement of transactions in the Notes in accordance with its rules and procedures, which date is expected to be, if such Trigger Event Conversion Notice specifies that the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, as proximate to the expiration or termination of the Offer Settlement Period as is reasonably practicable in accordance with the rules and procedures of the Depository; *provided, however*, that, for purposes of clause (j) of Condition 9 (*Conversion*) only, if the date on which the Depository actually suspends such clearance and settlement is different from the date specified in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, then "Suspension Date" will mean the date on which the Depository actually suspends such clearance and settlement.

"**Swiss Code**" means the Swiss Code of Obligations of 30 March 1911, as amended from time to time.

"**Swiss Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 10 (*Payments; Agents*).

"**Swiss Resolution Power**" means any statutory power of FINMA that it may exercise during Restructuring Proceedings as set forth in article 28 et seqq. of the FBA or in any implementing ordinance or successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, the power to (i) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (ii) stay (for a maximum of two business days) the termination of, or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such Restructuring Proceedings is a party, (iii) partially or fully convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (iv) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 11 (*Taxation*).

"**Threshold Ratio**" means 7 per cent.

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Treasury Yield**" means, in relation to any Reset Interest Period,

- (a) the rate per annum equal to the semi-annual equivalent yield to maturity, that represents the average of such yield to maturity for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for a five-year maturity, appearing under the caption "Treasury constant maturities" in the most recent H.15; or
- (b) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (a) above, the rate per annum equal to the semi-annual equivalent yield to maturity determined by interpolation between the most recent average of such yield to maturity, such average to be determined for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date, for two series of US Treasury securities trading in the public securities market, (i) one maturing as close as possible to, but earlier than, the first Reset Date following the next succeeding Reset Determination Date, and (ii) the other maturing as close as possible to, but later than, the first Reset Date following the next succeeding Reset Determination Date; or
- (c) if the Treasury Yield for such Interest Reset Period cannot be determined pursuant to clause (b) above, the rate per annum equal to the semi-annual equivalent yield to maturity for a five-year maturity for the last available date preceding the applicable Reset Determination Date, appearing under the caption "Treasury constant maturities" in the H.15 that has been most recently published prior to the applicable Reset Determination Date,

in each case, as determined by the Calculation Agent on the applicable Reset Determination Date.

For purposes of this definition, (i) "**H.15**" means the statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System (or any successor publication that is published by the Board of Governors of the United States Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years), and (ii) "**most recent H.15**" means, in respect of any Reset Interest Period, the H.15 published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date. For purposes of clause (b) of this definition only, "**semi-annual equivalent yield to maturity**" means, for securities with two interest payments per year, the annualised yield to maturity of such interest payments, such annualised yield to be calculated in accordance with standard market practice.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger CET1 Ratio" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"Trigger Event" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Conversion Date" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Conversion Notice" means a Trigger Event Notice given on or after the occurrence of a Conversion Capital Availability Event.

"Trigger Event Notice" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Notice Date" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"Trigger Event Write-down Date" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Trigger Event Write-down Notice" means a Trigger Event Notice given prior to the occurrence of a Conversion Capital Availability Event.

"US" or **"United States"** means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"US Exchange Act" means the US Securities Exchange Act of 1934, as amended from time to time.

"US Investment Company Act" means the US Investment Company Act of 1940, as amended from time to time.

"US Securities Act" means the US Securities Act of 1933, as amended from time to time.

"US Transfer Agent" means Computershare Trust Company, N.A., in its capacity as US transfer agent for the Ordinary Shares, and includes any successor US transfer agent for the Ordinary Shares that may be appointed by UBS Group AG from time to time.

"USD" means United States dollars.

"Viability Event" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Conversion Date" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Conversion Notice" means a Viability Event Notice in respect of which the Viability Event has occurred on or after the occurrence of a Conversion Capital Availability Event.

"Viability Event Notice" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Date" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Notice" means a Viability Event Notice in respect of which the Viability Event has occurred prior to the occurrence of a Conversion Capital Availability Event.

"Volume Weighted Average Price" means, in respect of an Ordinary Share or other Security on any dealing day, the order book volume-weighted average price (rounded to the same number of

decimal places as the initial Conversion Price) of an Ordinary Share or such other Security, as the case may be, published on or by or derived from (i) in the case of an Ordinary Share, the relevant Bloomberg page, or (ii) in the case of a Security other than Ordinary Shares, the principal stock exchange or securities market on which such Security is then listed or quoted or dealt in, if any, or, in the case of each of clauses (i) and (ii), such other source as an Independent Adviser determines to be appropriate, on such dealing day, *provided* that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or such other Security, as the case may be, in respect of such dealing day shall be (i) the Volume Weighted Average Price, determined as provided above, on the most recently preceding dealing day on which the same can be so determined, or (ii) determined in such other manner as an Independent Adviser determines to be appropriate.

"Write-down Date" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

2. AMOUNT, DENOMINATION AND FORM

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be USD 1,750,000,000. The Notes will be issued to Holders in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 8 (*Contingent Write-down*). The Notes may be held and transferred only in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

(b) *Global Certificates*

(i) Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the US Securities Act ("**Rule 144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act are initially represented by one or more permanent registered global certificates (each, a "**Regulation S Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC, *provided* that upon such Regulation S Global Certificate's deposit, all beneficial interests in the Notes represented thereby are maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. The form of Regulation S Global Certificate and the form of Rule 144A Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(ii) The aggregate principal amount of the Notes represented by each of the Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Each Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided, however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Note represented by another Global Certificate will, upon transfer, cease to be a beneficial interest in such first Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

- (iii) So long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, the Holder of a Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of a Relevant Clearing System and Persons that may hold interests through such participants, to take any action that the Holder is entitled to take under these Terms and Conditions or the Notes (including, without limitation, delivery of a Settlement Shares Settlement Notice following a Conversion Event in accordance with clause (j) of Condition 9 (*Conversion*)), and nothing in these Terms and Conditions will prevent the Issuer or the Agents or the Settlement Share Depository (if any) or any of their respective agents from giving effect to any such proxies or other authorisations furnished by the Holder of a Global Certificate for purposes of this subclause (b)(iii). Although the Holders are the only Persons entitled to participate in, and vote at, any meeting of Holders, so long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, the Holder of a Global Certificate shall (A) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (B) vote at such meeting in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (C) abstain from representing any Note represented by such Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes represented by such Global Certificate for which the Holder received an instruction by the relevant Indirect Holder to take part at a meeting of Holders will be deemed to be present or represented at such meeting.

(c) *Definitive Certificates*

- (i) Definitive Notes in registered form (each, a "**Definitive Certificate**") shall be issued, and a Global Certificate will be exchanged, in whole, but not in part, for Definitive Certificates, if (and only if):
 - (A) the Depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to some or all of the Global Certificates, or ceases to be a "clearing agency" registered under the US Exchange Act; or
 - (B) at any time the Depository is no longer eligible to act as such, or the Notes cease for any reason to be eligible for clearing through the Depository, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depository or of the Notes, as the case may be, from or on behalf of the Depository; or
 - (C) issuance of the Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Notes; or
 - (D) the Issuer provides its consent.
- (ii) If a Global Certificate is to be exchanged for Definitive Certificates pursuant to subclause (i) of this clause (c), the Issuer will procure the prompt delivery (free of charge) of Definitive Certificates to the Fiscal Agent, duly executed without interest coupons, registered in the names of the relevant Indirect Holders, addresses and denominations provided in a written notice to be given by the Depository or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depository's procedures and also specify the taxpayer identification number, if any, of each Person in whose name such Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Definitive Certificates to the Holders thereof no later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depository (or the Issuer, as applicable) referred to above (and any other necessary information as the Fiscal Agent may reasonably request from the Issuer at such

time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Global Certificates. The form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Rule 144A Global Certificate and the form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

- (iii) If Definitive Certificates have been issued pursuant to this Condition 2(c), any Definitive Certificate that is lost, stolen, mutilated, defaced or destroyed may be replaced, subject to applicable laws and regulations, at the Specified Office of the Fiscal Agent upon payment by the claimant of the fees, costs and expenses incurred by the Fiscal Agent and the Issuer in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the Definitive Certificate allegedly or actually lost, stole or destroyed is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Certificate subsequently presented) as the Issuer may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

3. **TRANSFER**

(a) *General*

- (i) Subject to Conditions 3(b) and 3(c), title to Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Notes and entries on the Register will be made subject to the provisions concerning transfers of Notes set forth in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.
- (ii) Transfers of Notes, or of beneficial interests in Notes represented by Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Global Certificate or Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Note or beneficial interests in Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.
- (iii) Transfers of Notes and the issue of new Global Certificates or Definitive Certificates, as the case may be, on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.
- (iv) No Holder may require the transfer of a Note to be registered (x) if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*), during the period of 15 days ending on (and including) the relevant Redemption Date, or (y) during the period of 15 days ending on (and including) the Record Date for any Interest Payment Date.
- (v) No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer, under the Notes. Payments of principal, interest or any other amount in respect of Notes will be made only to the Person shown on the Register as the registered holder of such Note (i.e., the Holder) at close of business on the relevant Record Date.

(b) *Transfer of Notes represented by a Global Certificate*

- (i) Global Certificates may be transferred only in whole, but not in part, and only to a Relevant Clearing System or any of their respective successors or nominees, in each case located outside of Switzerland, except as provided below. Beneficial interests of Indirect Holders in Notes represented by Global Certificates may be transferred only in accordance with the rules and procedures of such Relevant Clearing System, the provisions of the Fiscal Agency Agreement and this Condition 3(b).
 - (ii) A beneficial interest in a Note represented by a Regulation S Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Rule 144A Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the US Securities Act, purchasing the beneficial interests in the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.
 - (iii) A beneficial interest in a Note represented by a Rule 144A Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Regulation S Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the US Securities Act.
 - (iv) Until the termination of the Distribution Compliance Period, beneficial interests in any Regulation S Global Certificate may be held only through participants acting for and on behalf of Euroclear and/or Clearstream, Luxembourg, *provided* that this subclause (iv) shall not prohibit any transfer in accordance with subclause (ii) of this Condition 3(b).
- (c) *Transfer of Notes represented by a Definitive Certificate*
- (i) If and when Definitive Certificates have been issued pursuant to Condition 2(c), one or more Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Definitive Certificate representing such Notes to be transferred, together with the form of transfer attached to such Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Definitive Certificate shall be issued to the transferee in respect of the Notes that are the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a Holder, a new Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Definitive Certificate representing the existing holding of such Person.
 - (ii) Each new Definitive Certificate to be issued pursuant to Condition 2(c) shall be available for delivery within three Relevant Banking Days of receipt of the form of transfer and surrender of the relevant Definitive Certificate. Delivery of new Definitive Certificate(s) will be made at the Specified Office of the Fiscal Agent

to which delivery and surrender of such form of transfer and Definitive Certificate or, as the case may be, surrender of such Definitive Certificate, will have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify.

(d) *Rule 144A*

Each Note that is initially sold in the United States to a QIB will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold, pledged or otherwise transferred, except (i) in accordance with Rule 144A to a Person that the Holder and any Person acting on its behalf reasonably believe is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act, (iii) pursuant to an exemption from registration under Rule 144 under the US Securities Act, or in accordance with another exemption from, or in a transaction not subject to, registration under the US Securities Act, if available, or (iv) pursuant to an effective registration statement under the US Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

4. **STATUS AND SUBORDINATION**

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 4.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions),

- (i) if such event occurs (x) prior to the occurrence of a Conversion Capital Availability Event, or (y) on or after the occurrence of a Conversion Capital Availability Event but prior to the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations, and (C) senior to the rights and claims of holders of Junior Obligations; *provided, however*, that, if a Conversion Event subsequently occurs while such Bankruptcy Event or liquidation or winding-up, as the case may be, is continuing, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary Shares in accordance with Condition 9 (*Conversion*) will rank as set forth in subclause (ii) below; or
- (ii) if such event occurs on or after the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary

Shares in accordance with Condition 9 (*Conversion*) will rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) junior to the rights and claims of holders of Parity Obligations, and (C) *pari passu* with the rights and claims of holders of Junior Obligations.

(c) *Claims subject to a Contingent Write-down or a Conversion*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 13 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), as applicable, irrespective of whether the relevant Trigger Event or Viability Event, as applicable, has occurred, or, in the case of a Viability Event, the relevant Viability Event Notice has been given, prior to or after the occurrence of an Event of Default or any other event.

5. **INTEREST**

(a) *Interest Payment Dates*

(i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (g) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.

(ii) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on 13 May and 13 November of each year (each, an "**Interest Payment Date**"), commencing on 13 May 2024.

(b) *Determination of the Treasury Yield, the Reset Interest Rate and the Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period, the Calculation Agent will, as soon as practicable on the Reset Determination Date in relation to such Reset Interest Period, determine the Treasury Yield and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event no later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*) no later than two Business Days prior to such Redemption Date.

(d) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5:

- (i) the amount of interest payable per Calculation Amount on each Interest Payment Date to (and including) the First Call Date in respect of the Notes will be USD 46.25; and
- (ii) if interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:
 - (A) applying the applicable Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and
 - (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(e) *Calculation of amount of interest payable per Note*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:

- (i) the amount of interest per Calculation Amount; and
- (ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

(f) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent for purposes of this Condition 5 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent of its powers, duties and discretions under this Condition 5.

(g) *Accrual of interest in the case of redemption or a Trigger Event or a Viability Event*

- (i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided, however*, that if the payment with respect to any Note is improperly withheld or refused on such Redemption Date, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the relevant Interest Rate to the Relevant Date.
- (ii) Upon the occurrence of a Trigger Event or a Viability Event, interest on the Notes will cease to accrue from (and including) the date on which such Trigger Event or Viability Event occurs.

(h) *Cancellation of interest; prohibited interest*

- (i) The Issuer may, in its sole discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (h)(i) is without prejudice to the provisions of

subclause (h)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Fiscal Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (h)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

(ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

(A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of subclauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or

(B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or

(C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Fiscal Agent and shall give notice in accordance with Condition 15 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (h)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (h)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

(iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (h)(i) or subclause (h)(ii) of this Condition 5, UBS Group AG shall not, directly or indirectly,

(A) recommend to Shareholders that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; or

- (B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

- (iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(h) will not constitute a default for any purpose (including, without limitation, Condition 13 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this Condition 5(h) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.
- (v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (h)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

6. REDEMPTION AND PURCHASE

- (a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed (including by way of Conversion pursuant to Condition 9 (*Conversion*)) or purchased and cancelled in accordance with this Condition 6 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

- (b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Redemption Date.

- (c) *Redemption due to a Tax Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

- (ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of subclauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or

any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.
- (ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

- (i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, then the Issuer shall give the Holders not less than 15 and not more than 60 days' prior notice in accordance with Condition 15 (*Notices*) (a "Redemption Notice"), which notice shall, subject to subclauses (ii) and (iii) of this clause (e), be irrevocable and specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, (y) if any Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which date, in the case of a redemption pursuant to clause (c) or (d) of this Condition 6, shall be a Payment Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").
- (ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
- (iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.
- (iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 6, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 6 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 6 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided that* (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation

measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 6 or by way of Conversion pursuant to Condition 9 (*Conversion*) will be cancelled and may not be reissued or resold; *provided, however*, that, in the case of Notes redeemed by way of Conversion, the Issuer will not take any action to cause such Notes to be removed from the Relevant Clearing System prior to the later of (i) the applicable Settlement Date and (ii) the Final Cancellation Date. Following the issuance and delivery of the relevant Ordinary Shares to the Settlement Share Depository on the Conversion Date and until the later of (i) the applicable Settlement Date and (ii) the Final Cancellation Date, the Notes will evidence solely the Holder's right to receive Ordinary Shares and/or cash proceeds, as the case may be, from the Settlement Share Depository or the Settlement Shares Offer Agent (or such other relevant recipient).

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **TRIGGER EVENT AND VIABILITY EVENT**

(a) *Trigger Event*

(i) Upon the occurrence of a Trigger Event:

- (A) if such Trigger Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Trigger Event Write-down Date in accordance with Condition 8 (*Contingent Write-down*); or
- (B) if such Trigger Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Trigger Event Conversion Date in accordance with Condition 9 (*Conversion*).

(ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Notice in accordance with clause (b) of this Condition 7.

(b) *Trigger Event Notice*

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, the Issuer shall, subject to subclauses (ii) and (iii) of this Condition 7(b), give a notice (a "**Trigger Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), which notice shall:

- (A) if such Trigger Event Notice is given prior to the occurrence of a Conversion Capital Availability Event (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Contingent Write-down will take place, and (2) specify the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no later than 10 Business Days after the date of such notice (the "**Trigger Event Write-down Date**"); or
 - (B) if such Trigger Event Notice is given on or after the occurrence of a Conversion Capital Availability Event, (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Conversion will take place, (2) specify the date on which the Conversion will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no more than 20 Business Days after the date of such notice (the "**Trigger Event Conversion Date**"), (3) specify the Conversion Price in effect on the date of such Trigger Event Notice, and (4) specify the details of the arrangement for the settlement of the Conversion (including whether or not the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, the Suspension Date, the details of the Settlement Share Depository (including its Specified Office) or, if the Issuer is unable to appoint a Settlement Share Depository prior to giving of such notice, the other arrangements it has made in accordance with subclause (h)(i) of Condition 9 (*Conversion*) for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders, the procedures Holders must follow to obtain delivery of the Ordinary Shares from the Settlement Share Depository, the Settlement Notice Cut-Off Date and the Final Cancellation Date).
- (ii) If a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b), and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,
- (A) in the case of subclause (x) above, the giving of such Trigger Event Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and
 - (B) in the case of subclauses (x) and (y) above, if the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Notice.
- (iii) If (A) a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b) in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down or a Conversion, as applicable, is not

required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Threshold Ratio that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Notice pursuant to subclause (i) of this Condition 7(b) in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 15 (*Notices*), which notice shall state that no Contingent Write-down or Conversion, as applicable, will occur in relation to the relevant Ordinary Publication Date.

(c) *Viability Event*

(i) Subject to clause (e) of this Condition 7, upon the occurrence of a Viability Event:

(A) the Issuer shall give notice (a "**Viability Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall:

(1) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than 10 Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**"); or

(2) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, (w) state that a Viability Event has occurred and a Conversion will take place, (x) specify the date on which the Conversion will take place, which date shall be no more than 20 Business Days following the occurrence of the Viability Event (the "**Viability Event Conversion Date**"), (y) specify the Conversion Price in effect on the date of such Viability Event Notice, and (z) specify the details of the arrangements for the settlement of the Conversion (including the Suspension Date, the details of the Settlement Share Depository (including its Specified Office) or, if the Issuer is unable to appoint a Settlement Share Depository prior to giving of such notice, the other arrangements it has made in accordance with subclause (h)(i) of Condition 9 (*Conversion*) for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders, the procedures Holders must follow to obtain delivery of the Ordinary Shares from the Settlement Share Depository, the Settlement Notice Cut-Off Date and the Final Cancellation Date); and

(B) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Viability Event Write-down Date in accordance Condition 8 (*Contingent Write-down*); or

(C) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Viability Event Conversion Date in accordance with Condition 9 (*Conversion*).

(ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):

- (A) FINMA has notified UBS Group AG in writing that it has determined a conversion or write-down, as applicable, of holders' claims in respect of the Notes and all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or
- (B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Notice have been met.

(d) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (d) subsequently published will have no effect for purposes of this Condition 7.

(e) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

(f) *Conversion Capital Availability Event*

(i) A "**Conversion Capital Availability Event**" will have occurred on the first date after the Issue Date on which an amendment to the Articles of Association is registered in the main register (*Hauptregister*) of the Commercial Register (*Handelsregister*) of the Canton of Zurich as a result of which the Conversion Capital provided for in the Articles of Association meets or exceeds the Minimum

Conversion Capital Availability Amount. For purposes of these Terms and Conditions, a Conversion Capital Availability Event may occur only once.

For purposes of the definition of Conversion Capital Availability Event:

"Articles of Association" means, at any time, the articles of association (*Statuten*) of UBS Group AG in effect at such time.

"Minimum Conversion Capital Availability Amount" means, at any time, the amount of Conversion Capital that UBS Group AG would require in order for it to create and issue:

- (A) the number of Ordinary Shares into which the Notes outstanding at such time would be converted if they were to be converted at the Conversion Price in effect at such time and otherwise in accordance with these Terms and Conditions; and
- (B) if any Other Tier 1 Contingent Convertible Capital Notes are outstanding at such time, the number of Ordinary Shares into which such Other Tier 1 Contingent Convertible Capital Notes would be converted if they were to be converted at the conversion price then in effect pursuant to, and otherwise in accordance with, their respective terms at such time,

in each case, out of such Conversion Capital.

"Other Tier 1 Contingent Convertible Capital Note" means a capital instrument (other than the Notes) that:

- (A) is eligible in full to be (A) treated as Additional Tier 1 Capital and (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both); and
- (B) subject to the terms and conditions thereof, is to be:
 - (x) converted into Ordinary Shares; or
 - (y) after a Conversion Capital Availability Event (or equivalent event described in the terms and conditions thereof) occurs, converted into Ordinary Shares,

in either case, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a certain threshold and/or a Viability Event (or equivalent event described in the terms and conditions thereof) occurs.

- (ii) If a Conversion Capital Availability Event occurs at any time on or prior to a Trigger Event or a Viability Event, the Issuer shall as soon as practicable thereafter deliver to the Fiscal Agent and the Settlement Agent a certificate signed by the Authorised Signatories and notice to the Holders in accordance with Condition 15 (*Notices*), in each case stating that a Conversion Capital Availability Event has occurred and the date on which it occurred.

8. CONTINGENT WRITE-DOWN

If the Issuer has given a Trigger Event Write-down Notice or a Viability Event Write-down Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then on the relevant Write-down Date:

- (a) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;

- (b) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (a) of this Condition 8 (*bedingter Forderungsverzicht*); and
- (c) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the date of the relevant Trigger Event Notice or Viability Event Notice, as the case may be, or the Write-down Date.

9. CONVERSION

(a) *Conversion upon a Trigger Event or a Viability Event*

If the Issuer has given a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then:

- (i) each Note shall, subject to and as provided in this Condition 9, be redeemed and settled (the "**Conversion**") on the applicable Conversion Date by (x) the delivery of new fully paid Ordinary Shares to the Settlement Share Depository on behalf of the Holders, and (y) the cancellation of any accrued and unpaid interest on the Notes (whether or not due and payable); and
- (ii) receipt by the Settlement Share Depository of such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares in respect of the Conversion on the applicable Conversion Date shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes.

In the case of the Ordinary Shares to be delivered upon Conversion, as from the applicable Share Creation Date for such Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares into Notes.

(b) *Recourse for Ordinary Shares*

Holders shall have recourse only to the Issuer for the issue and delivery of Ordinary Shares to the Settlement Share Depository pursuant to these Terms and Conditions. After such delivery to the Settlement Share Depository, Holders shall have recourse only to the Settlement Share Depository for the delivery to them of such Ordinary Shares or, in the circumstances described in clause (h) of this Condition 9, any cash amounts to which such Holders are entitled under clause (h) of this Condition 9.

(c) *Conversion Price and determination of number of Ordinary Shares*

- (i) Upon the occurrence of a Conversion Event, as at the date on which the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice is published, each Holder shall be deemed to have accepted, and hereby accepts and agrees, (A) to the conversion of its holding of Notes into Ordinary Shares at the Conversion Price provided for herein and that, where necessary under Swiss law, the Settlement Agent shall effect such conversion on such Holder's behalf, and (B) that its obligation to pay up the Ordinary Shares to be issued shall be set off against its claim for repayment of the principal amount upon redemption of the Notes, which claim shall be deemed to be due and payable immediately prior to the time on the Share Creation Date when, as a matter of Swiss law, the relevant Ordinary Shares are paid up. Such Ordinary Shares shall be paid up and issued on the Share Creation Date whereupon the Holders shall cease as a matter of Swiss law to be treated for all purposes under Swiss law as Holders and shall instead as of such date be treated for all purposes under Swiss law as Shareholders.

- (ii) Subject to clause (g) of this Condition 9, the Issuer, with the assistance of the Settlement Agent, where necessary under Swiss law, shall issue and deliver to the Settlement Share Depository on the applicable Conversion Date such number of Ordinary Shares in respect of each Holder as is determined by the Settlement Agent by dividing the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date by the Conversion Price in effect on the date of relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be. The Settlement Agent shall determine such number of Ordinary Shares in accordance with this subclause (ii) as soon as practicable after publication of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable.
 - (iii) The initial Conversion Price per Ordinary Share in respect of the Notes is specified in the definition thereof. The Conversion Price is subject to adjustment to (and including) the date of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, in the circumstances described in clause (d) below.
- (d) *Anti-dilution adjustment of the Conversion Price*
- (i) Upon the occurrence of any of the events described below after 8 November 2023, the Conversion Price will be adjusted by the Issuer as follows:

- (A) If there is a consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares that alters the number of Ordinary Shares in issue, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification, redesignation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment will become effective on the date on which the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (B) If UBS Group AG issues any Ordinary Shares to Shareholders as a class credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Cash Distribution that the Shareholders would or could otherwise have elected to receive, (y) where the Shareholders may elect to receive a Cash Distribution in lieu of such Ordinary Shares or (z) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (C) If UBS Group AG makes or pays an Extraordinary Distribution to Shareholders, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- B is the portion of the aggregate Extraordinary Distribution attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Distribution by the number of Ordinary Shares entitled to receive the relevant Extraordinary Distribution. If the Extraordinary Distribution shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (C), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-the Extraordinary Distribution on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (C).

- (D) If UBS Group AG issues Ordinary Shares to Shareholders as a class by way of rights or UBS Group AG or any other member of the Group or (at the direction or request or pursuant to arrangements with UBS Group AG or any other member of the Group) any other Person issues or grants to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities that by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share that is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares that the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- C is the number of Ordinary Shares to be issued or the maximum number of Ordinary Shares that may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate, as the case may be,

provided that, if on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this subclause (D), "C" will be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (D), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (D).

For purposes of any calculation of the consideration receivable or price pursuant to this subclause (D), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities will be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights will be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights that are attributed by UBS Group AG to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed,

the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of subclauses (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights, and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights will be the aggregate consideration or price referred to in subclause (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (3) if the consideration or price determined pursuant to subclause (1) or (2) above (or any component thereof) is expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of subclause (1) above) or the relevant date of first public announcement (in the case of subclause (2) above);
 - (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
 - (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to UBS Group AG or another entity.
- (E) If UBS Group AG determines, in its sole discretion, that, notwithstanding subclauses (A) to (D) of this Condition 9(d)(i), a reduction to the Conversion Price should be made as a result of one or more events or circumstances not referred to in this Condition 9(d)(i) that would require an adjustment to the Conversion Price in order to comply with Swiss mandatory law on the protection of holders of instruments that may convert into shares issued out of capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) or Conversion Capital, the Conversion Price will be reduced (either generally or for a specified period) in such manner and with effect from such date as UBS Group AG shall determine and the Issuer shall notify to the Holders in accordance with Condition 15 (*Notices*).
- (ii) Notwithstanding Condition 9(d)(i):
- (A) where
 - (1) the events or circumstances giving rise to any adjustment to the Conversion Price have resulted or will result in an adjustment to the Conversion Price; or
 - (2) more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time,

that, in the opinion of UBS Group AG, a modification to the operation of the adjustment provisions set forth in this Condition 9(d) is required to give the intended result, such modification will be made to the operation of the adjustment provisions set forth in this Condition 9(d) as may be determined by an Independent Adviser to be in its opinion appropriate to give the intended result, including to ensure that (x) an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, (y) the economic effect of an Extraordinary Distribution is not taken into account more than once, and (z) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency;

- (B) any adjustment to the Conversion Price will be subject to such Conversion Price not being less than the par value of an Ordinary Share at such time (currently USD 0.10);
 - (C) UBS Group AG shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below the par value of an Ordinary Share then in effect;
 - (D) if any doubt arises as to whether an adjustment is to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, UBS Group AG may in its sole discretion appoint an Independent Adviser and, following consultation between UBS Group AG and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof will (in the absence of wilful default, bad faith and manifest error) be conclusive and binding on UBS Group AG and the Holders;
 - (E) no adjustment will be made to the Conversion Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of UBS Group AG or any of its subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme; and
 - (F) on any adjustment, if the resultant Conversion Price has more decimal places than the initial Conversion Price, it will be rounded to the same number of decimal places as the initial Conversion Price. No adjustment will be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, will be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment will be made on the basis that the adjustment not required to be made had been made at the relevant time and/or that the relevant rounding down had not been made, as the case may be.
- (iii) The Issuer shall give notice of any adjustments to the Conversion Price made pursuant to this Condition 9(d) to the Holders in accordance with Condition 15 (*Notices*) promptly after the determination thereof.
 - (iv) References in these Terms and Conditions to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market

in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

(e) *Qualifying Relevant Event*

(i) Upon the occurrence of a Relevant Event that is a Qualifying Relevant Event, then:

(A) upon the occurrence of a Conversion Event where the applicable Conversion Date falls on or after the New Conversion Condition Effective Date,

(1) the Notes shall be converted on such Conversion Date into, or be exchanged on such Conversion Date for, as the case may be, Relevant Shares of the Approved Entity, *mutatis mutandis* as provided in accordance with this Condition 9, at a Conversion Price that shall be the New Conversion Price; and

(2) the Issuer shall procure the issue and/or delivery of the relevant number of Relevant Shares of the Approved Entity in the manner provided in this Condition 9 (as may be amended as described in the definition of the term New Conversion Condition); and

(B) the New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 9 for the adjustment of the Conversion Price (if necessary with such amendments as an Independent Adviser shall determine to be appropriate) and the Issuer shall give notice in accordance with Condition 15 (*Notices*) to the Holders of the New Conversion Price and of any such amendments thereafter.

(ii) Upon the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Holders in accordance with Condition 15 (*Notices*) within 10 Business Days following the occurrence of such Relevant Event, which notice shall:

(A) specify the identity of the Acquiror;

(B) specify whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;

(C) in the case of a Qualifying Relevant Event, specify the New Conversion Price; and

(D) if applicable, specify the New Conversion Condition Effective Date.

(iii) For the avoidance of doubt, upon the occurrence of a Relevant Event that is a Non-Qualifying Relevant Event, the provisions of this clause (e) shall (subject to the subsequent operation of this clause (e) upon the occurrence of a subsequent Relevant Event) not apply, and the Notes will continue to be convertible into Ordinary Shares pursuant to and in accordance with the other provisions of this Condition 9 (*Conversion*), if and when the Issuer gives a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*).

(iv) For purposes of these Terms and Conditions:

"Acquiror" means the Person (including a Governmental Entity) that, following a Relevant Event, controls UBS Group AG.

"Approved Entity" means an Acquiror that is body corporate that is incorporated or established under the laws of an OECD member state and that, on the occurrence of the Relevant Event, has in issue Relevant Shares.

"**Governmental Entity**" means (x) the Swiss Confederation, (y) an agency of the Swiss Confederation or (z) a person or entity (other than a body corporate) controlled by the Swiss Confederation or any such agency referred to in clause (y); *provided, however*, that, if UBS Group AG is at any time organised in a jurisdiction outside of Switzerland, references in this definition to "the Swiss Confederation" shall be read as references to the government of such other jurisdiction.

The "**New Conversion Condition**" shall be satisfied in respect of a Relevant Event if, by no later than seven days following the occurrence of such Relevant Event, (x) UBS Group AG has, to the satisfaction of UBS Group AG, entered into arrangements with the Approved Entity that provide for delivery of Relevant Shares of the Approved Entity on Conversion on terms *mutatis mutandis* as provided in the provisions of this Condition 9, and (y) the Issuer has entered into such agreements and arrangements, and made such amendments to these Terms and Conditions, as may be required to ensure that, with effect from the New Conversion Condition Effective Date, the Notes shall, following the occurrence of a Conversion Event, be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 9 (as may be so amended) at the New Conversion Price; *provided, however*, that, any failure to enter into the arrangements and agreements and/or make the amendments described in clauses (x) and (y) shall not constitute a default or an Event of Default under these Terms and Conditions.

"**New Conversion Condition Effective Date**" means the date with effect from which the New Conversion Condition has been satisfied.

"**New Conversion Price**" means, in respect of any Conversion Date falling on or after the New Conversion Condition Effective Date, the amount determined by the Issuer in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

- | | |
|--------|---|
| NCP | is the New Conversion Price. |
| ECP | is the Conversion Price in effect on the last dealing day prior to the New Conversion Condition Effective Date. |
| VWAPRS | is the average of the Volume Weighted Average Price of the Relevant Shares of the Approved Entity (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the last dealing day prior to the date on which the Relevant Event occurred (and where references in the definition of "Volume Weighted Average Price" to "Ordinary Shares" shall be construed as a reference to the Relevant Shares of the Approved Entity and in the definition of "dealing day", references to the "Relevant Stock Exchange" shall be to the primary Recognised Stock Exchange on which the Relevant Shares of the Approved Entity are then listed, admitted to trading or accepted for dealing). |
| VWAPOS | is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on |

the last dealing day prior to the date on which the Relevant Event occurred.

"Non-Qualifying Relevant Event" means a Relevant Event that is not a Qualifying Relevant Event.

"Qualifying Relevant Event" means a Relevant Event where:

- (A) the Acquiror is an Approved Entity; and
- (B) the New Conversion Condition is satisfied.

A **"Relevant Event"** will have occurred if, on or after the occurrence of a Conversion Capital Availability Event, any Person or Persons acting in concert acquires control of UBS Group AG (other than as a result of an Exempt Reorganisation). For the purposes of this definition "Relevant Event", **"control"** means the acquisition or holding of legal or beneficial ownership of more than 95 per cent. of the issued Ordinary Shares of UBS Group AG (whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise) and, as a consequence thereof, the Ordinary Shares are no longer admitted to trading on any Recognised Stock Exchange, and **"controlled"** shall be construed accordingly.

"Relevant Shares" means, in respect of an Acquiror, ordinary share capital of such Acquiror that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) that is listed and admitted to trading on a Recognised Stock Exchange.

(f) *Procedure for settlement and delivery of Ordinary Shares on Conversion*

Ordinary Shares to be issued on Conversion shall be delivered subject to and as provided below.

(g) *Fractions*

Fractions of Ordinary Shares will not be issued or delivered pursuant to these Terms and Conditions on Conversion and no cash payment will be made in lieu thereof. The number of Ordinary Shares to be issued and delivered to the Settlement Share Depository for the benefit of each Holder in respect of a Conversion shall be calculated by the Settlement Agent on the basis of the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date and rounded down, if necessary, to the nearest whole number of Ordinary Shares.

(h) *Procedure for delivery in respect of a Conversion*

- (i) UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, shall on or prior to the applicable Conversion Date issue and deliver to the Settlement Share Depository such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares to the Holders in respect of the Conversion on the applicable Conversion Date. Receipt by the Settlement Share Depository of such Ordinary Shares shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes. If the Issuer is unable to appoint a Settlement Share Depository on or prior to the giving of the Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, it shall make such other arrangements for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders as it considers, in its sole discretion, to be reasonable in the circumstances, which may include issuing and delivering such Ordinary Shares to another independent nominee to be held on trust for the Holders or issuing and delivering such Ordinary Shares to the Holders directly, which issuance and delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes as if the relevant Ordinary

Shares had been issued and delivered to the Settlement Share Depository and, in which case, where the context so admits, references in these Terms and Conditions to the issue and delivery of Ordinary Shares to the Settlement Share Depository shall be construed accordingly and apply *mutatis mutandis*.

- (ii) Subject to the making of a Settlement Shares Offer and as otherwise provided herein, the Settlement Agent shall give instructions to the Settlement Share Depository for the relevant Ordinary Shares to be delivered by the Settlement Share Depository on the applicable Settlement Date to the Holders, and the Settlement Share Depository shall procure that the Ordinary Shares are so delivered to the Holders on the applicable Settlement Date.
- (iii) In respect of a Conversion as a result of the occurrence of a Trigger Event only, following receipt by the Settlement Share Depository of the Ordinary Shares and the resulting good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (i) above, the Issuer may, in its sole discretion, appoint a placement agent (the "**Settlement Shares Offer Agent**") acting on behalf, and for the accounts, of the Holders to conduct an offering of the Ordinary Shares to which the Holders are otherwise entitled (a "**Settlement Shares Offer**"). In the relevant Trigger Event Conversion Notice, the Issuer shall notify the Holders whether it will appoint such Settlement Shares Offer Agent to conduct such a Settlement Shares Offer. If it does so appoint a Settlement Shares Offer Agent, it will instruct the Settlement Share Depository to deliver the relevant Ordinary Shares to or to the order of the Settlement Shares Offer Agent for this purpose prior to the end of the Offer Settlement Period. Such Settlement Shares Offer shall be made (x) at a net price per Ordinary Share, which, translated into the Relevant Currency at the Prevailing Rate at the date of the Trigger Event Conversion Notice, is equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice, and (y) to some or, subject to applicable laws and regulations and to such an offer being practicable in the opinion of the Issuer in the Offer Settlement Period, all Shareholders on the record date of the Trigger Event Conversion Notice then eligible to participate in such offer. Any such Settlement Shares Offer shall be completed no later than 20 Business Days after the occurrence of the Trigger Event (the "**Offer Settlement Period**"). Neither the Issuer nor the Settlement Share Depository shall incur any liability whatsoever to the Holders in respect of the appointment of such Settlement Shares Offer Agent or its conduct, save for cases of gross negligence or wilful intent.

If the Settlement Shares Offer is fully subscribed by or before the end of the Offer Settlement Period, Holders shall, pursuant to the agreement appointing the Settlement Shares Offer Agent, be entitled to receive from the Settlement Shares Offer Agent on the fifth Business Day after the end of the Offer Settlement Period, in respect of each Ordinary Share to which they were otherwise entitled, cash proceeds received from the Settlement Shares Offer in an amount equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice (translated, if necessary, into the Relevant Currency at the Prevailing Rate at the date of the Trigger Event Conversion Notice). If the Settlement Shares Offer is only partially subscribed by the end of the Offer Settlement Period, Holders shall in aggregate be entitled to receive on a *pro rata* basis (x) cash proceeds received from such Settlement Shares Offer in an amount equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice (translated, if necessary, into the Relevant Currency at the Prevailing Rate at the date of the Trigger Event Conversion Notice) multiplied by the aggregate number of Ordinary Shares sold on the fifth Business Day after the end of the Offer Settlement Period from the Settlement Shares Offer Agent, pursuant to the agreement appointing the Settlement Shares Offer Agent, and rounding the resulting figure to the nearest sub-unit of the Relevant Currency (one half of any such sub-unit being rounded upwards), together with (y) the number of Ordinary Shares not subscribed pursuant to the Settlement Shares Offer within the period specified below from the Settlement Share Depository. If no Ordinary Shares are subscribed in the Settlement Shares Offer, Holders shall be entitled to receive the relevant Ordinary

Shares within the period specified below from the Settlement Share Depository. Notwithstanding Condition 10 (*Payments; Agents*), any cash proceeds that the Holders are entitled to receive pursuant to this subclause (iii) shall be delivered to the Holders in accordance with clause (j) of this Condition 9.

In relation to any Ordinary Shares not sold pursuant to a Settlement Shares Offer, the Settlement Agent shall give instructions to the Settlement Shares Offer Agent for such Ordinary Shares to be delivered by the Settlement Shares Offer Agent to the relevant Holders within five Business Days after the end of the Offer Settlement Period.

(i) *Taxes and duties*

None of the Issuer, any other member of the Group, any Agent, the Settlement Share Depository and the US Transfer Agent will pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of Ordinary Shares to the Settlement Share Depository or the delivery of any Ordinary Shares to the relevant recipient in accordance with the instructions given in the relevant Settlement Shares Settlement Notice. A Holder must pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of the Ordinary Shares to the Settlement Share Depository or the delivery of the Ordinary Shares to the relevant recipient in accordance with the instructions given in the relevant Settlement Shares Settlement Notice, and such Holder must pay all, if any, such taxes and duties arising by reference to any disposal or deemed disposal of such Holder's Notes or interest therein. Any capital, stamp, issue, registration, transfer or other taxes or duties arising on delivery or transfer of Ordinary Shares to a purchaser in any Settlement Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(j) *Delivery of Ordinary Shares and cash proceeds received from a Settlement Shares Offer*

UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, will issue and deliver the Ordinary Shares required to be issued and delivered on Conversion to the Settlement Share Depository on behalf of the Holder of the relevant Note(s). The Issuer (or another party so authorised by the Issuer) shall instruct the US Transfer Agent to credit such Ordinary Shares to a nominee account in the name of the Settlement Share Depository to be held on behalf of the Holders on the applicable Conversion Date. Receipt by the Settlement Share Depository of such Ordinary Shares on the applicable Conversion Date shall be a good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (h)(i) of this Condition 9.

In order to obtain delivery from the Settlement Share Depository of the Ordinary Shares and/or cash proceeds received from a Settlement Shares Offer, in each case to which it is entitled pursuant to this Condition 9, a Holder will be required to deliver to the Settlement Share Depository (or any of its agent designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) an executed settlement shares settlement notice substantially in the form that may be obtained from the Specified Office of the Settlement Agent (a "**Settlement Shares Settlement Notice**") and the relevant Certificate representing the relevant Note to the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice) on or before the Settlement Notice Cut-off Date. If such Settlement Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the Specified Office of the Settlement Share Depository, such delivery shall be deemed for all purposes to have been made or given on the following New York Business Day. The Settlement Shares Settlement Notice must contain certain information, including the name of the relevant recipient in which the relevant Ordinary Shares are to be registered directly on the books of the US Transfer, and Settlement Shares Settlement Notices and Certificates must be delivered to the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) in accordance with the procedures

described in the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable; *provided, however*, that, if the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, then the Settlement Shares Settlement Notice must be given in accordance with the standard procedures of the Depository (which may include, without limitation, delivery of the notice to the Settlement Share Depository by electronic means) and in a form acceptable to the Depository, the Settlement Agent and the Settlement Share Depository. Subject as otherwise provided herein, the relevant Ordinary Shares and/or cash proceeds of a Settlement Shares Offer will be delivered by or on behalf of the Settlement Share Depository or the Settlement Shares Offer Agent, as applicable, in accordance with the instructions given in the relevant Settlement Shares Settlement Notice; *provided, however*, that, if the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, then delivery of any such cash proceeds shall be made by the Settlement Shares Offer Agent in accordance with the Depository's practices from time to time.

If a Holder delivers a valid Settlement Shares Settlement Notice and the relevant Certificate on or before the Settlement Notice Cut-off Date, then the Ordinary Shares will be delivered in respect of the relevant Note(s) by way of registering the Ordinary Shares in the name of the relevant recipient directly on the books of the US Transfer Agent on the applicable Settlement Date or such other date as is specified for delivery. Once Ordinary Shares are registered in the name of the relevant recipient directly on the books of the US Transfer Agent, such relevant recipient, as Shareholder, is expected to receive periodic account statements from the US Transfer Agent with respect to its Ordinary Shares. At the time of delivery of any Ordinary Shares to the relevant recipient by registration of such Ordinary Shares directly on the books of the US Transfer Agent, the then-valid share registration rules of UBS Group AG will apply, and UBS Group AG does not offer any assurance or guarantee that such relevant recipient will be accepted as a Shareholder with voting rights in the share register of UBS Group AG.

If a Holder fails to deliver a Settlement Shares Settlement Notice or the relevant Certificate on or before the Settlement Notice Cut-off Date or if a Holder has delivered a Settlement Shares Settlement Notice and the relevant Certificate on or prior the Settlement Notice Cut-off Date but such Settlement Shares Settlement Notice has been determined by the Settlement Share Depository to be null and void, then the Settlement Share Depository shall continue to hold the relevant Ordinary Shares and/or, as applicable, cash proceeds received from a Settlement Shares Offer, in each case to which such Holder is entitled pursuant to this Condition 9, until a valid Settlement Shares Settlement Notice (and the Certificate representing the relevant Notes) is so delivered by such Holder. If any such Ordinary Shares or such cash proceeds received from a Settlement Shares Offer (as applicable) have not been claimed during the 10-year and 30-day period commencing on the Final Cancellation Date, the relevant claims of the applicable Holders are time-barred and the relevant Ordinary Shares and cash, as the case may be, will be transferred to the Issuer. None of the Issuer, the Settlement Share Depository and the Settlement Shares Offer Agent shall have any liability to any Holder for any loss resulting from such Holder not receiving any such Ordinary Shares and/or cash proceeds.

If not previously cancelled on the applicable Settlement Date, the relevant Notes shall be cancelled on the Final Cancellation Date and any Holder delivering a Settlement Shares Settlement Notice after the Settlement Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares and/or cash proceeds from a Settlement Shares Offer, as applicable, satisfactory to the Settlement Share Depository in its sole discretion in order to receive delivery of such Ordinary Shares or such cash proceeds, as applicable. None of the Issuer, the Settlement Share Depository and the Settlement Shares Offer Agent shall have any liability to any Holder for any loss resulting from such Holder not receiving any Ordinary Shares or cash proceeds from a Settlement Shares Offer, as applicable, or from any delay in the receipt thereof, in each case as a result of such Holder failing to submit a valid Settlement Shares Settlement Notice and any relevant Certificate (if applicable), on a timely basis or at all.

Any determination as to whether any Settlement Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Terms and Conditions, or whether any evidence of entitlement to Ordinary Shares or cash proceeds received from a Settlement Shares Offer, as applicable, is satisfactory, shall be made by the Settlement Share Depository in its sole discretion and shall be conclusive and binding on the relevant Holders. In the case of Notes represented by a Global Certificate, any Settlement Shares Settlement Notice delivered prior to the day following the Suspension Date will be null and void.

(k) *Ordinary Shares*

The Ordinary Shares issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Share Creation Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant Holder will not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Share Creation Date.

All Ordinary Shares issued and delivered to Holders upon Conversion are expected to be "restricted securities" within the meaning of Rule 144 under the US Securities Act, and accordingly, any Holder who receives Ordinary Shares upon Conversion will be subject to restrictions under the US Securities Act on its ability to resell such Ordinary Shares. Subject to applicable law and the policies and procedures of the US Transfer Agent from time to time, through the US Transfer Agent, Holders who receive Ordinary Shares upon Conversion are expected to be able to effect transfers of such Ordinary Shares with other Shareholders holding their Ordinary Shares through the US Transfer Agent, or with Shareholders holding their Ordinary Shares via DTC through custodian banks or brokers by means of DTC's Direct Registration System.

(l) *Purchase or redemption of Ordinary Shares*

UBS Group AG or any of its subsidiaries may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of UBS Group AG (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of Holders.

(m) *Determinations to be made by an Independent Adviser*

In the case of any determination that is required to be made by an Independent Adviser under these Terms and Conditions, the Issuer shall use reasonable endeavours to appoint an Independent Adviser to make such determination; *provided, however*, that, notwithstanding the other provisions of these Terms and Conditions, if the Issuer is unable to so appoint an Independent Adviser or the Independent Adviser so appointed by the Issuer fails to make such determination, the Issuer, acting in good faith and a commercially reasonable manner, will make such determination.

Any determination that is made by an Independent Adviser under these Terms and Conditions will be made in the sole discretion of such Independent Adviser acting in good faith and in a commercially reasonable manner.

(n) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by an Independent Adviser or the Settlement Agent for purposes of this Condition 9 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Independent Adviser or the Settlement Agent in connection with the exercise or non-

exercise by the Independent Adviser or the Settlement Agent of its powers, duties and discretions under this Condition 9.

10. PAYMENTS; AGENTS

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in USD, which will be placed at the free disposal of the Fiscal Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in USD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality; *provided, however*, that, in the case of Notes represented by Definitive Certificates, such Definitive Certificates must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.
- (b) The receipt by the Fiscal Agent of the due and punctual payment of funds in USD will release the Issuer from its obligations under the Notes to the extent of such payment.

Subject to clause (d) of this Condition 10:

- (i) the Issuer reserves the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, there will at all times be a Fiscal Agent, a Registrar, a Calculation Agent and a Settlement Agent, (B) for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, the Issuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"), and (C) any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations and determinations to be made by the Calculation Agent; and
- (ii) if at any time the Fiscal Agent, the Registrar, the Calculation Agent, or the Swiss Paying Agent, (A) becomes incapable of acting, or (B) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer will terminate the appointment of such Agent in accordance with the Fiscal Agency Agreement and appoint a successor Agent; and
- (iii) if at any time the Calculation Agent fails to (A) determine the Treasury Yield or the Reset Interest Rate or duly calculate the Reset Interest Amount for any Reset Interest Period or the interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (B) comply with any other requirement in relation to the Notes, then the Issuer will terminate the appointment of the Calculation Agent in accordance with the Fiscal Agency Agreement and appoint a successor Calculation Agent; *provided*,

however, that, if the Calculation Agent duly calculates such Reset Interest Rate, Reset Interest Amount or interest amount payable on the Redemption Date, as the case may be, prior to its termination (and the appointment of its successor) taking effect in accordance with clause (d) of this Condition 10, the Issuer may elect, in its sole discretion and upon notice to the Holders in accordance with Condition 15 (*Notices*), to cancel such termination (and appointment).

- (c) Any appointment or termination of appointment of, or any resignation by, any Agent (other than the Settlement Agent) may only take effect not more than 45 and not less than 30 days after the Issuer has notified the Holders of such appointment, termination or resignation in accordance with Condition 15 (*Notices*); *provided, however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior to the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, the Fiscal Agent, the Registrar, the Swiss Paying Agent or the Calculation Agent may not take effect until the Issuer has appointed a successor Fiscal Agent, Registrar, Swiss Paying Agent or Calculation Agent, as applicable; *provided, however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Fiscal Agency Agreement, the Fiscal Agent, the Registrar, any Paying Agent or the Calculation Agent, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.
- (d) Subject to subclause (c)(i) of this Condition 10, the Issuer may appoint or terminate the appointment of a Settlement Agent, and a Settlement Agent may resign, at any time. The Issuer will notify the Holders of any such appointment, termination or resignation in accordance with Condition 15 (*Notices*).

11. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").
- (c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 11 in relation to any Note:
 - (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
 - (ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or

- (iii) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code (FATCA); or]
 - (iv) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or
 - (v) to the extent any combination of subclauses (i) through (iv) of this clause (c) applies.
- (d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 11 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 11.

12. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the 10-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

13. EVENTS OF DEFAULT

- (a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":
- (i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or
 - (iv) a Bankruptcy Event;
- provided, however*, that, notwithstanding subclauses (i) to (iv) above, neither (A) the opening of Restructuring Proceedings with respect to the Issuer nor (B) the exercise of any Swiss Resolution Power with respect to the Issuer during any such Restructuring Proceedings nor (C) the ordering of any Protective Measures with respect to the Issuer that are ordered or confirmed upon the opening of or during any such Restructuring Proceedings will constitute a default or an Event of Default.
- (b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*)

payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.

- (c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 13, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.
- (d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.
- (e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.
- (f) No remedy against the Issuer other than those described in this Condition 13 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 13.

14. MEETINGS OF HOLDERS; SUBSTITUTION AND AMENDMENT

- (a) Except as otherwise specified in this Condition 14, the provisions of bondholder meetings contained in article 1157 et seqq. of the Swiss Code apply in relation to meetings of Holders.
- (b) If a Tax Event or a Regulatory Event has occurred, the Issuer may, without the consent of the Holders, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:
 - (i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;
 - (ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);
 - (iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 15 (*Notices*), which notice will, subject to subclause (v) of this clause (b), be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");
 - (iv) prior to the publication of any notice pursuant to subclause (iii) of this clause (b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance

giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) have arisen; and

- (v) no Trigger Event or Viability Event has occurred prior to the relevant Substitution or Amendment Effective Date.

In connection with any substitution or amendment in accordance with this clause (b), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (c) In addition to its rights under clause (b) of this Condition 14, the Issuer may, without the consent of the Holders, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to (A) the provisions of clause (a) of Condition 16 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 4 (*Status and Subordination*) and the provisions of Condition 13 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 16 (*Issuer Substitution*)), or (B) the provisions of subclause (e)(iii) and/or subclause (e)(i)(B) of Condition 9 (*Conversion*), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interests of the Holders.
- (d) The Issuer shall notify the Holders of any amendments made pursuant to clause (c) of this Condition 14 in accordance with Condition 15 (*Notices*), which notice shall state the date on which such amendment will be effective.
- (e) Any amendment made pursuant to this Condition 14 will be binding on the Holders in accordance with its terms.

15. NOTICES

- (a) So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (i) by means of electronic publication on the internet website of SIX Exchange Regulation Ltd (<https://www.ser-ag.com>), where notices are as at the Issue Date published under the address [https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/,](https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.
- (b) If the Notes are for any reason no longer listed on the SIX Swiss Exchange:
 - (i) if the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, notices to Holders shall only be required to be given by the Issuer in accordance with clause (c) of this Condition 15; or
 - (ii) if the Global Certificate(s) have been exchanged for Definitive Certificates, the Issuer shall send notices to Holders by first class mail at their respective addresses as recorded in the Register, and any such notice will be validly given on the fourth Business Day after the date of such mailing.
- (c) So long as the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, any notices required to be given by the Issuer to the Holders hereunder shall also be given to the Indirect Holders through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be validly given on the date of delivery to DTC in accordance with DTC's applicable procedures.

16. **ISSUER SUBSTITUTION**

- (a) The Issuer (for purposes of this Condition 16, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 15 (*Notices*), *provided that*:
- (i) the Substitute Issuer is UBS Group AG or, if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the US Investment Company Act, and (B) at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
 - (ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
 - (iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), (A) the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and (B) upon the occurrence of a Conversion, the due delivery of the Ordinary Shares required to be delivered pursuant to Condition 9 (*Conversion*), and on the terms whereby subclause (iii) of Condition 5(h) (*Cancellation of interest; prohibited interest*), subclause (d)(ii)(C) of Condition 9 (*Conversion*), Condition 11 (*Taxation*), Condition 13 (*Events of Default*) and Condition 21 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;
 - (iv) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 4 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Fiscal Agency Agreement, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
 - (v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 11 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in subclause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and

that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;

- (vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;
 - (vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes; and
 - (viii) such substitution does not give rise to a Tax Event or a Regulatory Event.
- (b) Upon any substitution pursuant to clause (a) of this Condition 16, (i) the Substitute Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be released from its obligations under the Notes.
- (c) After giving effect to any substitution pursuant to clause (a) of this Condition 16, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

17. **CONSOLIDATION, MERGER OR SALE**

The Issuer will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to any Person of which at least 95 per cent. of such Person's capital and voting rights are held, directly or indirectly, by the Issuer) or permit any Person to merge with or into the Issuer unless (a) the Issuer will be the continuing Person, or (b) the Person formed by such consolidation or into which the Issuer is merged or that acquired such property and assets of the Issuer expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Issuer under the Notes.

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 18, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

19. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than USD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in USD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase USD with such amount on such date, on the first date on which it is practicable to do so). If the amount of USD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall

indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 19, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 19 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

20. **RULE 144A INFORMATION**

If at any time the Issuer is neither a reporting company under Section 13 or Section 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, the Issuer will comply with any applicable requirements of Rule 144A(d)(4) under the US Securities Act in relation to the Notes.

21. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer in respect of, or arising in connection with, the Notes.

22. **GOVERNING LAW AND JURISDICTION**

- (a) The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by and construed in accordance with the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, including any non-contractual obligation arising out of or in connection with the Notes.

**Additional Tier 1 capital (Basel III-compliant)**

| | |
|--------------------------|--|
| Issuer | UBS Group AG, or other employing entities of the UBS group |
| ISIN | - |
| Issue Date | 16.02.2024 ¹ |
| Currency | USD |
| Nominal (million) | 2 |
| Coupon Rate | 8.30% / 4.60% ³ |
| Maturity Date | perpetual ⁴ |
| First Call Date | 1 March 2029 ⁵ |

¹ Issuance date which corresponds to grant date for employees.

² For information on the outstanding amount, refer to the table "Capital and total loss-absorbing capacity instruments of UBS Group AG (consolidated), UBS AG and Credit Suisse AG (both consolidated and standalone) - Key features".

³ Applicable to USD-denominated and CHF-denominated issues, respectively, and not payable to EU/UK MRTs and SMFs, both as defined within this document.

⁴ Subject to forfeiture and vesting provisions.

⁵ For SMFs, as defined within this document, partly on 1 March 2030 and 1 March 2031.

Deferred Contingent Capital Plan 2023/24 (DCCP)

Summary description of the terms and conditions of DCCP as a capital instrument

| | |
|----------------------------------|---|
| Overview | Issues under the DCCP are made by UBS Group AG or certain other employing entities to key contributors at UBS Group AG or any of its subsidiaries (together, the "Group"). Eligibility is determined by the Issuer and issues are granted at its sole discretion. |
| Issuer | UBS Group AG or certain other employing entities of the UBS group |
| Type of instrument | <p>Non-transferable contingent right against the Issuer to receive</p> <ul style="list-style-type: none"> (i) discretionary annual interest equivalent payments on the nominal value of a hypothetical perpetual Additional Tier 1 ("AT1") security notionally issued by UBS Group AG at grant (the "Notional Bond"), and (ii) at redemption, as determined by the Issuer in its sole discretion, either the value of the Notional Bond in cash or perpetual AT1 securities issued or guaranteed by UBS Group AG or any other member of the Group of equivalent value (in each case net of any applicable taxes and social security contributions to the employee's account). <p>For DCCP awarded to EU/UK Material Risk Takers (MRT)¹ and individuals performing designated UK Senior Management Functions (SMF)² there will be no contingent right to receive discretionary annual interest payments; only a non-transferable contingent right against the Issuer to receive the amount indicated under (ii) above.</p> |
| Conditional Interest Equivalents | <p>Subject to (i) the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions" and (ii) the discretionary and mandatory interest cancellation provisions as set out below, interest equivalents will be payable annually in arrears on the nominal value of the Notional Bond at a rate of 4.60% for CHF-denominated issues and 8.30% for USD-denominated issues.</p> <p>The Issuer may, at its discretion, elect to cancel any interest equivalent that is otherwise scheduled to be paid on any interest payment date. In addition, without limitation to the foregoing, payments of interest equivalents will not be made unless sufficient distributable items (i.e., net profits carried forward and freely distributable reserves) of UBS Group AG are available.</p> |
| Maturity date | <p>Issues under the DCCP have no scheduled maturity date.</p> <p>Notwithstanding the foregoing, but subject to the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions", issues to US taxpayers will mature and be settled on or about 1 March 2029 (the "First Call Date"), or for US-based SMFs on 1 March 2030 and 1 March 2031 as mentioned below. The Notional Bond underlying such issues will have no scheduled maturity date.</p> |

¹ Based on relevant European Banking Authority's ("EBA") Regulatory Technical Standards (RTS) for EU MRTs, and for UK MRTs, based on the EBA RTS and the UK Prudential Regulation Authority's and Financial Conduct Authority's rules.

² As defined by the UK's Prudential Regulation Authority and Financial Conduct Authority.

Trigger Event or Viability Event

All outstanding issuances under the DCCP (or, in case of a Trigger Event (as defined below), all outstanding awards under the DCCP in relation to which a Trigger Event has occurred) will be automatically and permanently written down to zero, no further amounts will be due or paid thereunder and such awards will be permanently cancelled, if:

- a) the reported Common Equity Tier 1 ratio of the Group set forth in UBS Group AG 's quarterly financial accounts, results, the annual report, or in any reviewed interim measurement published upon the instruction of the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), falls below 7% or, with respect to grants awarded to Group Executive Board members, 10%, as of the relevant balance sheet date (each, a "Trigger Event");
- b) FINMA provides UBS Group AG with written notice of its determination that amounts outstanding under the DCCP are required to be written down to prevent the insolvency, bankruptcy or failure of UBS Group AG; or
- c) UBS Group AG has received a commitment of direct or indirect extraordinary support from the public sector that FINMA has determined and confirmed in writing to UBS Group AG is necessary to prevent the insolvency, bankruptcy or failure of UBS Group AG (an event described in clause (b) or (c), a "Viability Event").

Conditional Redemption

Subject to the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions" and except as mentioned below, the Issuer may, at its sole discretion, redeem any issuance by way of either a cash payment or delivery of AT1 securities on the First Call Date, provided that, where the Issuer has elected to redeem an issuance by way of a cash payment, a redemption will not occur until FINMA has approved it.

DCCP issuances to SMFs may be redeemed by the Issuer on the same basis, in equal quantities on 1 March 2030 and 1 March 2031. However, the following exceptions will apply:

- a) For SMFs who are members of the Group Executive Board, the DCCP Issuances may be redeemed on the same basis with 13% redeemed on 1 March 2030 and 87% redeemed on 1 March 2031;
- b) For certain designated below-GEB SMFs, the DCCP Issuances may be redeemed on the same basis with 20% redeemed on 1 March 2030 and 80% redeemed on 1 March 2031.

In case of a redemption by way of delivery of securities, the securities will be perpetual AT1 securities issued or guaranteed by UBS or any other member of the Group with substantially the same terms and provisions consistent with the Notional Bond, including but not limited to, the same Trigger and Viability Events. Furthermore, the aggregate value of the AT1 securities shall, subject to rounding, equal the value of the Notional Bond (net of any applicable taxes and social security contributions).

For issuances granted to US taxpayers, redemption will be on the First Call Date, or for US-based SMFs on 1 March 2030 and 1 March 2031 as mentioned above, such that if FINMA approval for any cash settlement has not been given at the applicable point in time, issuances must be settled by delivery of AT1 securities, on or about that date. Any AT1 securities delivered at settlement shall be marketable subordinated UBS Group AG debt instruments in the AT1 category having such terms and provisions consistent with the Notional Bond terms and provisions as determined by UBS Group AG in its sole discretion on or prior to the Grant Date.

| | |
|--|---|
| <p>Forfeiture and Vesting Provisions</p> | <p>Subject to the conditions set out under "Trigger Event or Viability Event", issuances under the DCCP will vest after a minimum of five years.</p> <p>An outstanding unvested issuance under the DCCP will generally be forfeited and cancelled, and no further interest equivalents will generally be due or paid, due to termination of employment or harmful acts by the employee. In certain circumstances, vesting of outstanding awards under the DCCP may be subject to conditions relating to the performance of the Group and/or the employee's business division and similar conditions. In addition, with respect to any award granted to Group Executive Board members, if the Group does not generate an adjusted pre-tax profit with respect to any financial year ending during or after the year of grant, but prior to the relevant vesting date, the nominal amount of such award will be reduced by 20% (for each year the Group does not generate an adjusted pre-tax profit) of the nominal amount of such award on the relevant grant date.</p> <p>In case of death (in or out of service) or disability, an outstanding unvested issuance under the DCCP will vest on the date that the employee's employment contract terminates due to death or disability or any other date as determined by the Issuer.</p> <p>Vesting may be accelerated, and forfeiture provisions may be relaxed, in case of early termination of the DCCP by, or change of control in, UBS Group AG.</p> |
| <p>Status</p> | <p>In the event of the liquidation or winding up of the Issuer under circumstances that do not coincide with the occurrence of a Trigger Event or a Viability Event, the holder will have a claim ranking junior to all rights and claims of priority creditors of the Issuer (i.e., claims in respect of obligations of the Issuer (i) that are unsubordinated or (ii) that are subordinated (including Tier 2 instruments) and do not, or are expressly not stated to, rank pari passu with, or junior to, the Issuer's obligations under the DCCP or any of the Issuer's obligations ranking pari passu with the Issuer's obligations under the DCCP).</p> |
| <p>Governing Law</p> | <p>Swiss law / in certain cases, New York law</p> |



High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|--------------------------|--|
| Issuer | UBS Group AG |
| ISIN | US902613BK35 (144A) / USH42097EW38 (Reg S) |
| Issue Date | 12.02.2024 |
| Currency | USD |
| Nominal (million) | 1,000 |
| Interest Rate | 7.750% ¹ |
| Maturity Date | perpetual |
| First Call Date | 12.04.2031 |

¹ Rate subject to change after first call date.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

1. DEFINITIONS

"**Acquiror**" has the meaning assigned to such term in subclause (e)(iv) of Condition 9 (*Conversion*).

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 11 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Adjustment Spread**" means, with respect to any Alternative Benchmark Rate determined in accordance with the provisions of clause (c) of Condition 5 (*Interest*), a spread (which may be positive or negative), or a formula or methodology for calculating such a spread, applied to such Alternative Benchmark Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Holders as a result of the replacement of the Existing Benchmark Rate with such Alternative Benchmark Rate.

"**Affected Reset Interest Period**" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"**Agent Insolvency Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 10 (*Payments; Agents*).

"**Agents**" means the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and any other agent from time to time appointed pursuant to the terms of the Fiscal Agency Agreement and the Settlement Agent.

"**Alternative Benchmark Rate**" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (e) of Condition 7 (*Trigger Event and Viability Event*).

"**Alternative MMSR Page**" has the meaning assigned to such term in subclause (c)(v)(A) of Condition 5 (*Interest*).

"**Alternative Relevant Time**" has the meaning assigned to such term in subclause (c)(v)(A) of Condition 5 (*Interest*).

"**Approved Entity**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Articles of Association**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"Bankruptcy Event" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, (ii) the opening of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such proceedings, **"Restructuring Proceedings"**), and/or (iii) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betriebsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the ordering of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such measures, **"Protective Measures"**), including, in the case of each of subclauses (x), (y) and (z), any steps (other than any steps described in clauses (i) through (iii) of this definition) taken under or in connection therewith.

"BIS Regulations" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"BIS Risk Weighted Assets" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term **"risk-weighted assets"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in (i) for purposes of the definitions of the terms "Extraordinary Publication Date", "Higher-Trigger Amount" and "Ordinary Publication Date", Zurich, and (ii) otherwise, New York City and Zurich.

"Calculation Agent" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"Calculation Amount" means USD 1,000.

"Capital Adequacy Ordinance" means the Swiss Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Firms of 1 June 2012, as amended from time to time, or any successor Swiss law or regulation.

"Cash Distribution" means any dividend or distribution in respect of the Ordinary Shares that is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including any cash distribution or payment to Shareholders upon or in connection with a reduction of capital. For the avoidance of doubt, the term "Cash Distribution" does not include consideration paid or any other payments made by UBS Group AG or any of its affiliates in connection with the repurchase of Ordinary Shares in connection with any share buyback programme.

"Certificate" means a Global Certificate and/or a Definitive Certificate, as the case may be.

"CET1 Capital" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance

Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term "**common equity tier 1 capital**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**CET1 Ratio**" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.

"**Code**" has the meaning assigned to such term in clause (c) of Condition 11 (*Taxation*).

"**Compliant Securities**" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), provided that:

- (a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;
- (b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;
- (c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and
- (d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"**Contingent Write-down**" means the events described in clauses (a) through (c) of Condition 8 (*Contingent Write-down*).

"**Conversion**" has the meaning given to it in clause (a) of Condition 9 (*Conversion*), and "convert" and "converted" shall be construed accordingly.

"**Conversion Capital**" means conversion capital (*Wandlungskapital*) within the meaning of the FBA.

"**Conversion Capital Availability Event**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Conversion Date**" means, with respect to any Conversion, the Trigger Event Conversion Date or the Viability Event Conversion Date, as applicable.

"Conversion Event" means a Trigger Event in respect of which the relevant Trigger Event Notice is a Trigger Event Conversion Notice or a Viability Event that occurs on or after a Conversion Capital Availability Event.

"Conversion Price" means USD 24.60, subject to any adjustment in accordance with clause (d) of Condition 9 (*Conversion*).

"Current Market Price" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), 10 consecutive dealing days) ending on the dealing day immediately preceding such date (such period, the **"Reference Period"**), *provided* that, if at any time during the Reference Period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of the Reference Period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price cum-dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit; or
- (b) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price ex-dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if on each of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period the Volume Weighted Average Price was based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) that has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices that are available in the Reference Period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the Reference Period, the Current Market Price shall be determined by an Independent Adviser.

"Day Count Fraction" means, in respect of any period (the **"Calculation Period"**), the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

"**dealing day**" means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares or other securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Definitive Certificate**" has the meaning assigned to such term in subclause (c)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Depository**" means DTC or any other Relevant Clearing System outside of Switzerland designated as Depository by the Issuer; *provided, however*, that, irrespective of the number of Regulation S Global Certificates and/or Rule 144A Global Certificates, as the case may be, outstanding, there will be no more than one Depository for the Notes at any time.

"**Distributable Items**" means, in respect of any Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Distribution Compliance Period**" means the 40-day period commencing on (and including) the later of (i) the day on which the Notes are first offered to Persons other than distributors (as defined in Regulation S under the US Securities Act), and (ii) the day on which the closing of the offering of the Notes occurs.

"**DTC**" means The Depository Trust Company.

"**EEA Regulated Market**" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets on financial instruments.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 13 (*Events of Default*).

"**Exempt Reorganisation**" means a Reorganisation where, immediately after completion of the relevant proceedings, the ordinary shares or units or equivalent of Newco (or depository or other

receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Recognised Stock Exchange as UBS Group AG or Newco may determine.

"Existing Benchmark Rate" has the meaning assigned to such term in clause (c) of Condition 5 (*Interest*).

"Existing Shareholders" has the meaning assigned to such term in the definition of the term "Reorganisation".

"Extraordinary Distribution" means any Cash Distribution (i) that is expressly declared by UBS Group AG to be an extraordinary or special dividend or an extraordinary or special distribution to Shareholders as a class or any analogous or similar term, and (ii) the amount of which exceeds the arithmetic average of the ordinary dividend per Ordinary Share paid by UBS Group AG in the three most recently preceding calendar years (each such ordinary dividend translated, if necessary, into the currency in which the applicable Cash Distribution is expressed at the Prevailing Rate on the date on which such ordinary dividend was paid) by more than 25 per cent.

"Extraordinary Publication Date" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Notice in accordance with Condition 7 (*Trigger Event and Viability Event*) have been met.

"Extraordinary Trigger Event Notice Date" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Fair Market Value" means, with respect to any property on any date (the **"Relevant Valuation Date"**), the fair market value of that property as determined by an Independent Adviser, *provided* that:

- (a) the Fair Market Value of a cash amount shall be the amount of such cash;
- (b) where securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Adviser), the Fair Market Value (i) of such securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of each of subclauses (i) and (ii), during the period of five dealing days on the relevant stock exchange or securities market commencing on the later of (x) the applicable Relevant Valuation Date and (y) the first dealing day on which such securities, options, warrants or other rights are publicly traded, or such shorter period as such securities, options, warrants or other rights are publicly traded; and
- (c) where securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such securities, options, warrants or other rights shall be determined by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Any amounts determined pursuant to the above shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on the Relevant Valuation Date. In addition, in the case of clause (a) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

"FBA" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"Final Cancellation Date" means the date specified in the Trigger Event Conversion Notice or a Viability Event Conversion Notice, as applicable, as being the date on which any Notes in relation to which no valid Settlement Shares Settlement Notice has been received by the Settlement Share Depository (or its designated agent(s)) on or before the Settlement Notice Cut-off Date shall be cancelled, which date is expected to be no more than 12 Business Days following the Settlement Notice Cut-off Date.

"FINMA" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"First Call Date" means 12 April 2031.

"Fiscal Agency Agreement" means the fiscal agency agreement dated as of 10 February 2021, among the Issuer, the Fiscal Agent, the Registrar, the Calculation Agent, the Swiss Paying Agent and the other Agents from time to time party thereto, as may be amended, supplemented or otherwise modified from time to time.

"Fiscal Agent" means Deutsche Bank Trust Company Americas, in its capacity as fiscal agent for the Notes, and includes any successor fiscal agent for the Notes appointed in accordance with the terms of the Fiscal Agency Agreement.

"Fixed Interest Rate" means 7.750 per cent. per annum.

"Former Residence" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"Global Certificate" means a Regulation S Global Certificate and/or Rule 144A Global Certificate, as the case may be.

"Going-Concern LR Requirement" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"Going-Concern RWA Requirement" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"Group" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"Group Holding Company" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"Higher-Trigger Amount" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case

of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"Higher-Trigger Contingent Capital" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Threshold Ratio (with respect to the relevant Higher-Trigger Contingent Capital, its **"Higher-Trigger Threshold Ratio"**).

"Higher-Trigger Threshold Ratio" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"Higher-Trigger Write-down/Conversion Date" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"Higher-Trigger Write-down/Conversion Notice" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold Ratio and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the **"Higher-Trigger Write-down/Conversion Date"**). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher- Trigger Threshold Ratio, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date will be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Holder" means, with respect to any Note, the Person in whose name the Certificate representing such Note is registered in the Register. For the avoidance of doubt, with respect to Notes represented by a Global Certificate, no Indirect Holder or other Person will be a Holder for purposes of these Terms and Conditions or such Notes or have any rights, or be owed any obligations by the Issuer, under such Notes.

"IBA" means ICE Benchmark Administration® Limited (or any successor administrator of the USD SOFR ICE Swap Rate® (or any successor label)).

"Independent Adviser" means an independent financial institution of international repute or an independent adviser of recognised standing and expertise, in either case, appointed by the Issuer at its own expense to make any determination that is required to be made, or may be made, by an Independent Adviser under these Terms and Conditions.

"Independent Adviser Determination Cut-off Date" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"Indirect Holder" means, with respect to any Note represented by a Global Certificate, any Person (other than the Holder) that owns a beneficial interest in such Notes through a bank, broker or other financial institution that (i) participates in the book-entry system of DTC, Euroclear, Clearstream, Luxembourg and/or any other clearing system (each, a **"Relevant Clearing System"**), or (ii) holds an interest in such Note through a participant in the book-entry system of any Relevant Clearing

System. No Indirect Holder will have any rights, or be owed any obligations by the Issuer, under the Notes.

"Interest Payment Date" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"Interest Period" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"Interest Rate" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"Issue Date" means 12 February 2024.

"Issuer" means UBS Group AG in its capacity as issuer of the Notes.

"Junior Obligations" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"Margin" means 4.160 per cent. per annum.

"Mid Market Swap Rate" means, in relation to any Reset Interest Period:

- (a) the USD SOFR ICE Swap Rate on the Reset Determination Date in relation to such Reset Interest Period as it appears on the MMSR Page on such Reset Determination Date; or
- (b) if such USD SOFR ICE Swap Rate does not appear on the MMSR Page on such Reset Determination Date, the Reset Reference Bank Rate in relation to such Reset Interest Period.

"Mid Market Swap Rate Quotation" means, in relation to any Reset Interest Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on an Actual/360 day count basis) of a fixed-for-floating USD interest rate swap transaction that:

- (a) has a term of five years commencing on the Reset Date on which such Reset Interest Period commences; and
- (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (c) has a floating leg based on SOFR compounded in arrear for 12 months (calculated on an Actual/360 day count basis).

"Minimum Conversion Capital Availability Amount" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"MMSR Page" means Bloomberg page USISSO05 Index (or (i) such other page as may replace that page on Bloomberg (or on any successor to Bloomberg), or (ii) if there is no such replacement page on Bloomberg (or on any successor to Bloomberg), such other page on such other information service, in the case of each of clauses (i) and (ii), on which the USD SOFR ICE Swap Rate is displayed and as selected by the Issuer after consultation with the Calculation Agent).

"National Regulations" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"New Conversion Condition" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Condition Effective Date**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Price**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"**New York Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in New York City.

"**Newco**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Non-Qualifying Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Notes**" means the USD 1,000,000,000 7.750 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**OECD**" means the Organisation for Economic Co-operation and Development.

"**Offer Settlement Period**" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG, which as of the Issue Date have a par value of USD 0.10 each. The Ordinary Shares deliverable on Conversion will be newly issued from the capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) and/or Conversion Capital of UBS Group AG, and rank *pari passu* with all other registered ordinary shares of UBS Group AG for any and all distributions payable on them on or after the relevant Share Creation Date.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Other Tier 1 Contingent Convertible Capital Note**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 10 (*Payments; Agents*).

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in New York City.

"**Permitted Transactions**" means:

- (a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;

- (b) market-making in Ordinary Shares as part of the securities business of any member of the Group;
- (c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;
- (d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and
- (e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"Presentation Currency" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (New York City time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (New York City time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser determines to be appropriate.

"Protective Measures" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Public Sector" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"Publication Date" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"Qualifying Relevant Event" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Quarterly Financial Accounts" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company, *provided* that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"**QIB**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Recognised Stock Exchange**" means an EEA Regulated Market, a regulated, regularly operating, recognised stock exchange in Switzerland or any other regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

"**Record Date**" means, with respect to any Scheduled Due Date, the last Relevant Banking Day immediately preceding such Scheduled Due Date.

"**Redemption Date**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Redemption Notice**" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"**Reference Period**" has the meaning assigned to such term in the definition of the term "Current Market Price".

"**Register**" means the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement.

"**Registrar**" means Deutsche Bank Trust Company Americas, in its capacity as registrar for the Notes, and includes any successor registrar for the Notes appointed in accordance with the Fiscal Agency Agreement.

"**Regulation S Global Certificate**" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Banking Day**" means a day other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the Registrar and the Fiscal Agent.

"**Relevant Clearing System**" has the meaning assigned to such term in the definition of the term "Indirect Holder".

"**Relevant Currency**" means USD or, if at the relevant time or for the purposes of the relevant calculation or determination there is a Relevant Stock Exchange but the New York Stock Exchange is not the Relevant Stock Exchange (or is the Relevant Stock Exchange but the Ordinary Shares are not quoted or dealt in thereon in USD), the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the money payable on the Scheduled Due Date has not been received by the Fiscal Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Fiscal Agent.

"**Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Relevant Page**" means the page on Bloomberg or such other information service provider that displays the relevant information.

"**Relevant Shares**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Relevant Stock Exchange" means the New York Stock Exchange or, if at the relevant time the Ordinary Shares are not listed and admitted to trading on the New York Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing (if any).

"Relevant Time" means 11:00 a.m. (New York City time).

"Reorganisation" means proceedings that effect the interposition of a corporation or other limited liability company ("**Newco**") between the Shareholders immediately prior to such proceedings (the "**Existing Shareholders**") and UBS Group AG, *provided* that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders, (ii) immediately after completion of such proceedings the only holders of ordinary shares, units or equivalent of Newco or the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, as the case may be, are Existing Shareholders holding in the same proportions as immediately prior to completion of such proceedings, (iii) immediately after completion of such proceedings, Newco is (or one or more wholly-owned subsidiaries of Newco are) the only shareholder of UBS Group AG, (iv) all subsidiaries of UBS Group AG immediately prior to such proceedings (other than Newco, if Newco is then a subsidiary of UBS Group AG) are subsidiaries of UBS Group AG (or of Newco) immediately after completion of such proceedings, and (v) immediately after completion of such proceedings, UBS Group AG (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those subsidiaries as was held by UBS Group AG immediately prior to such proceedings.

"Reset Date" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"Reset Determination Date" means, in relation to any Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"Reset Interest Amount" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"Reset Interest Period" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"Reset Interest Rate" means, in relation to any Reset Interest Period, the sum of the Margin and the Mid Market Swap Rate in relation to such Reset Interest Period.

"Reset Reference Bank Rate" means, in relation to any Reset Interest Period, the percentage rate (rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent as follows:

- (a) the Calculation Agent will request each Reset Reference Bank to provide it with such Reset Reference Bank's Mid Market Swap Rate Quotation in relation to such Reset Interest Period as at the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period; and
- (b) if at least three such Mid Market Swap Rate Quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the Mid Market Swap Rate Quotations provided, eliminating the highest Mid Market Swap Rate Quotation (or, in the event of equality, one of the highest) and the lowest Mid Market Swap Rate Quotation (or, in the event of equality, one of the lowest); or
- (c) if only two such Mid Market Swap Rate Quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the Mid Market Swap Rate Quotations provided; or
- (d) if only one such Mid Market Swap Rate Quotation is provided, the Reset Reference Bank Rate will be the Mid Market Swap Rate Quotation provided; or

- (e) if no such Mid Market Swap Rate Quotations are provided, the Reset Reference Bank Rate will be (i) if such Reset Determination Date is in relation to any Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the Mid Market Swap Rate in respect of the immediately preceding Reset Interest Period, or (ii) if such Reset Determination Date is in relation to the Reset Interest Period commencing on the First Call Date, 3.590 per cent. per annum.

"Reset Reference Banks" means five major banks in the swap, money, securities or other market most closely connected with the Mid Market Swap Rate, as selected by the Issuer after consultation with the Calculation Agent.

"Restructuring Proceedings" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Reviewed Interim Measurement" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"Rule 144A" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"Rule 144A Global Certificate" has the meaning assigned to such term in subclause (b)(i) of Condition 2 (*Amount, Denomination and Form*).

"Scheduled Due Date" has the meaning assigned to such term in the definition of the term "Relevant Date".

"Securities" means any shares in the capital of UBS Group AG, or any options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of UBS Group AG, excluding all Other Tier 1 Contingent Convertible Capital Notes (and each a "Security").

"Senior Obligations" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"Settlement Agency Agreement" means the Settlement Agency Agreement dated as of the Issue Date, between the Issuer and the Settlement Agent, as amended, supplemented or otherwise modified from time to time.

"Settlement Agent" means UBS AG, in its capacity as settlement agent for the Notes, and includes any successor settlement agent for the Notes appointed in accordance with these Terms and Conditions.

"Settlement Date" means:

- (a) with respect to any Note in relation to which a valid Settlement Shares Settlement Notice is received by the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) on or before the Settlement Notice Cut-off Date,
- (i) if the Trigger Event Conversion Notice specified that the Issuer will not appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer or if the Issuer gave a Viability Event Conversion Notice, the date that is two Business Days after the date on which the relevant Settlement Shares Settlement Notice has been so received by the Settlement Share Depository (or such agent); or
- (ii) if the Trigger Event Conversion Notice specified that the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, the date that is two Business Days after the later of (x) the date on which the Offer Settlement Period expires or is terminated and (y) the date on which the relevant Settlement Shares Settlement Notice has been so received by the Settlement Share Depository (or such agent); and

- (b) with respect to any Note in relation to which a valid Settlement Shares Settlement Notice is not received by the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) on or before the Settlement Notice Cut-off Date, the date on which the Settlement Share Depository delivers the relevant Ordinary Shares and/or cash proceeds of the Settlement Shares Offer, as applicable, to which the Holder of such Note is entitled pursuant to Condition 9 (*Conversion*) to such Holder.

"Settlement Notice Cut-off Date" means the date specified as such in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, which date shall be at least 20 Business Days following the applicable Suspension Date.

"Settlement Share Depository" means a reputable independent financial institution, clearing institution, trust company or similar entity, to be appointed by the Issuer on or prior to any date when a function ascribed to the Settlement Share Depository in these Terms and Conditions is required to be performed to perform such functions, who will hold Ordinary Shares in a designated trust account for the benefit of the Holders and otherwise on terms consistent with these Terms and Conditions.

"Settlement Shares Offer" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Offer Agent" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Settlement Notice" has the meaning given to it in clause (j) of Condition 9 (*Conversion*).

"Share Creation Date" means, in relation to Ordinary Shares to be issued and delivered on Conversion, the date falling after the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, and on or prior to the applicable Conversion Date on which as a matter of Swiss law the relevant Ordinary Shares are paid up.

"Shareholders" means the holders of Ordinary Shares.

"SOFR" means the daily Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate).

"Specified Office" means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar, Trust and Agency Services, 1 Columbus Circle, 17th Floor, Mail Stop: NYC01-1710, New York, NY 10019, USA, Attn: Corporates Team, UBS Group AG, (ii) in the case of UBS AG, as Swiss Paying Agent, Calculation Agent and Settlement Agent, Bahnhofstrasse 45, 8001 Zurich, Switzerland, (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after the appointment of such Agent, and (iv) in the case of the Settlement Share Depository, the office designated as such in the applicable Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, or, in the case of each of clauses (i), (ii), (iii) and (iv), such other office as the relevant Agent or Settlement Share Depository may designate from time to time by providing notice to the Issuer and the Holders in accordance with Condition 15 (*Notices*).

"Substitute Issuer" has the meaning assigned to such term in clause (a) of Condition 16 (*Issuer Substitution*).

"Substitution Documents" has the meaning assigned to such term in subclause (a)(iv) of Condition 16 (*Issuer Substitution*).

"Substitution or Amendment Effective Date" has the meaning assigned to such term in subclause (b)(iii) of Condition 14 (*Meeting of Holders; Substitution and Amendment*).

"Suspension Date" means the date specified in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, as the date on which the Depository is expected to suspend all clearance and settlement of transactions in the Notes in accordance with its rules and

procedures, which date is expected to be, if such Trigger Event Conversion Notice specifies that the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, as proximate to the expiration or termination of the Offer Settlement Period as is reasonably practicable in accordance with the rules and procedures of the Depository; *provided, however*, that, for purposes of clause (j) of Condition 9 (*Conversion*) only, if the date on which the Depository actually suspends such clearance and settlement is different from the date specified in the Trigger Event Conversion Notice or the Viability Event Conversion Notice, as applicable, then "Suspension Date" will mean the date on which the Depository actually suspends such clearance and settlement.

"**Swiss Code**" means the Swiss Code of Obligations of 30 March 1911, as amended from time to time.

"**Swiss Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 10 (*Payments; Agents*).

"**Swiss Resolution Power**" means any statutory power of FINMA that it may exercise during Restructuring Proceedings as set forth in article 28 et seqq. of the FBA or in any implementing ordinance or successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, the power to (i) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (ii) stay (for a maximum of two business days) the termination of, or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such Restructuring Proceedings is a party, (iii) partially or fully convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (iv) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 11 (*Taxation*).

"**Threshold Ratio**" means 7 per cent.

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger CET1 Ratio**" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date,

divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"**Trigger Event**" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Conversion Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Conversion Notice**" means a Trigger Event Notice given on or after the occurrence of a Conversion Capital Availability Event.

"**Trigger Event Notice**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Notice Date**" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"**Trigger Event Write-down Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Write-down Notice**" means a Trigger Event Notice given prior to the occurrence of a Conversion Capital Availability Event.

"**US**" or "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"**US Exchange Act**" means the US Securities Exchange Act of 1934, as amended from time to time.

"**US Investment Company Act**" means the US Investment Company Act of 1940, as amended from time to time.

"**US Securities Act**" means the US Securities Act of 1933, as amended from time to time.

"**US Transfer Agent**" means Computershare Trust Company, N.A., in its capacity as US transfer agent for the Ordinary Shares, and includes any successor US transfer agent for the Ordinary Shares that may be appointed by UBS Group AG from time to time.

"**USD**" means United States dollars.

"**USD SOFR ICE Swap Rate**" means, on any Reset Determination Date, the USD SOFR ICE Swap Rate® (or any successor label for such rate applied by IBA) published by IBA that represents the annual mid rate as of the Relevant Time on such Reset Determination Date for USD swap transactions with a term of five years and a floating leg based on SOFR compounded in arrear for 12 months.

"**Viability Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"**Viability Event Conversion Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Viability Event Conversion Notice**" means a Viability Event Notice in respect of which the Viability Event has occurred on or after the occurrence of a Conversion Capital Availability Event.

"**Viability Event Notice**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Viability Event Write-down Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Notice" means a Viability Event Notice in respect of which the Viability Event has occurred prior to the occurrence of a Conversion Capital Availability Event.

"Volume Weighted Average Price" means, in respect of an Ordinary Share or other Security on any dealing day, the order book volume-weighted average price (rounded to the same number of decimal places as the initial Conversion Price) of an Ordinary Share or such other Security, as the case may be, published on or by or derived from (i) in the case of an Ordinary Share, the relevant Bloomberg page, or (ii) in the case of a Security other than Ordinary Shares, the principal stock exchange or securities market on which such Security is then listed or quoted or dealt in, if any, or, in the case of each of clauses (i) and (ii), such other source as an Independent Adviser determines to be appropriate, on such dealing day, *provided* that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or such other Security, as the case may be, in respect of such dealing day shall be (i) the Volume Weighted Average Price, determined as provided above, on the most recently preceding dealing day on which the same can be so determined, or (ii) determined in such other manner as an Independent Adviser determines to be appropriate.

"Write-down Date" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

2. AMOUNT, DENOMINATION AND FORM

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be USD 1,000,000,000. The Notes will be issued to Holders in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 8 (*Contingent Write-down*). The Notes may be held and transferred only in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

(b) *Global Certificates*

(i) Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the US Securities Act ("**Rule 144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act are initially represented by one or more permanent registered global certificates (each, a "**Regulation S Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC, *provided* that upon such Regulation S Global Certificate's deposit, all beneficial interests in the Notes represented thereby are maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. The form of Regulation S Global Certificate and the form of Rule 144A Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

(ii) The aggregate principal amount of the Notes represented by each of the Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Each Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided, however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Note represented by

another Global Certificate will, upon transfer, cease to be a beneficial interest in such first Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

- (iii) So long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, the Holder of a Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of a Relevant Clearing System and Persons that may hold interests through such participants, to take any action that the Holder is entitled to take under these Terms and Conditions or the Notes (including, without limitation, delivery of a Settlement Shares Settlement Notice following a Conversion Event in accordance with clause (j) of Condition 9 (*Conversion*)), and nothing in these Terms and Conditions will prevent the Issuer or the Agents or the Settlement Share Depository (if any) or any of their respective agents from giving effect to any such proxies or other authorisations furnished by the Holder of a Global Certificate for purposes of this subclause (b)(iii). Although the Holders are the only Persons entitled to participate in, and vote at, any meeting of Holders, so long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, the Holder of a Global Certificate shall (A) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (B) vote at such meeting in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (C) abstain from representing any Note represented by such Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes represented by such Global Certificate for which the Holder received an instruction by the relevant Indirect Holder to take part at a meeting of Holders will be deemed to be present or represented at such meeting.

(c) *Definitive Certificates*

- (i) Definitive Notes in registered form (each, a "**Definitive Certificate**") shall be issued, and a Global Certificate will be exchanged, in whole, but not in part, for Definitive Certificates, if (and only if):
 - (A) the Depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to some or all of the Global Certificates, or ceases to be a "clearing agency" registered under the US Exchange Act; or
 - (B) at any time the Depository is no longer eligible to act as such, or the Notes cease for any reason to be eligible for clearing through the Depository, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depository or of the Notes, as the case may be, from or on behalf of the Depository; or
 - (C) issuance of the Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Notes; or
 - (D) the Issuer provides its consent.
- (ii) If a Global Certificate is to be exchanged for Definitive Certificates pursuant to subclause (i) of this clause (c), the Issuer will procure the prompt delivery (free of charge) of Definitive Certificates to the Fiscal Agent, duly executed without interest coupons, registered in the names of the relevant Indirect Holders, addresses and denominations provided in a written notice to be given by the Depository or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depository's procedures and also specify the taxpayer identification number,

if any, of each Person in whose name such Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Definitive Certificates to the Holders thereof no later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depositary (or the Issuer, as applicable) referred to above (and any other necessary information as the Fiscal Agent may reasonably request from the Issuer at such time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Global Certificates. The form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Rule 144A Global Certificate and the form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.

- (iii) If Definitive Certificates have been issued pursuant to this Condition 2(c), any Definitive Certificate that is lost, stolen, mutilated, defaced or destroyed may be replaced, subject to applicable laws and regulations, at the Specified Office of the Fiscal Agent upon payment by the claimant of the fees, costs and expenses incurred by the Fiscal Agent and the Issuer in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the Definitive Certificate allegedly or actually lost, stole or destroyed is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Certificate subsequently presented) as the Issuer may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

3. TRANSFER

(a) *General*

- (i) Subject to Conditions 3(b) and 3(c), title to Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Notes and entries on the Register will be made subject to the provisions concerning transfers of Notes set forth in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder or Indirect Holder upon written request.
- (ii) Transfers of Notes, or of beneficial interests in Notes represented by Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Global Certificate or Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Note or beneficial interests in Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.
- (iii) Transfers of Notes and the issue of new Global Certificates or Definitive Certificates, as the case may be, on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.
- (iv) No Holder may require the transfer of a Note to be registered (x) if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*), during the period of 15 days ending on (and including) the relevant Redemption Date, or (y) during the period of 15 days ending on (and including) the Record Date for any Interest Payment Date.
- (v) No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer, under the Notes. Payments of principal, interest or any other amount in respect of Notes will be made only to

the Person shown on the Register as the registered holder of such Note (i.e., the Holder) at close of business on the relevant Record Date.

(b) *Transfer of Notes represented by a Global Certificate*

- (i) Global Certificates may be transferred only in whole, but not in part, and only to a Relevant Clearing System or any of their respective successors or nominees, in each case located outside of Switzerland, except as provided below. Beneficial interests of Indirect Holders in Notes represented by Global Certificates may be transferred only in accordance with the rules and procedures of such Relevant Clearing System, the provisions of the Fiscal Agency Agreement and this Condition 3(b).
- (ii) A beneficial interest in a Note represented by a Regulation S Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Rule 144A Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the US Securities Act, purchasing the beneficial interests in the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.
- (iii) A beneficial interest in a Note represented by a Rule 144A Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Regulation S Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the US Securities Act.
- (iv) Until the termination of the Distribution Compliance Period, beneficial interests in any Regulation S Global Certificate may be held only through participants acting for and on behalf of Euroclear and/or Clearstream, Luxembourg, *provided* that this subclause (iv) shall not prohibit any transfer in accordance with subclause (ii) of this Condition 3(b).

(c) *Transfer of Notes represented by a Definitive Certificate*

- (i) If and when Definitive Certificates have been issued pursuant to Condition 2(c), one or more Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Definitive Certificate representing such Notes to be transferred, together with the form of transfer attached to such Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Definitive Certificate shall be issued to the transferee in respect of the Notes that are the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a Holder, a new Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Definitive Certificate representing the existing holding of such Person.

(ii) Each new Definitive Certificate to be issued pursuant to Condition 2(c) shall be available for delivery within three Relevant Banking Days of receipt of the form of transfer and surrender of the relevant Definitive Certificate. Delivery of new Definitive Certificate(s) will be made at the Specified Office of the Fiscal Agent to which delivery and surrender of such form of transfer and Definitive Certificate or, as the case may be, surrender of such Definitive Certificate, will have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify.

(d) *Rule 144A*

Each Note that is initially sold in the United States to a QIB will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold, pledged or otherwise transferred, except (i) in accordance with Rule 144A to a Person that the Holder and any Person acting on its behalf reasonably believe is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act, (iii) pursuant to an exemption from registration under Rule 144 under the US Securities Act, or in accordance with another exemption from, or in a transaction not subject to, registration under the US Securities Act, if available, or (iv) pursuant to an effective registration statement under the US Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

4. STATUS AND SUBORDINATION

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 4.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions),

- (i) if such event occurs (x) prior to the occurrence of a Conversion Capital Availability Event, or (y) on or after the occurrence of a Conversion Capital Availability Event but prior to the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations, and (C) senior to the rights and claims of holders of Junior Obligations; *provided, however*, that, if a Conversion Event subsequently occurs while such Bankruptcy Event or liquidation or winding-up, as the case may be, is continuing, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary

Shares in accordance with Condition 9 (*Conversion*) will rank as set forth in subclause (ii) below; or

- (ii) if such event occurs on or after the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary Shares in accordance with Condition 9 (*Conversion*) will rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) junior to the rights and claims of holders of Parity Obligations, and (C) *pari passu* with the rights and claims of holders of Junior Obligations.

- (c) *Claims subject to a Contingent Write-down or a Conversion*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 13 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), as applicable, irrespective of whether the relevant Trigger Event or Viability Event, as applicable, has occurred, or, in the case of a Viability Event, the relevant Viability Event Notice has been given, prior to or after the occurrence of an Event of Default or any other event.

5. INTEREST

- (a) *Interest Payment Dates*

- (i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.

- (ii) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (i) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on 12 April and 12 October of each year (each, an "**Interest Payment Date**"), commencing on 12 April 2024.

- (b) *Determination of the Mid Market Swap Rate, the Reset Interest Rate and the Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period and subject to clause (c) of this Condition 5, the Calculation Agent will, as soon as practicable after the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period, determine the Mid Market Swap Rate and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

- (c) *Benchmark replacement*

If the Issuer (in consultation with the Calculation Agent) determines prior to any Reset Determination Date that (x) the rate referred to in clause (a) of the definition of the term "Mid Market Swap Rate" (the "**Existing Benchmark Rate**") has been discontinued or (y) there has been a public statement or publication of information by the administrator of the Existing Benchmark Rate or the regulatory supervisor for the administrator of the Existing Benchmark Rate announcing that the Existing Benchmark Rate is no longer representative, then the following provisions shall apply (subject to the subsequent operation of this clause (c)):

- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's discretion, in accordance with subclause (iv) below, an alternative rate to the Existing Benchmark Rate (the "**Alternative Benchmark Rate**") no later than three Business Days prior to the

Reset Determination Date relating to the next succeeding Reset Interest Period (such Business Day, the "**Independent Adviser Determination Cut-off Date**", and such next succeeding Reset Interest Period, the "**Affected Reset Interest Period**") for purposes of determining the Mid Market Swap Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;

- (ii) if prior to the Independent Adviser Determination Cut-off Date the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate in accordance with subclause (iv) below, then the Issuer (in consultation with the Calculation Agent) may determine in its discretion, in accordance with subclause (iv) below, the Alternative Benchmark Rate for purposes of determining the Mid Market Swap Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;
- (iii) if subclause (ii) above applies and the Issuer is unable or unwilling to determine the Alternative Benchmark Rate prior to the Reset Determination Date relating to the Affected Reset Interest Period in accordance with subclause (iv) below, the Mid Market Swap Rate in respect of the Affected Reset Interest Period will be equal to the Mid Market Swap Rate in respect of the immediately preceding Reset Interest Period (or, if there is no preceding Reset Interest Period, the Reset Interest Rate applicable to the Affected Reset Interest Period will be equal to the Fixed Interest Rate); *provided, however*, that, if this subclause (iii) applies to the Affected Reset Interest Period, the Reset Interest Rate for all succeeding Reset Interest Periods will be the Reset Interest Rate applicable to the Affected Reset Interest Period as determined in accordance with this subclause (iii) unless (A) the Issuer, in its sole discretion, elects to determine an Alternative Benchmark Rate in respect of any such succeeding Reset Interest Period and all Reset Interest Periods thereafter in accordance with the processes set out in this clause (c), and (B) an Alternative Benchmark Rate is so determined;
- (iv) in the case of any determination of an Alternative Benchmark Rate pursuant to subclause (i) or (ii) above, such Alternative Benchmark Rate will be such rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent), as applicable, determines in its reasonable discretion has replaced the Existing Benchmark Rate in customary market usage, or, if the Independent Adviser or the Issuer, as applicable, determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent) determines in its reasonable discretion is most comparable to the Existing Benchmark Rate; and
- (v) if the Independent Adviser or the Issuer determines an Alternative Benchmark Rate in accordance with the above provisions of this clause (c),
 - (A) the Independent Adviser (in the case of subclause (2) below, in consultation with the Issuer) or, following consultation with the Calculation Agent, the Issuer (as the case may be) shall also determine in its reasonable discretion (1) the method for obtaining such Alternative Benchmark Rate, including the page on or source from which such Alternative Benchmark Rate appears or is obtained (the "**Alternative MMSR Page**"), and the time at which such Alternative Benchmark Rate appears on, or is obtained from, the Alternative MMSR Page (the "**Alternative Relevant Time**"), (2) whether to apply an Adjustment Spread to such Alternative Benchmark Rate and, if so, the Adjustment Spread, which Adjustment Spread must be recognised or acknowledged as being in customary market usage in international debt capital markets transactions that reference the Existing Benchmark Rate, where such rate has been replaced by such Alternative Benchmark Rate, and (3) any alternative method for determining the Mid Market Swap Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset

Determination Date, which alternative method shall be consistent with any Alternative Benchmark Rate that has broad market support;

- (B) for the Affected Reset Interest Period and all Reset Interest Periods thereafter, (1) clause (a) of the definition of the term "Mid Market Swap Rate" shall be amended pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) to give effect to the determination described in subclause (A)(1) above and any Adjustment Spread determined pursuant to subclause (A)(2) above, and (2) clause (b) of the definition of the term "Mid Market Swap Rate" shall be amended pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) to give effect to the determination described in subclause (A)(3) above;
- (C) references to the MMSR Page and the Relevant Time in these Terms and Conditions will be deemed to be references to the Alternative MMSR Page and the Alternative Relevant Time, respectively;
- (D) if any changes to the definitions of the terms "Business Day", "Day Count Fraction", "Payment Business Day" and/or "Reset Determination Date" are necessary in order to implement the amendments described in subclause (B) above, such definitions shall be amended pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) to reflect such changes; and
- (E) the Issuer shall promptly give notice to the Holders in accordance with Condition 15 (*Notices*) specifying such Alternative Benchmark Rate (including any Adjustment Spread determined pursuant to subclause (A)(2) above and any alternative method for determining the Mid Market Swap Rate described in subclause (A)(3) above), the Alternative MMSR Page, the Alternative Relevant Time, and any amendments implemented pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) as described in subclauses (B) and (D) above.

Any determination that is made by an Independent Adviser or by the Issuer for purposes of this clause (c) will be made in good faith and in a commercially reasonable manner.

(d) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event no later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*) no later than two Business Days prior to such Redemption Date.

(e) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (i) of this Condition 5:

- (i) the amount of interest payable per Calculation Amount on each Interest Payment Date to (and including) the First Call Date in respect of the Notes will be (A) in the case of the first Interest Payment Date, USD 12.917, and (B) otherwise, USD 38.75; and
 - (ii) if interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:
 - (A) applying the applicable Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and
 - (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (f) *Calculation of amount of interest payable per Note*
- Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (i) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:
- (i) the amount of interest per Calculation Amount; and
 - (ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.
- (g) *Notifications, etc. to be final*
- All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for purposes of this Condition 5, whether by the Reset Reference Banks (or any of them) or the Calculation Agent or the Independent Adviser, will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Reset Reference Banks (or any of them), the Calculation Agent or the Independent Adviser in connection with the exercise or non-exercise by the Calculation Agent or the Independent Adviser of its powers, duties and discretions under this Condition 5.
- (h) *Accrual of interest in the case of redemption or a Trigger Event or a Viability Event*
- (i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided, however*, that if the payment with respect to any Note is improperly withheld or refused on such Redemption Date, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the relevant Interest Rate to the Relevant Date.
 - (ii) Upon the occurrence of a Trigger Event or a Viability Event, interest on the Notes will cease to accrue from (and including) the date on which such Trigger Event or Viability Event occurs.
- (i) *Cancellation of interest; prohibited interest*
- (j) The Issuer may, in its sole discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (i)(i) is without prejudice to the provisions of subclause (i)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Fiscal Agent will constitute evidence of cancellation of the

relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (i)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

(ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

(A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of subclauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or

(B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or

(C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Fiscal Agent and shall give notice in accordance with Condition 15 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (i)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (i)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

(iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (i)(i) or subclause (i)(ii) of this Condition 5, UBS Group AG shall not, directly or indirectly,

(A) recommend to Shareholders that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; or

(B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

- (iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(i) will not constitute a default for any purpose (including, without limitation, Condition 13 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this Condition 5(i) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.
- (v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (i)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (i)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

6. REDEMPTION AND PURCHASE

(a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed (including by way of Conversion pursuant to Condition 9 (*Conversion*)) or purchased and cancelled in accordance with this Condition 6 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

(b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Redemption Date.

(c) *Redemption due to a Tax Event*

(i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

(ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of subclauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published

application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.
- (ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

- (i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, then the Issuer shall give the Holders not less than 15 and not more than 60 days' prior notice in accordance with Condition 15 (*Notices*) (a "Redemption Notice"), which notice shall, subject to subclauses (ii) and (iii) of this clause (e), be irrevocable and specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, (y) if any Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which date, in the case of a redemption pursuant to clause (c) or (d) of this Condition 6, shall be a Payment Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").
- (ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
- (iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.
- (iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 6, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 6 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 6 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided that* (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under

applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 6 or by way of Conversion pursuant to Condition 9 (*Conversion*) will be cancelled and may not be reissued or resold; *provided, however*, that, in the case of Notes redeemed by way of Conversion, the Issuer will not take any action to cause such Notes to be removed from the Relevant Clearing System prior to the later of (i) the applicable Settlement Date and (ii) the Final Cancellation Date. Following the issuance and delivery of the relevant Ordinary Shares to the Settlement Share Depository on the Conversion Date and until the later of (i) the applicable Settlement Date and (ii) the Final Cancellation Date, the Notes will evidence solely the Holder's right to receive Ordinary Shares and/or cash proceeds, as the case may be, from the Settlement Share Depository or the Settlement Shares Offer Agent (or such other relevant recipient).

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **TRIGGER EVENT AND VIABILITY EVENT**

(a) *Trigger Event*

(i) Upon the occurrence of a Trigger Event:

- (A) if such Trigger Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Trigger Event Write-down Date in accordance with Condition 8 (*Contingent Write-down*); or
- (B) if such Trigger Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Trigger Event Conversion Date in accordance with Condition 9 (*Conversion*).

(ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Notice in accordance with clause (b) of this Condition 7.

(b) *Trigger Event Notice*

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, the Issuer shall, subject to subclauses (ii) and (iii) of this Condition 7(b), give a notice (a "**Trigger Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), which notice shall:

- (A) if such Trigger Event Notice is given prior to the occurrence of a Conversion Capital Availability Event (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio,

and a Contingent Write-down will take place, and (2) specify the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no later than 10 Business Days after the date of such notice (the "**Trigger Event Write-down Date**"); or

- (B) if such Trigger Event Notice is given on or after the occurrence of a Conversion Capital Availability Event, (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Conversion will take place, (2) specify the date on which the Conversion will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no more than 20 Business Days after the date of such notice (the "**Trigger Event Conversion Date**"), (3) specify the Conversion Price in effect on the date of such Trigger Event Notice, and (4) specify the details of the arrangement for the settlement of the Conversion (including whether or not the Issuer will appoint a Settlement Shares Offer Agent to conduct a Settlement Shares Offer, the Suspension Date, the details of the Settlement Share Depository (including its Specified Office) or, if the Issuer is unable to appoint a Settlement Share Depository prior to giving of such notice, the other arrangements it has made in accordance with subclause (h)(i) of Condition 9 (*Conversion*) for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders, the procedures Holders must follow to obtain delivery of the Ordinary Shares from the Settlement Share Depository, the Settlement Notice Cut-Off Date and the Final Cancellation Date).
- (ii) If a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b), and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,
 - (A) in the case of subclause (x) above, the giving of such Trigger Event Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and
 - (B) in the case of subclauses (x) and (y) above, if the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Notice.
- (iii) If (A) a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b) in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down or a Conversion, as applicable, is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary

Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Threshold Ratio that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Notice pursuant to subclause (i) of this Condition 7(b) in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 15 (*Notices*), which notice shall state that no Contingent Write-down or Conversion, as applicable, will occur in relation to the relevant Ordinary Publication Date.

(c) *Viability Event*

(i) Subject to clause (e) of this Condition 7, upon the occurrence of a Viability Event:

(A) the Issuer shall give notice (a "**Viability Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall:

(1) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than 10 Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**"); or

(2) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, (w) state that a Viability Event has occurred and a Conversion will take place, (x) specify the date on which the Conversion will take place, which date shall be no more than 20 Business Days following the occurrence of the Viability Event (the "**Viability Event Conversion Date**"), (y) specify the Conversion Price in effect on the date of such Viability Event Notice, and (z) specify the details of the arrangements for the settlement of the Conversion (including the Suspension Date, the details of the Settlement Share Depository (including its Specified Office) or, if the Issuer is unable to appoint a Settlement Share Depository prior to giving of such notice, the other arrangements it has made in accordance with subclause (h)(i) of Condition 9 (*Conversion*) for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders, the procedures Holders must follow to obtain delivery of the Ordinary Shares from the Settlement Share Depository, the Settlement Notice Cut-Off Date and the Final Cancellation Date); and

(B) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Viability Event Write-down Date in accordance Condition 8 (*Contingent Write-down*); or

(C) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Viability Event Conversion Date in accordance with Condition 9 (*Conversion*).

(ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):

(A) FINMA has notified UBS Group AG in writing that it has determined a conversion or write-down, as applicable, of holders' claims in respect of

the Notes and all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or

- (B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Notice have been met.

(d) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (d) subsequently published will have no effect for purposes of this Condition 7.

(e) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

(f) *Conversion Capital Availability Event*

- (i) A "**Conversion Capital Availability Event**" will have occurred on the first date after the Issue Date on which an amendment to the Articles of Association is registered in the main register (*Hauptregister*) of the Commercial Register (*Handelsregister*) of the Canton of Zurich as a result of which the Conversion Capital provided for in the Articles of Association meets or exceeds the Minimum Conversion Capital Availability Amount. For purposes of these Terms and Conditions, a Conversion Capital Availability Event may occur only once.

For purposes of the definition of Conversion Capital Availability Event:

"**Articles of Association**" means, at any time, the articles of association (*Statuten*) of UBS Group AG in effect at such time.

"Minimum Conversion Capital Availability Amount" means, at any time, the amount of Conversion Capital that UBS Group AG would require in order for it to create and issue:

- (A) the number of Ordinary Shares into which the Notes outstanding at such time would be converted if they were to be converted at the Conversion Price in effect at such time and otherwise in accordance with these Terms and Conditions; and
- (B) if any Other Tier 1 Contingent Convertible Capital Notes are outstanding at such time, the number of Ordinary Shares into which such Other Tier 1 Contingent Convertible Capital Notes would be converted if they were to be converted at the conversion price then in effect pursuant to, and otherwise in accordance with, their respective terms at such time,

in each case, out of such Conversion Capital.

"Other Tier 1 Contingent Convertible Capital Note" means any capital instrument (other than the Notes) that:

- (A) is eligible in full to be (x) treated as Additional Tier 1 Capital and (y) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both); and
- (B) subject to the terms and conditions thereof, is to be:
 - (x) converted into Ordinary Shares; or
 - (y) after a Conversion Capital Availability Event (or equivalent event described in the terms and conditions thereof) occurs, converted into Ordinary Shares,

in either case, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a certain threshold and/or a Viability Event (or equivalent event described in the terms and conditions thereof) occurs.

As of 7 February 2024, the outstanding Other Tier 1 Contingent Convertible Capital Notes consisted of (1) the 9.250 per cent. Tier 1 Capital Notes (ISIN: US902613BF40 (144A); USH42097ES26 (Reg S)) issued by UBS Group AG in an aggregate principal amount of USD 1,750,000,000 on 13 November 2023, and (2) the 9.250 per cent. Tier 1 Capital Notes (ISIN: US902613BE74 (144A); USH42097ER43 (Reg S)) issued by UBS Group AG in an aggregate principal amount of USD 1,750,000,000 on 13 November 2023.

- (ii) If a Conversion Capital Availability Event occurs at any time on or prior to a Trigger Event or a Viability Event, the Issuer shall as soon as practicable thereafter deliver to the Fiscal Agent and the Settlement Agent a certificate signed by the Authorised Signatories and notice to the Holders in accordance with Condition 15 (*Notices*), in each case stating that a Conversion Capital Availability Event has occurred and the date on which it occurred.

8. CONTINGENT WRITE-DOWN

If the Issuer has given a Trigger Event Write-down Notice or a Viability Event Write-down Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then on the relevant Write-down Date:

- (a) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;

- (b) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (a) of this Condition 8 (*bedingter Forderungsverzicht*); and
- (c) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the date of the relevant Trigger Event Notice or Viability Event Notice, as the case may be, or the Write-down Date.

9. CONVERSION

(a) *Conversion upon a Trigger Event or a Viability Event*

If the Issuer has given a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then:

- (i) each Note shall, subject to and as provided in this Condition 9, be redeemed and settled (the "**Conversion**") on the applicable Conversion Date by (x) the delivery of new fully paid Ordinary Shares to the Settlement Share Depository on behalf of the Holders, and (y) the cancellation of any accrued and unpaid interest on the Notes (whether or not due and payable); and
- (ii) receipt by the Settlement Share Depository of such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares in respect of the Conversion on the applicable Conversion Date shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes.

In the case of the Ordinary Shares to be delivered upon Conversion, as from the applicable Share Creation Date for such Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares into Notes.

(b) *Recourse for Ordinary Shares*

Holders shall have recourse only to the Issuer for the issue and delivery of Ordinary Shares to the Settlement Share Depository pursuant to these Terms and Conditions. After such delivery to the Settlement Share Depository, Holders shall have recourse only to the Settlement Share Depository for the delivery to them of such Ordinary Shares or, in the circumstances described in clause (h) of this Condition 9, any cash amounts to which such Holders are entitled under clause (h) of this Condition 9.

(c) *Conversion Price and determination of number of Ordinary Shares*

- (i) Upon the occurrence of a Conversion Event, as at the date on which the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice is published, each Holder shall be deemed to have accepted, and hereby accepts and agrees, (A) to the conversion of its holding of Notes into Ordinary Shares at the Conversion Price provided for herein and that, where necessary under Swiss law, the Settlement Agent shall effect such conversion on such Holder's behalf, and (B) that its obligation to pay up the Ordinary Shares to be issued shall be set off against its claim for repayment of the principal amount upon redemption of the Notes, which claim shall be deemed to be due and payable immediately prior to the time on the Share Creation Date when, as a matter of Swiss law, the relevant Ordinary Shares are paid up. Such Ordinary Shares shall be paid up and issued on the Share Creation Date whereupon the Holders shall cease as a matter of Swiss law to be treated for all purposes under Swiss law as Holders and shall instead as of such date be treated for all purposes under Swiss law as Shareholders.

- (ii) Subject to clause (g) of this Condition 9, the Issuer, with the assistance of the Settlement Agent, where necessary under Swiss law, shall issue and deliver to the Settlement Share Depository on the applicable Conversion Date such number of Ordinary Shares in respect of each Holder as is determined by the Settlement Agent by dividing the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date by the Conversion Price in effect on the date of relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be. The Settlement Agent shall determine such number of Ordinary Shares in accordance with this subclause (ii) as soon as practicable after publication of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable.
 - (iii) The initial Conversion Price per Ordinary Share in respect of the Notes is specified in the definition thereof. The Conversion Price is subject to adjustment to (and including) the date of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, in the circumstances described in clause (d) below.
- (d) *Anti-dilution adjustment of the Conversion Price*
- (i) Upon the occurrence of any of the events described below after 7 February 2024, the Conversion Price will be adjusted by the Issuer as follows:

- (A) If there is a consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares that alters the number of Ordinary Shares in issue, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification, redesignation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment will become effective on the date on which the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (B) If UBS Group AG issues any Ordinary Shares to Shareholders as a class credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Cash Distribution that the Shareholders would or could otherwise have elected to receive, (y) where the Shareholders may elect to receive a Cash Distribution in lieu of such Ordinary Shares or (z) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (C) If UBS Group AG makes or pays an Extraordinary Distribution to Shareholders, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- B is the portion of the aggregate Extraordinary Distribution attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Distribution by the number of Ordinary Shares entitled to receive the relevant Extraordinary Distribution. If the Extraordinary Distribution shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (C), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-the Extraordinary Distribution on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (C).

- (D) If UBS Group AG issues Ordinary Shares to Shareholders as a class by way of rights or UBS Group AG or any other member of the Group or (at the direction or request or pursuant to arrangements with UBS Group AG or any other member of the Group) any other Person issues or grants to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities that by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share that is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date), the Conversion Price will be adjusted by multiplying the

Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares that the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- C is the number of Ordinary Shares to be issued or the maximum number of Ordinary Shares that may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate, as the case may be,

provided that, if on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this subclause (D), "C" will be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (D), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (D).

For purposes of any calculation of the consideration receivable or price pursuant to this subclause (D), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities will be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights will be deemed to be that part (which may be the whole)

of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights that are attributed by UBS Group AG to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of subclauses (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights, and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights will be the aggregate consideration or price referred to in subclause (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (3) if the consideration or price determined pursuant to subclause (1) or (2) above (or any component thereof) is expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of subclause (1) above) or the relevant date of first public announcement (in the case of subclause (2) above);
- (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
- (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to UBS Group AG or another entity.

(E) If UBS Group AG determines, in its sole discretion, that, notwithstanding subclauses (A) to (D) of this Condition 9(d)(i), a reduction to the Conversion Price should be made as a result of one or more events or circumstances not referred to in this Condition 9(d)(i) that would require an adjustment to the Conversion Price in order to comply with Swiss mandatory law on the protection of holders of instruments that may convert into shares issued out of capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) or Conversion Capital, the Conversion Price will be reduced (either generally or for a specified period) in such manner and with effect from such date as UBS Group AG shall determine and the Issuer shall notify to the Holders in accordance with Condition 15 (*Notices*).

(ii) Notwithstanding Condition 9(d)(i):

(A) where

- (1) the events or circumstances giving rise to any adjustment to the Conversion Price have resulted or will result in an adjustment to the Conversion Price; or
- (2) more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time,

that, in the opinion of UBS Group AG, a modification to the operation of the adjustment provisions set forth in this Condition 9(d) is required to give the intended result, such modification will be made to the operation of the adjustment provisions set forth in this Condition 9(d) as may be determined by an Independent Adviser to be in its opinion appropriate to give the intended result, including to ensure that (x) an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, (y) the economic effect of an Extraordinary Distribution is not taken into account more than once, and (z) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency;

- (B) any adjustment to the Conversion Price will be subject to such Conversion Price (translated, if necessary, into the currency in which the par value of an Ordinary Share is denominated at the time such adjustment becomes effective at the then-prevailing exchange rate as determined by the Issuer) not being less than the par value of an Ordinary Share at such time;
- (C) UBS Group AG shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price (translated, if necessary, into the currency in which the par value of an Ordinary Share is denominated at the time of such action at the then- prevailing exchange rate as determined by the Issuer) to below the par value of an Ordinary Share then in effect;
- (D) if any doubt arises as to whether an adjustment is to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, the Issuer may in its sole discretion appoint an Independent Adviser and, following consultation between the Issuer and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof will (in the absence of wilful default, bad faith and manifest error) be conclusive and binding on the Issuer and the Holders;
- (E) no adjustment will be made to the Conversion Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of UBS Group AG or any of its subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme; and
- (F) on any adjustment, if the resultant Conversion Price has more decimal places than the initial Conversion Price, it will be rounded to the same number of decimal places as the initial Conversion Price. No adjustment will be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, will be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment will be made on the basis that the adjustment

not required to be made had been made at the relevant time and/or that the relevant rounding down had not been made, as the case may be.

- (iii) The Issuer shall give notice of any adjustments to the Conversion Price made pursuant to this Condition 9(d) to the Holders in accordance with Condition 15 (*Notices*) promptly after the determination thereof.
- (iv) References in these Terms and Conditions to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

(e) *Qualifying Relevant Event*

- (i) Upon the occurrence of a Relevant Event that is a Qualifying Relevant Event, then:
 - (A) upon the occurrence of a Conversion Event where the applicable Conversion Date falls on or after the New Conversion Condition Effective Date,
 - (1) the Notes shall be converted on such Conversion Date into, or be exchanged on such Conversion Date for, as the case may be, Relevant Shares of the Approved Entity, *mutatis mutandis* as provided in accordance with this Condition 9, at a Conversion Price that shall be the New Conversion Price; and
 - (2) the Issuer shall procure the issue and/or delivery of the relevant number of Relevant Shares of the Approved Entity in the manner provided in this Condition 9 (as may be amended as described in the definition of the term New Conversion Condition); and
 - (B) the New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 9 for the adjustment of the Conversion Price (if necessary with such amendments as an Independent Adviser shall determine to be appropriate) and the Issuer shall give notice in accordance with Condition 15 (*Notices*) to the Holders of the New Conversion Price and of any such amendments thereafter.
- (ii) Upon the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Holders in accordance with Condition 15 (*Notices*) within 10 Business Days following the occurrence of such Relevant Event, which notice shall:
 - (A) specify the identity of the Acquiror;
 - (B) specify whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;
 - (C) in the case of a Qualifying Relevant Event, specify the New Conversion Price; and
 - (D) if applicable, specify the New Conversion Condition Effective Date.
- (iii) For the avoidance of doubt, upon the occurrence of a Relevant Event that is a Non-Qualifying Relevant Event, the provisions of this clause (e) shall (subject to the subsequent operation of this clause (e) upon the occurrence of a subsequent Relevant Event) not apply, and the Notes will continue to be convertible into Ordinary Shares pursuant to and in accordance with the other provisions of this Condition 9 (*Conversion*), if and when the Issuer gives a Trigger Event

Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*).

(iv) For purposes of these Terms and Conditions:

"Acquiror" means the Person (including a Governmental Entity) that, following a Relevant Event, controls UBS Group AG.

"Approved Entity" means an Acquiror that is body corporate that is incorporated or established under the laws of an OECD member state and that, on the occurrence of the Relevant Event, has in issue Relevant Shares.

"Governmental Entity" means (x) the Swiss Confederation, (y) an agency of the Swiss Confederation or (z) a person or entity (other than a body corporate) controlled by the Swiss Confederation or any such agency referred to in clause (y); *provided, however*, that, if UBS Group AG is at any time organised in a jurisdiction outside of Switzerland, references in this definition to "the Swiss Confederation" shall be read as references to the government of such other jurisdiction.

The **"New Conversion Condition"** shall be satisfied in respect of a Relevant Event if, by no later than seven days following the occurrence of such Relevant Event, (x) UBS Group AG has, to the satisfaction of UBS Group AG, entered into arrangements with the Approved Entity that provide for delivery of Relevant Shares of the Approved Entity on Conversion on terms *mutatis mutandis* as provided in the provisions of this Condition 9, and (y) the Issuer has entered into such agreements and arrangements, and made such amendments to these Terms and Conditions, as may be required to ensure that, with effect from the New Conversion Condition Effective Date, the Notes shall, following the occurrence of a Conversion Event, be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 9 (as may be so amended) at the New Conversion Price; *provided, however*, that, any failure to enter into the arrangements and agreements and/or make the amendments described in clauses (x) and (y) shall not constitute a default or an Event of Default under these Terms and Conditions.

"New Conversion Condition Effective Date" means the date with effect from which the New Conversion Condition has been satisfied.

"New Conversion Price" means, in respect of any Conversion Date falling on or after the New Conversion Condition Effective Date, the amount determined by the Issuer in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

NCP is the New Conversion Price.

ECP is the Conversion Price in effect on the last dealing day prior to the New Conversion Condition Effective Date.

VWAPRS is the average of the Volume Weighted Average Price of the Relevant Shares of the Approved Entity (translated, if necessary, into USD at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the last dealing day prior to the date on which the Relevant Event occurred (and where references in the definition of "Volume Weighted

Average Price" to "Ordinary Shares" shall be construed as a reference to the Relevant Shares of the Approved Entity and in the definition of "dealing day", references to the "Relevant Stock Exchange" shall be to the primary Recognised Stock Exchange on which the Relevant Shares of the Approved Entity are then listed, admitted to trading or accepted for dealing).

VWAPOS is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into USD at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the last dealing day prior to the date on which the Relevant Event occurred.

"Non-Qualifying Relevant Event" means a Relevant Event that is not a Qualifying Relevant Event.

"Qualifying Relevant Event" means a Relevant Event where:

- (A) the Acquiror is an Approved Entity; and
- (B) the New Conversion Condition is satisfied.

A **"Relevant Event"** will have occurred if, on or after the occurrence of a Conversion Capital Availability Event, any Person or Persons acting in concert acquires control of UBS Group AG (other than as a result of an Exempt Reorganisation). For the purposes of this definition "Relevant Event", **"control"** means the acquisition or holding of legal or beneficial ownership of more than 95 per cent. of the issued Ordinary Shares of UBS Group AG (whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise) and, as a consequence thereof, the Ordinary Shares are no longer admitted to trading on any Recognised Stock Exchange, and **"controlled"** shall be construed accordingly.

"Relevant Shares" means, in respect of an Acquiror, ordinary share capital of such Acquiror that constitutes equity share capital or the equivalent (or depositary or other receipts representing the same) that is listed and admitted to trading on a Recognised Stock Exchange.

(f) *Procedure for settlement and delivery of Ordinary Shares on Conversion*

Ordinary Shares to be issued on Conversion shall be delivered subject to and as provided below.

(g) *Fractions*

Fractions of Ordinary Shares will not be issued or delivered pursuant to these Terms and Conditions on Conversion and no cash payment will be made in lieu thereof. The number of Ordinary Shares to be issued and delivered to the Settlement Share Depository for the benefit of each Holder in respect of a Conversion shall be calculated by the Settlement Agent on the basis of the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date and rounded down, if necessary, to the nearest whole number of Ordinary Shares.

(h) *Procedure for delivery in respect of a Conversion*

- (i) UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, shall on or prior to the applicable Conversion Date issue and deliver to the Settlement Share Depository such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares to the Holders in respect of the Conversion on the applicable Conversion Date. Receipt by the

Settlement Share Depository of such Ordinary Shares shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes. If the Issuer is unable to appoint a Settlement Share Depository on or prior to the giving of the Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, it shall make such other arrangements for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Holders as it considers, in its sole discretion, to be reasonable in the circumstances, which may include issuing and delivering such Ordinary Shares to another independent nominee to be held on trust for the Holders or issuing and delivering such Ordinary Shares to the Holders directly, which issuance and delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes as if the relevant Ordinary Shares had been issued and delivered to the Settlement Share Depository and, in which case, where the context so admits, references in these Terms and Conditions to the issue and delivery of Ordinary Shares to the Settlement Share Depository shall be construed accordingly and apply *mutatis mutandis*.

- (ii) Subject to the making of a Settlement Shares Offer and as otherwise provided herein, the Settlement Agent shall give instructions to the Settlement Share Depository for the relevant Ordinary Shares to be delivered by the Settlement Share Depository on the applicable Settlement Date to the Holders, and the Settlement Share Depository shall procure that the Ordinary Shares are so delivered to the Holders on the applicable Settlement Date.
- (iii) In respect of a Conversion as a result of the occurrence of a Trigger Event only, following receipt by the Settlement Share Depository of the Ordinary Shares and the resulting good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (i) above, the Issuer may, in its sole discretion, appoint a placement agent (the "**Settlement Shares Offer Agent**") acting on behalf, and for the accounts, of the Holders to conduct an offering of the Ordinary Shares to which the Holders are otherwise entitled (a "**Settlement Shares Offer**"). In the relevant Trigger Event Conversion Notice, the Issuer shall notify the Holders whether it will appoint such Settlement Shares Offer Agent to conduct such a Settlement Shares Offer. If it does so appoint a Settlement Shares Offer Agent, it will instruct the Settlement Share Depository to deliver the relevant Ordinary Shares to or to the order of the Settlement Shares Offer Agent for this purpose prior to the end of the Offer Settlement Period. Such Settlement Shares Offer shall be made (x) in the currency of the Issuer's choosing and at a cash price per Ordinary Share (such price translated, if necessary, into USD at the prevailing exchange rate on the date of the Trigger Event Conversion Notice as determined by the Issuer) equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice, and (y) to some or, subject to applicable laws and regulations and to such an offer being practicable in the opinion of the Issuer in the Offer Settlement Period, all Shareholders on the record date of the Trigger Event Conversion Notice then eligible to participate in such offer. Any such Settlement Shares Offer shall be completed no later than 20 Business Days after the occurrence of the Trigger Event (the "**Offer Settlement Period**"). Neither the Issuer nor the Settlement Share Depository shall incur any liability whatsoever to the Holders in respect of the appointment of such Settlement Shares Offer Agent or its conduct, save for cases of gross negligence or wilful intent.

If the Settlement Shares Offer is fully subscribed by or before the end of the Offer Settlement Period, the Holders shall, pursuant to the agreement appointing the Settlement Shares Offer Agent, be entitled to receive from the Settlement Shares Offer Agent on the fifth Business Day after the end of the Offer Settlement Period, their *pro rata* share of the aggregate cash proceeds received from the Settlement Shares Offer (such aggregate cash proceeds translated, if necessary, from the currency in which they are denominated into USD at the then-prevailing exchange rate as determined by the Settlement Shares Offer Agent (less any foreign exchange transaction costs)), such amount being rounded to the nearest cent (half a cent being rounded upwards). If the Settlement Shares Offer is only partially

subscribed by the end of the Offer Settlement Period, the Holders shall (x) pursuant to the agreement appointing the Settlement Shares Offer Agent, be entitled to receive from the Settlement Shares Offer Agent on the fifth Business Day after the end of the Offer Settlement Period, their *pro rata* share of the aggregate cash proceeds received from the Settlement Shares Offer (such aggregate cash proceeds translated, if necessary, from the currency in which they are denominated into USD at the then-prevailing exchange rate as determined by the Settlement Shares Offer Agent (less any foreign exchange transaction costs)), such amount being rounded to the nearest cent (half a cent being rounded upwards), and (y) be entitled to receive their *pro rata* share of the number of Ordinary Shares not subscribed pursuant to the Settlement Shares Offer (rounded down to the nearest whole number of such Ordinary Shares) within the period specified below from the Settlement Share Depository. If no Ordinary Shares are subscribed in the Settlement Shares Offer, Holders shall be entitled to receive the relevant Ordinary Shares within the period specified below from the Settlement Share Depository. Notwithstanding Condition 10 (*Payments; Agents*), any cash proceeds that the Holders are entitled to receive pursuant to this subclause (iii) shall be delivered to the Holders in accordance with clause (j) of this Condition 9.

In relation to any Ordinary Shares not sold pursuant to a Settlement Shares Offer, the Settlement Agent shall give instructions to the Settlement Shares Offer Agent for such Ordinary Shares to be delivered by the Settlement Shares Offer Agent to the relevant Holders within five Business Days after the end of the Offer Settlement Period.

(i) *Taxes and duties*

None of the Issuer, any other member of the Group, any Agent, the Settlement Share Depository and the US Transfer Agent will pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of Ordinary Shares to the Settlement Share Depository or the delivery of any Ordinary Shares to the relevant recipient in accordance with the instructions given in the relevant Settlement Shares Settlement Notice. A Holder must pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of the Ordinary Shares to the Settlement Share Depository or the delivery of the Ordinary Shares to the relevant recipient in accordance with the instructions given in the relevant Settlement Shares Settlement Notice, and such Holder must pay all, if any, such taxes and duties arising by reference to any disposal or deemed disposal of such Holder's Notes or interest therein. Any capital, stamp, issue, registration, transfer or other taxes or duties arising on delivery or transfer of Ordinary Shares to a purchaser in any Settlement Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(j) *Delivery of Ordinary Shares and cash proceeds received from a Settlement Shares Offer*

UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, will issue and deliver the Ordinary Shares required to be issued and delivered on Conversion to the Settlement Share Depository on behalf of the Holder of the relevant Note(s). The Issuer (or another party so authorised by the Issuer) shall instruct the US Transfer Agent to credit such Ordinary Shares to a nominee account in the name of the Settlement Share Depository to be held on behalf of the Holders on the applicable Conversion Date. Receipt by the Settlement Share Depository of such Ordinary Shares on the applicable Conversion Date shall be a good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (h)(i) of this Condition 9.

In order to obtain delivery from the Settlement Share Depository of the Ordinary Shares and/or cash proceeds received from a Settlement Shares Offer, in each case to which it is entitled pursuant to this Condition 9, a Holder will be required to deliver to the Settlement Share Depository (or any of its agent designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) an executed

settlement shares settlement notice substantially in the form that may be obtained from the Specified Office of the Settlement Agent (a "**Settlement Shares Settlement Notice**") and the relevant Certificate representing the relevant Note to the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice) on or before the Settlement Notice Cut-off Date. If such Settlement Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the Specified Office of the Settlement Share Depository, such delivery shall be deemed for all purposes to have been made or given on the following New York Business Day. The Settlement Shares Settlement Notice must contain certain information, including the name of the relevant recipient in which the relevant Ordinary Shares are to be registered directly on the books of the US Transfer, and Settlement Shares Settlement Notices and Certificates must be delivered to the Settlement Share Depository (or any of its agents designated for such purpose in the Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable) in accordance with the procedures described in the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable; *provided, however*, that, if the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, then the Settlement Shares Settlement Notice must be given in accordance with the standard procedures of the Depository (which may include, without limitation, delivery of the notice to the Settlement Share Depository by electronic means) and in a form acceptable to the Depository, the Settlement Agent and the Settlement Share Depository. Subject as otherwise provided herein, the relevant Ordinary Shares and/or cash proceeds of a Settlement Shares Offer will be delivered by or on behalf of the Settlement Share Depository or the Settlement Shares Offer Agent, as applicable, in accordance with the instructions given in the relevant Settlement Shares Settlement Notice; *provided, however*, that, if the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, then delivery of any such cash proceeds shall be made by the Settlement Shares Offer Agent in accordance with the Depository's practices from time to time.

If a Holder delivers a valid Settlement Shares Settlement Notice and the relevant Certificate on or before the Settlement Notice Cut-off Date, then the Ordinary Shares will be delivered in respect of the relevant Note(s) by way of registering the Ordinary Shares in the name of the relevant recipient directly on the books of the US Transfer Agent on the applicable Settlement Date or such other date as is specified for delivery. Once Ordinary Shares are registered in the name of the relevant recipient directly on the books of the US Transfer Agent, such relevant recipient, as Shareholder, is expected to receive periodic account statements from the US Transfer Agent with respect to its Ordinary Shares. At the time of delivery of any Ordinary Shares to the relevant recipient by registration of such Ordinary Shares directly on the books of the US Transfer Agent, the then-valid share registration rules of UBS Group AG will apply, and UBS Group AG does not offer any assurance or guarantee that such relevant recipient will be accepted as a Shareholder with voting rights in the share register of UBS Group AG.

If a Holder fails to deliver a Settlement Shares Settlement Notice or the relevant Certificate on or before the Settlement Notice Cut-off Date or if a Holder has delivered a Settlement Shares Settlement Notice and the relevant Certificate on or prior to the Settlement Notice Cut-off Date but such Settlement Shares Settlement Notice has been determined by the Settlement Share Depository to be null and void, then the Settlement Share Depository shall continue to hold the relevant Ordinary Shares and/or, as applicable, cash proceeds received from a Settlement Shares Offer, in each case to which such Holder is entitled pursuant to this Condition 9, until a valid Settlement Shares Settlement Notice (and the Certificate representing the relevant Notes) is so delivered by such Holder. If any such Ordinary Shares or such cash proceeds received from a Settlement Shares Offer (as applicable) have not been claimed during the 10-year and 30-day period commencing on the Final Cancellation Date, the relevant claims of the applicable Holders are time-barred and the relevant Ordinary Shares and cash, as the case may be, will be transferred to the Issuer. None of the Issuer, the Settlement Share Depository and the Settlement Shares Offer Agent shall have any liability to any Holder for any loss resulting from such Holder not receiving any such Ordinary Shares and/or cash proceeds.

If not previously cancelled on the applicable Settlement Date, the relevant Notes shall be cancelled on the Final Cancellation Date and any Holder delivering a Settlement Shares Settlement Notice after the Settlement Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares and/or cash proceeds from a Settlement Shares Offer, as applicable, satisfactory to the Settlement Share Depository in its sole discretion in order to receive delivery of such Ordinary Shares or such cash proceeds, as applicable. None of the Issuer, the Settlement Share Depository and the Settlement Shares Offer Agent shall have any liability to any Holder for any loss resulting from such Holder not receiving any Ordinary Shares or cash proceeds from a Settlement Shares Offer, as applicable, or from any delay in the receipt thereof, in each case as a result of such Holder failing to submit a valid Settlement Shares Settlement Notice and any relevant Certificate (if applicable), on a timely basis or at all.

Any determination as to whether any Settlement Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Terms and Conditions, or whether any evidence of entitlement to Ordinary Shares or cash proceeds received from a Settlement Shares Offer, as applicable, is satisfactory, shall be made by the Settlement Share Depository in its sole discretion and shall be conclusive and binding on the relevant Holders. In the case of Notes represented by a Global Certificate, any Settlement Shares Settlement Notice delivered prior to the day following the Suspension Date will be null and void.

(k) *Ordinary Shares*

The Ordinary Shares issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Share Creation Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant Holder will not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Share Creation Date.

All Ordinary Shares issued and delivered to Holders upon Conversion are expected to be "restricted securities" within the meaning of Rule 144 under the US Securities Act, and accordingly, any Holder who receives Ordinary Shares upon Conversion will be subject to restrictions under the US Securities Act on its ability to resell such Ordinary Shares. Subject to applicable law and the policies and procedures of the US Transfer Agent from time to time, through the US Transfer Agent, Holders who receive Ordinary Shares upon Conversion are expected to be able to effect transfers of such Ordinary Shares with other Shareholders holding their Ordinary Shares through the US Transfer Agent, or with Shareholders holding their Ordinary Shares via DTC through custodian banks or brokers by means of DTC's Direct Registration System.

(l) *Purchase or redemption of Ordinary Shares*

UBS Group AG or any of its subsidiaries may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of UBS Group AG (including Ordinary Shares) or any depository or other receipts or certificates representing the same without the consent of Holders.

(m) *Determinations to be made by an Independent Adviser*

In the case of any determination that is required to be made by an Independent Adviser for purposes of this Condition 9, the Issuer shall use reasonable endeavours to appoint an Independent Adviser to make such determination; *provided, however*, that, notwithstanding the other provisions of these Terms and Conditions, if the Issuer is unable to so appoint an Independent Adviser or the Independent Adviser so appointed by the Issuer fails to make such determination, the Issuer, acting in good faith and a commercially reasonable manner, will make such determination.

Any determination that is made by an Independent Adviser for purposes of this Condition 9 will be made in the sole discretion of such Independent Adviser acting in good faith and in a commercially reasonable manner.

(n) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by an Independent Adviser or the Settlement Agent for purposes of this Condition 9 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Independent Adviser or the Settlement Agent in connection with the exercise or non-exercise by the Independent Adviser or the Settlement Agent of its powers, duties and discretions under this Condition 9.

10. **PAYMENTS; AGENTS**

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in USD, which will be placed at the free disposal of the Fiscal Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in USD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality; *provided, however*, that, in the case of Notes represented by Definitive Certificates, such Definitive Certificates must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.
- (b) The receipt by the Fiscal Agent of the due and punctual payment of funds in USD will release the Issuer from its obligations under the Notes to the extent of such payment.
- (c) Subject to clause (d) of this Condition 10
- (i) the Issuer reserves the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment or other similar functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, there will at all times be a Fiscal Agent, a Registrar, a Calculation Agent and a Settlement Agent, (B) for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, the Issuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"), and (C) any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations and determinations to be made by the Calculation Agent; and
- (ii) if at any time the Fiscal Agent, the Registrar, the Calculation Agent, or the Swiss Paying Agent, (A) becomes incapable of acting, or (B) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its

property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer will terminate the appointment of such Agent in accordance with the Fiscal Agency Agreement and appoint a successor Agent; and

- (iii) if at any time the Calculation Agent fails to (A) determine the Mid Market Swap Rate or the Reset Interest Rate or duly calculate the Reset Interest Amount for any Reset Interest Period or the interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (B) comply with any other requirement in relation to the Notes, then the Issuer will terminate the appointment of the Calculation Agent in accordance with the Fiscal Agency Agreement and appoint a successor Calculation Agent; *provided, however*, that, if the Calculation Agent duly calculates such Reset Interest Rate, Reset Interest Amount or interest amount payable on the Redemption Date, as the case may be, prior to its termination (and the appointment of its successor) taking effect in accordance with clause (d) of this Condition 10, the Issuer may elect, in its sole discretion and upon notice to the Holders in accordance with Condition 15 (*Notices*), to cancel such termination (and appointment).
- (d) Any appointment or termination of appointment of, or any resignation by, any Agent (other than the Settlement Agent) may only take effect not more than 45 and not less than 30 days after the Issuer has notified the Holders of such appointment, termination or resignation in accordance with Condition 15 (*Notices*); *provided, however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior to the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, the Fiscal Agent, the Registrar, the Swiss Paying Agent or the Calculation Agent may not take effect until the Issuer has appointed a successor Fiscal Agent, Registrar, Swiss Paying Agent or Calculation Agent, as applicable; *provided, however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Fiscal Agency Agreement, the Fiscal Agent, the Registrar, any Paying Agent or the Calculation Agent, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.
- (e) Subject to subclause (c)(i) of this Condition 10, the Issuer may appoint or terminate the appointment of a Settlement Agent, and a Settlement Agent may resign, at any time. The Issuer will notify the Holders of any such appointment, termination or resignation in accordance with Condition 15 (*Notices*).

11. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").

- (c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 11 in relation to any Note:
- (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
 - (ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or
 - (iii) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code (FATCA); or
 - (iv) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or
 - (v) to the extent any combination of subclauses (i) through (iv) of this clause (c) applies.
- (d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 11 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 11.

12. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the 10-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

13. EVENTS OF DEFAULT

- (a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":
- (i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or

- (iv) a Bankruptcy Event;

provided, however, that, notwithstanding subclauses (i) to (iv) above, neither (A) the opening of Restructuring Proceedings with respect to the Issuer nor (B) the exercise of any Swiss Resolution Power with respect to the Issuer during any such Restructuring Proceedings nor (C) the ordering of any Protective Measures with respect to the Issuer that are ordered or confirmed upon the opening of or during any such Restructuring Proceedings will constitute a default or an Event of Default.

- (b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.
- (c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 13, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.
- (d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.
- (e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.
- (f) No remedy against the Issuer other than those described in this Condition 13 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 13.

14. MEETINGS OF HOLDERS; SUBSTITUTION AND AMENDMENT

- (a) Except as otherwise specified in this Condition 14, the provisions of bondholder meetings contained in article 1157 et seqq. of the Swiss Code apply in relation to meetings of Holders.
- (b) If a Tax Event or a Regulatory Event has occurred, the Issuer may, without the consent of the Holders, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided that*:

- (i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;
- (ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);
- (iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 15 (*Notices*), which notice will, subject to subclause (v) of this clause (b), be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");
- (iv) prior to the publication of any notice pursuant to subclause (iii) of this clause (b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) have arisen; and
- (v) no Trigger Event or Viability Event has occurred prior to the relevant Substitution or Amendment Effective Date.

In connection with any substitution or amendment in accordance with this clause (b), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (c) In addition to its rights under clause (b) of this Condition 14, the Issuer may, without the consent of the Holders, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to (A) any Alternative Benchmark Rate determined in accordance with clause (c) of Condition 5 (*Interest*) (including any Adjustment Spread determined in accordance with subclause (v)(A)(2) thereof and any alternative method for determining the Mid Market Swap Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset Determination Date determined in accordance with subclause (v)(A)(3) thereof), and any related changes to the definitions of the terms "Business Day", "Day Count Fraction", "Payment Business Day" and/or "Reset Determination Date" determined to be necessary in accordance with subclause (v)(D) thereof, or (B) the provisions of clause (a) of Condition 16 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 4 (*Status and Subordination*) and the provisions of Condition 13 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 16 (*Issuer Substitution*)), or (C) the provisions of subclause (e)(iii) and/or subclause (e)(i)(B) of Condition 9 (*Conversion*), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interests of the Holders.
- (d) The Issuer shall notify the Holders of any amendments made pursuant to clause (c) of this Condition 14 in accordance with Condition 15 (*Notices*), which notice shall state the date on which such amendment will be effective.
- (e) Any amendment made pursuant to this Condition 14 will be binding on the Holders in accordance with its terms.

15. NOTICES

- (a) So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (i) by means of electronic publication on the internet website of SIX Exchange Regulation Ltd (<https://www.ser-ag.com>), where notices are as at the Issue Date published under the address [https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/,](https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.
- (b) If the Notes are for any reason no longer listed on the SIX Swiss Exchange:
 - (i) if the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, notices to Holders shall only be required to be given by the Issuer in accordance with clause (c) of this Condition 15; or
 - (ii) if the Global Certificate(s) have been exchanged for Definitive Certificates, the Issuer shall send notices to Holders by first class mail at their respective addresses as recorded in the Register, and any such notice will be validly given on the fourth Business Day after the date of such mailing.
- (c) So long as the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, any notices required to be given by the Issuer to the Holders hereunder shall also be given to the Indirect Holders through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be validly given on the date of delivery to DTC in accordance with DTC's applicable procedures.

16. ISSUER SUBSTITUTION

- (a) The Issuer (for purposes of this Condition 16, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 15 (*Notices*), *provided that*:
 - (i) the Substitute Issuer is UBS Group AG or, if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the US Investment Company Act, and (B) at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
 - (ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
 - (iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), (A) the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and (B) upon the occurrence of a Conversion, the due delivery of the Ordinary Shares required to be delivered pursuant to Condition 9 (*Conversion*), and on the terms whereby subclause (iii) of Condition 5(i) (*Cancellation of interest; prohibited interest*), subclause (d)(ii)(C) of Condition 9 (*Conversion*), Condition 11 (*Taxation*), Condition 13 (*Events of Default*) and Condition 21 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;
 - (iv) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such

substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 4 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Fiscal Agency Agreement, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;

- (v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 11 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in subclause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;
 - (vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;
 - (vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes; and
 - (viii) such substitution does not give rise to a Tax Event or a Regulatory Event.
- (b) Upon any substitution pursuant to clause (a) of this Condition 16, (i) the Substitute Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be released from its obligations under the Notes.
 - (c) After giving effect to any substitution pursuant to clause (a) of this Condition 16, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

17. CONSOLIDATION, MERGER OR SALE

The Issuer will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to any Person of which at least 95 per cent. of such Person's capital and voting rights are held,

directly or indirectly, by the Issuer) or permit any Person to merge with or into the Issuer unless (a) the Issuer will be the continuing Person, or (b) the Person formed by such consolidation or into which the Issuer is merged or that acquired such property and assets of the Issuer expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Issuer under the Notes.

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 18, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

19. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than USD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in USD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase USD with such amount on such date, on the first date on which it is practicable to do so). If the amount of USD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 19, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 19 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

20. **RULE 144A INFORMATION**

If at any time the Issuer is neither a reporting company under Section 13 or Section 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, the Issuer will comply with any applicable requirements of Rule 144A(d)(4) under the US Securities Act in relation to the Notes.

21. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer in respect of, or arising in connection with, the Notes.

22. **GOVERNING LAW AND JURISDICTION**

- (a) The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by and construed in accordance with the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, including any non-contractual obligation arising out of or in connection with the Notes.



High-trigger loss-absorbing additional tier 1 capital instrument

| | |
|--------------------------|---------------------|
| Issuer | UBS Group AG |
| ISIN | CH1325807860 |
| Issue Date | 21.02.2024 |
| Currency | SGD |
| Nominal (million) | 650 |
| Interest Rate | 5.750% ¹ |
| Maturity Date | perpetual |
| First Call Date | 21.08.2029 |

¹ Rate subject to change after first call date.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group AG are as follows:

1. DEFINITIONS

"**5-Year SORA OIS Rate**" means the offered rate for the semi-annual fixed leg of a Singapore Overnight Rate Average Overnight Indexed Swap for a term of five years.

"**Acquiror**" has the meaning assigned to such term in subclause (e)(iv) of Condition 9 (*Conversion*).

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 11 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Adjustment Spread**" means, with respect to any Alternative Benchmark Rate determined in accordance with the provisions of clause (c) of Condition 5 (*Interest*), a spread (which may be positive or negative), or a formula or methodology for calculating such a spread, applied to such Alternative Benchmark Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Holders as a result of the replacement of the Existing Benchmark Rate with such Alternative Benchmark Rate.

"**Affected Reset Interest Period**" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"**Agency Agreement**" means the Agency Agreement dated as of the Issue Date, among the Issuer, the Principal Paying Agent, the Calculation Agent and the other agents from time to time party thereto, as amended, supplemented or otherwise modified from time to time.

"**Agents**" means the Principal Paying Agent, any other Paying Agent, the Calculation Agent, any other agent from time to time appointed pursuant to the terms of the Agency Agreement, and the Settlement Agent.

"**Alternative Benchmark Rate**" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (e) of Condition 7 (*Trigger Event and Viability Event*).

"**Alternative Reference Rate Page**" has the meaning assigned to such term in subclause (c)(v)(A) of Condition 5 (*Interest*).

"**Alternative Relevant Time**" has the meaning assigned to such term in subclause (c)(v)(A) of Condition 5 (*Interest*).

"**Approved Entity**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Articles of Association**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"Balance Sheet Date" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off date for the Reviewed Interim Measurement published upon the instruction of FINMA on such Extraordinary Publication Date.

"Bankruptcy Event" means any of the following events with respect to the Issuer: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, (ii) the opening of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such proceedings, "**Restructuring Proceedings**"), and/or (iii) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betriebsverfahren*) pursuant to article 38 *et seq.* of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 *et seq.* of the DEBA, and/or (z) the ordering of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG (any such measures, "**Protective Measures**"), including, in the case of each of subclauses (x), (y) and (z), any steps (other than any steps described in clauses (i) through (iii) of this definition) taken under or in connection therewith.

"BIS Regulations" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by FINMA in Switzerland at such time.

"BIS Risk Weighted Assets" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term "**risk-weighted assets**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in (i) for purposes of the definitions of the terms "Extraordinary Publication Date", "Higher-Trigger Amount" and "Ordinary Publication Date", Zurich, and (ii) otherwise, Singapore and Zurich.

"Calculation Agent" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor calculation agent for the Notes appointed in accordance with the terms of the Agency Agreement.

"Calculation Amount" means SGD 250,000.

"Capital Adequacy Ordinance" means the Swiss Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Firms of 1 June 2012, as amended from time to time, or any successor Swiss law or regulation.

"Cash Distribution" means any dividend or distribution in respect of the Ordinary Shares that is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including any cash distribution or payment to Shareholders upon or in connection with a reduction of capital. For the avoidance of doubt, the term "Cash Distribution" does not include consideration paid or any other payments made by UBS Group AG

or any of its affiliates in connection with the repurchase of Ordinary Shares in connection with any share buyback programme.

"CET1 Capital" means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term **"common equity tier 1 capital"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"CET1 Ratio" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of FINMA on the relevant Extraordinary Publication Date, as applicable.

"Compliant Securities" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), provided that:

- (a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;
- (b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the holders of such securities, on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such securities pursuant to article 111 of the Swiss Code;
- (c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, such securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and
- (d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to such securities.

"Contingent Write-down" means the events described in clauses (a) through (c) of Condition 8 (*Contingent Write-down*).

"Conversion" has the meaning given to it in clause (a) of Condition 9 (*Conversion*), and "convert" and "converted" shall be construed accordingly.

"Conversion Capital" means conversion capital (*Wandlungskapital*) within the meaning of the FBA.

"Conversion Capital Availability Event" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"Conversion Date" means, with respect to any Conversion, the Trigger Event Conversion Date or the Viability Event Conversion Date, as applicable.

"Conversion Event" means a Trigger Event in respect of which the relevant Trigger Event Notice is a Trigger Event Conversion Notice or a Viability Event that occurs on or after a Conversion Capital Availability Event.

"Conversion Price" means SGD 33.30, subject to any adjustment in accordance with clause (d) of Condition 9 (*Conversion*).

"Current Market Price" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), 10 consecutive dealing days) ending on the dealing day immediately preceding such date (such period, the **"Reference Period"**), *provided* that, if at any time during the Reference Period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of the Reference Period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price cum-dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit; or
- (b) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares were based on a price ex-dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if on each of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period the Volume Weighted Average Price was based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) that has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

and *provided, further* that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the five dealing days (or, for the purposes of subclause (d)(i)(D) of Condition 9 (*Conversion*), the 10 dealing days) in the Reference Period (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices that are available in the Reference Period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the Reference Period, the Current Market Price shall be determined by an Independent Adviser.

"Day Count Fraction" means, in respect of any period, the number of days from (and including) the first day of such period to (but excluding) the last day of such period, divided by 365.

"dealing day" means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares or other securities, options,

warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Distributable Items**" means, in respect of any Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**EEA Regulated Market**" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets on financial instruments.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 13 (*Events of Default*).

"**Exempt Reorganisation**" means a Reorganisation where, immediately after completion of the relevant proceedings, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Recognised Stock Exchange as UBS Group AG or Newco may determine.

"**Existing Benchmark Rate**" has the meaning assigned to such term in clause (c) of Condition 5 (*Interest*).

"**Existing Shareholders**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Extraordinary Distribution**" means any Cash Distribution (i) that is expressly declared by UBS Group AG to be an extraordinary or special dividend or an extraordinary or special distribution to Shareholders as a class or any analogous or similar term, and (ii) the amount of which exceeds the arithmetic average of the ordinary dividend per Ordinary Share paid by UBS Group AG in the three most recently preceding calendar years (each such ordinary dividend translated, if necessary, into the currency in which the applicable Cash Distribution is expressed at the Prevailing Rate on the date on which such ordinary dividend was paid) by more than 25 per cent.

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of FINMA, after FINMA has determined that the conditions for issuing a Trigger Event Notice in accordance with Condition 7 (*Trigger Event and Viability Event*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Fair Market Value**" means, with respect to any property on any date (the "**Relevant Valuation Date**"), the fair market value of that property as determined by an Independent Adviser, *provided* that:

- (a) the Fair Market Value of a cash amount shall be the amount of such cash;
- (b) where securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Adviser), the Fair Market Value (i) of such securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of each of subclauses (i) and (ii), during the period of five dealing days on the relevant stock exchange or securities market commencing on the later of (x) the applicable Relevant Valuation Date and (y) the first dealing day on which such securities, options, warrants or other rights are publicly traded, or such shorter period as such securities, options, warrants or other rights are publicly traded; and

- (c) where securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such securities, options, warrants or other rights shall be determined by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Any amounts determined pursuant to the above shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on the Relevant Valuation Date. In addition, in the case of clause (a) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

"**FBA**" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"**FINMA**" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"**First Call Date**" means 21 August 2029.

"**FISA**" means the Swiss Federal Intermediated Securities Act of 3 October 2008, as amended from time to time.

"**Fixed Interest Rate**" means 5.750 per cent. per annum.

"**Former Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"**Going-Concern LR Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"**Going-Concern RWA Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"**Group**" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"**Group Holding Company**" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"**Higher-Trigger Amount**" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency of the Quarterly Financial Accounts or Reviewed Interim Measurement, as the case may be, to which such Publication Date relates, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion

Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"Higher-Trigger Contingent Capital" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Threshold Ratio (with respect to the relevant Higher-Trigger Contingent Capital, its **"Higher-Trigger Threshold Ratio"**).

"Higher-Trigger Threshold Ratio" has the meaning assigned to such term in the definition of the term "Higher-Trigger Contingent Capital".

"Higher-Trigger Write-down/Conversion Date" has the meaning assigned to such term in the definition of the term "Higher-Trigger Write-down/Conversion Notice".

"Higher-Trigger Write-down/Conversion Notice" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold Ratio and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the **"Higher-Trigger Write-down/Conversion Date"**). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher- Trigger Threshold Ratio, the non-issuance of such a waiver by FINMA between the relevant Publication Date and the Trigger Event Notice Date will be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"Holder" means, with respect to any Note, the Person or Persons holding such Note in a securities account (*Effektenkonto*) that is in its or their name, or, in the case of intermediaries (*Verwahrungsstellen*), the intermediary or intermediaries holding such Note for its or their own account in a securities account (*Effektenkonto*) that is in its or their name.

"Independent Adviser" means an independent financial institution of international repute or an independent adviser of recognised standing and expertise, in either case, appointed by the Issuer at its own expense to make any determination that is required to be made, or may be made, by an Independent Adviser under these Terms and Conditions.

"Independent Adviser Determination Cut-off Date" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"Interest Payment Date" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"Interest Period" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"**Interest Rate**" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"**Intermediary**" has the meaning assigned to such term in clause (b) of Condition 2 (*Amount and Denomination; Form and Transfer*).

"**Intermediated Securities**" has the meaning assigned to such term in clause (b) of Condition 2 (*Amount and Denomination; Form and Transfer*).

"**Issue Date**" means 21 February 2024.

"**Issuer**" means UBS Group AG in its capacity as issuer of the Notes.

"**Junior Obligations**" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"**Margin**" means 2.776 per cent. per annum.

"**Minimum Conversion Capital Availability Amount**" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"**National Regulations**" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or FINMA and the interpretation thereof by FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Conversion Condition**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Condition Effective Date**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Conversion Price**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**New Residence**" has the meaning assigned to such term in subclause (a)(v) of Condition 16 (*Issuer Substitution*).

"**Newco**" has the meaning assigned to such term in the definition of the term "Reorganisation".

"**Non-Qualifying Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Notes**" means the SGD 650,000,000 5.750 per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**OECD**" means the Organisation for Economic Co-operation and Development.

"**Offer Settlement Period**" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG, which as of the Issue Date have a par value of USD 0.10 each. The Ordinary Shares deliverable on Conversion will be newly issued from the capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) and/or Conversion Capital of UBS Group AG, and rank *pari passu* with all other registered ordinary shares of UBS Group AG for any and all distributions payable on them on or after the relevant Share Creation Date.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Other Tier 1 Contingent Convertible Capital Note" has the meaning given to it in clause (f) of Condition 7 (*Trigger Event and Viability Event*).

"Parity Obligations" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"Paying Agent" has the meaning assigned to such term in clause (c) of Condition 10 (*Payments; Agents*).

"Payment Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in Singapore.

"Permitted Transactions" means:

- (a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;
- (b) market-making in Ordinary Shares as part of the securities business of any member of the Group;
- (c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;
- (d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and
- (e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"Presentation Currency" means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the relevant financial quarterly or annual period in which the relevant Extraordinary Publication Date falls.

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (New York City time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (New York City time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser determines to be appropriate.

"Principal Paying Agent" means UBS AG, in its capacity as principal paying agent for the Notes, and includes any successor principal paying agent for the Notes appointed in accordance with the terms of the Agency Agreement.

"Protective Measures" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Public Sector" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"Publication Date" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"Qualifying Relevant Event" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"Quarterly Financial Accounts" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company, *provided* that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"Recognised Stock Exchange" means an EEA Regulated Market, a regulated, regularly operating, recognised stock exchange in Switzerland or any other regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

"Redemption Date" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"Redemption Notice" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"Reference Period" has the meaning assigned to such term in the definition of the term "Current Market Price".

"Reference Rate" means, in relation to any Reset Interest Period:

- (a) the 5-Year SORA OIS Rate as at the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period appearing on the Reference Rate Page on such Reset Determination Date; or
- (b) if such 5-Year SORA OIS Rate does not appear on the Reference Rate Page on such Reset Determination Date, the Reset Reference Bank Rate in relation to such Reset Determination Date.

"Reference Rate Page" means the "OTC SGD OIS" page on Bloomberg (or (i) such other page as may replace that page on Bloomberg, or (ii) if there is no such replacement page on Bloomberg, such other page on such other information service that is the generally accepted page used by market participants at that time for purposes of observing the 5-Year SORA OIS Rate, in the case of each of clauses (i) and (ii), as determined by the Issuer after consultation with the Calculation Agent). As of the Issue Date, the 5-Year SORA OIS Rate appears on the Reference Rate Page under the column headed "Ask" within the section headed "OIS BGN", but may appear on the Reference Rate Page under such other column and/or section as may apply from time to time.

"**Regulatory Event**" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"**Relevant Accounts**" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"**Relevant Currency**" means USD or, if at the relevant time or for the purposes of the relevant calculation or determination there is a Relevant Stock Exchange but the New York Stock Exchange is not the Relevant Stock Exchange (or is the Relevant Stock Exchange but the Ordinary Shares are not quoted or dealt in thereon in USD), the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

"**Relevant Date**" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the money payable on the Scheduled Due Date has not been received by the Principal Paying Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Principal Paying Agent.

"**Relevant Event**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Relevant Page**" means the page on Bloomberg or such other information service provider that displays the relevant information.

"**Relevant Shares**" has the meaning assigned to such term in subclause (e)(v) of Condition 9 (*Conversion*).

"**Relevant Stock Exchange**" means the New York Stock Exchange or, if at the relevant time the Ordinary Shares are not listed and admitted to trading on the New York Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing (if any).

"**Relevant Time**" means 4:00 p.m. (Singapore time).

"**Reorganisation**" means proceedings that effect the interposition of a corporation or other limited liability company ("**Newco**") between the Shareholders immediately prior to such proceedings (the "**Existing Shareholders**") and UBS Group AG, *provided* that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders, (ii) immediately after completion of such proceedings the only holders of ordinary shares, units or equivalent of Newco or the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, as the case may be, are Existing Shareholders holding in the same proportions as immediately prior to completion of such proceedings, (iii) immediately after completion of such proceedings, Newco is (or one or more wholly-owned subsidiaries of Newco are) the only shareholder of UBS Group AG, (iv) all subsidiaries of UBS Group AG immediately prior to such proceedings (other than Newco, if Newco is then a subsidiary of UBS Group AG) are subsidiaries of UBS Group AG (or of Newco) immediately after completion of such proceedings, and (v) immediately after completion of such proceedings, UBS Group AG (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those subsidiaries as was held by UBS Group AG immediately prior to such proceedings.

"**Reset Date**" means the First Call Date and each day that falls on the fifth anniversary of the immediately preceding Reset Date.

"**Reset Determination Date**" means, in relation to any Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"**Reset Interest Amount**" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"Reset Interest Period" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"Reset Interest Rate" means, in relation to any Reset Interest Period, the sum of the Margin and the Reference Rate in relation to such Reset Interest Period.

"Reset Reference Bank Rate" means, in relation to any Reset Determination Date, the percentage rate (rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent as follows:

- (a) the Calculation Agent will request the principal Singapore office of each of the Reset Reference Banks to provide it with a quotation for such Reset Reference Bank's 5-Year SORA OIS Rate (with the relevant interest rate swap transaction commencing on the Reset Date on which the Reset Interest Period to which such Reset Determination Date relates commences and being in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market) as at the Relevant Time on the Business Day immediately following such Reset Determination Date; and
- (b) if at least three such quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); or
- (c) if only two such quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; or
- (d) if only one such quotation is provided, the Reset Reference Bank Rate will be the quotation provided; or
- (e) if no such quotations are provided, the Reset Reference Bank Rate will be (i) if such Reset Determination Date is in relation to any Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the Reference Rate in respect of the immediately preceding Reset Interest Period, or (ii) if such Reset Determination Date is in relation to the Reset Interest Period commencing on the First Call Date, 2.974 per cent. per annum.

"Reset Reference Banks" means five major banks in the Singapore interbank market, as selected by the Issuer after consultation with the Calculation Agent.

"Restructuring Proceedings" has the meaning assigned to such term in the definition of the term "Bankruptcy Event".

"Reviewed Interim Measurement" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"Scheduled Due Date" has the meaning assigned to such term in the definition of the term "Relevant Date".

"Securities" means any shares in the capital of UBS Group AG, or any options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of UBS Group AG, excluding all Other Tier 1 Contingent Convertible Capital Notes (and each a "Security").

"Senior Obligations" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"Settlement Agency Agreement" means the Settlement Agency Agreement dated as of the Issue Date, between the Issuer and the Settlement Agent, as amended, supplemented or otherwise modified from time to time.

"Settlement Agent" means UBS AG, in its capacity as settlement agent for the Notes, and includes any successor settlement agent for the Notes appointed in accordance with these Terms and Conditions.

"Settlement Share Depository" means SIX SIS; *provided, however*, that, if on or prior to any date when a function ascribed to the Settlement Share Depository in these Terms and Conditions is required to be performed the Issuer appoints another reputable independent financial institution, clearing institution, trust company or similar entity to perform such functions, who will hold Ordinary Shares in a designated trust account for the benefit of the Holders and otherwise on terms consistent with these Terms and Conditions, then "Settlement Share Depository" will mean such entity so appointed.

"Settlement Shares Offer" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"Settlement Shares Offer Agent" has the meaning given to it in clause (h) of Condition 9 (*Conversion*).

"SGD" means Singapore dollars.

"Share Creation Date" means, in relation to Ordinary Shares to be issued and delivered on Conversion, the date falling after the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, and on or prior to the applicable Conversion Date on which as a matter of Swiss law the relevant Ordinary Shares are paid up.

"Shareholders" means the holders of Ordinary Shares.

"Singapore Overnight Rate Average Overnight Indexed Swap" means a fixed-for-floating SGD interest rate swap transaction with a semi-annual fixed leg (calculated on the same day count basis as the Day Count Fraction) and a floating leg based on six-month daily compounded Singapore Overnight Rate Average (SORA) (payable in arrear) rate (calculated on the same day count basis as the Day Count Fraction).

"SIX SIS" means SIX SIS Ltd and any successor thereto.

"Substitute Issuer" has the meaning assigned to such term in clause (a) of Condition 16 (*Issuer Substitution*).

"Substitution Documents" has the meaning assigned to such term in subclause (a)(iv) of Condition 16 (*Issuer Substitution*).

"Substitution or Amendment Effective Date" has the meaning assigned to such term in subclause (b)(iii) of Condition 14 (*Meeting of Holders; Substitution and Amendment*).

"Swiss Code" means the Swiss Code of Obligations of 30 March 1911, as amended from time to time.

"Swiss Resolution Power" means any statutory power of FINMA that it may exercise during Restructuring Proceedings as set forth in article 28 et seqq. of the FBA or in any implementing ordinance or successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, the power to (i) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (ii) stay (for a maximum of two business days) the termination of, or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such Restructuring Proceedings is a party, (iii) partially or fully convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (iv) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

"Tax Event" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 11 (*Taxation*).

"**Threshold Ratio**" means 7 per cent.

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger CET1 Ratio**" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"**Trigger Event**" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Conversion Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Conversion Notice**" means a Trigger Event Notice given on or after the occurrence of a Conversion Capital Availability Event.

"**Trigger Event Notice**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Notice Date**" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"**Trigger Event Write-down Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Trigger Event and Viability Event*).

"**Trigger Event Write-down Notice**" means a Trigger Event Notice given prior to the occurrence of a Conversion Capital Availability Event.

"**US**" or "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"**USD**" means United States dollars.

"**Viability Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Trigger Event and Viability Event*).

"**Viability Event Conversion Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Conversion Notice" means a Viability Event Notice in respect of which the Viability Event has occurred on or after the occurrence of a Conversion Capital Availability Event.

"Viability Event Notice" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Date" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Trigger Event and Viability Event*).

"Viability Event Write-down Notice" means a Viability Event Notice in respect of which the Viability Event has occurred prior to the occurrence of a Conversion Capital Availability Event.

"Volume Weighted Average Price" means, in respect of an Ordinary Share or other Security on any dealing day, the order book volume-weighted average price (rounded to the same number of decimal places as the initial Conversion Price) of an Ordinary Share or such other Security, as the case may be, published on or by or derived from (i) in the case of an Ordinary Share, the relevant Bloomberg page, or (ii) in the case of a Security other than Ordinary Shares, the principal stock exchange or securities market on which such Security is then listed or quoted or dealt in, if any, or, in the case of each of clauses (i) and (ii), such other source as an Independent Adviser determines to be appropriate, on such dealing day, *provided* that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or such other Security, as the case may be, in respect of such dealing day shall be (i) the Volume Weighted Average Price, determined as provided above, on the most recently preceding dealing day on which the same can be so determined, or (ii) determined in such other manner as an Independent Adviser determines to be appropriate.

"Write-down Date" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

2. **AMOUNT AND DENOMINATION; FORM AND TRANSFER**

(a) *Amount and denomination*

The initial aggregate principal amount of the Notes will be SGD 650,000,000. The Notes will be issued to Holders in minimum denominations of SGD 250,000 and integral multiples of SGD 250,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 8 (*Contingent Write-down*). The Notes may be held and transferred only in minimum denominations of SGD 250,000 and integral multiples of SGD 250,000 in excess thereof.

(b) *Form and transfer*

The Notes are issued in uncertificated form as uncertificated securities (*einfache Wertrechte*) in accordance with article 973c of the Swiss Code. The uncertificated securities (*einfache Wertrechte*) will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtbuch*). Such uncertificated securities will then be entered into the main register (*Hauptregister*) of SIX SIS or any other intermediary (*Verwahrungsstelle*) in Switzerland recognised for such purposes by SIX Swiss Exchange Ltd (SIX SIS or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) within the meaning of the FISA ("**Intermediated Securities**").

So long as the Notes are Intermediated Securities, the Notes may only be transferred by the entry of the transferred Notes in a securities account of the transferee, as set out in the provisions of the FISA.

The records of the Intermediary will determine the number of Notes held through each participant in the Intermediary.

Neither the Issuer nor any Holder nor any other Person will at any time have the right to effect or demand the conversion of the Notes into, or the delivery of, a global note (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

3. **RESERVED**

4. **STATUS AND SUBORDINATION**

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 4.

(b) *Subordination*

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions),

- (i) if such event occurs (x) prior to the occurrence of a Conversion Capital Availability Event, or (y) on or after the occurrence of a Conversion Capital Availability Event but prior to the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations, and (C) senior to the rights and claims of holders of Junior Obligations; *provided, however*, that, if a Conversion Event subsequently occurs while such Bankruptcy Event or liquidation or winding-up, as the case may be, is continuing, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary Shares in accordance with Condition 9 (*Conversion*) will rank as set forth in subclause (ii) below; or
- (ii) if such event occurs on or after the occurrence of a Conversion Event, the rights and claims of the Holders against the Issuer in respect of the delivery of Ordinary Shares in accordance with Condition 9 (*Conversion*) will rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) junior to the rights and claims of holders of Parity Obligations, and (C) *pari passu* with the rights and claims of holders of Junior Obligations.

(c) *Claims subject to a Contingent Write-down or a Conversion*

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 13 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), as applicable, irrespective of whether the relevant Trigger Event or Viability Event, as applicable, has occurred, or, in the case of a Viability Event, the relevant Viability Event Notice has been given, prior to or after the occurrence of an Event of Default or any other event.

5. INTEREST

(a) *Interest Payment Dates*

- (i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (h) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.
- (ii) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (i) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on 21 February and 21 August of each year (each, an "**Interest Payment Date**"), commencing on 21 August 2024.

(b) *Determination of the Reference Rate, the Reset Interest Rate and the Reset Interest Amount in relation to each Reset Interest Period*

With respect to each Reset Interest Period and subject to clause (c) of this Condition 5, the Calculation Agent will, as soon as practicable after the Relevant Time on the Reset Determination Date in relation to such Reset Interest Period, determine the Reference Rate and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) *Benchmark replacement*

If the Issuer (in consultation with the Calculation Agent) determines prior to any Reset Determination Date that (x) the rate referred to in clause (a) of the definition of the term "Reference Rate" (the "**Existing Benchmark Rate**") has been discontinued or (y) there has been a public statement or publication of information by the administrator of the Existing Benchmark Rate (or any component thereof) or the regulatory supervisor for the administrator of the Existing Benchmark Rate (or any component thereof) announcing that the Existing Benchmark Rate (or such component) is no longer representative, then the following provisions shall apply (subject to the subsequent operation of this clause (c)):

- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's discretion, in accordance with subclause (iv) below, an alternative rate to the Existing Benchmark Rate (the "**Alternative Benchmark Rate**") no later than three Business Days prior to the Reset Determination Date relating to the next succeeding Reset Interest Period (such Business Day, the "**Independent Adviser Determination Cut-off Date**", and such next succeeding Reset Interest Period, the "**Affected Reset Interest Period**") for purposes of determining the Reference Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;
- (ii) if prior to the Independent Adviser Determination Cut-off Date the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate in accordance with subclause (iv) below, then the Issuer (in consultation with the Calculation Agent) may determine in its discretion, in accordance with subclause (iv) below, the Alternative Benchmark Rate for purposes of determining the Reference Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;
- (iii) if subclause (ii) above applies and the Issuer is unable or unwilling to determine the Alternative Benchmark Rate prior to the Reset Determination Date relating to the Affected Reset Interest Period in accordance with subclause (iv) below, the Reference Rate in respect of the Affected Reset Interest Period will be equal to the Reference Rate in respect of the immediately preceding Reset Interest Period (or, if there is no preceding Reset Interest Period, the Reset Interest Rate

applicable to the Affected Reset Interest Period will be equal to the Fixed Interest Rate); *provided, however*, that, if this subclause (iii) applies to the Affected Reset Interest Period, the Reset Interest Rate for all succeeding Reset Interest Periods will be the Reset Interest Rate applicable to the Affected Reset Interest Period as determined in accordance with this subclause (iii) unless (A) the Issuer, in its sole discretion, elects to determine an Alternative Benchmark Rate in respect of any such succeeding Reset Interest Period and all Reset Interest Periods thereafter in accordance with the processes set out in this clause (c), and (B) an Alternative Benchmark Rate is so determined;

- (iv) in the case of any determination of an Alternative Benchmark Rate pursuant to subclause (i) or (ii) above, such Alternative Benchmark Rate will be such rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent), as applicable, determines in its reasonable discretion has replaced the Existing Benchmark Rate in customary market usage, or, if the Independent Adviser or the Issuer, as applicable, determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent) determines in its reasonable discretion is most comparable to the Existing Benchmark Rate; and
- (v) if the Independent Adviser or the Issuer determines an Alternative Benchmark Rate in accordance with the above provisions of this clause (c),
 - (A) the Independent Adviser (in the case of subclause (2) below, in consultation with the Issuer) or, following consultation with the Calculation Agent, the Issuer (as the case may be) shall also determine in its reasonable discretion (1) the method for obtaining such Alternative Benchmark Rate, including the page on or source from which such Alternative Benchmark Rate appears or is obtained (the "**Alternative Reference Rate Page**"), and the time at which such Alternative Benchmark Rate appears on, or is obtained from, the Alternative Reference Rate Page (the "**Alternative Relevant Time**"), (2) whether to apply an Adjustment Spread to such Alternative Benchmark Rate and, if so, the Adjustment Spread, which Adjustment Spread must be recognised or acknowledged as being in customary market usage in international debt capital markets transactions that reference the Existing Benchmark Rate, where such rate has been replaced by such Alternative Benchmark Rate, and (3) any alternative method for determining the Reference Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset Determination Date, which alternative method shall be consistent with any Alternative Benchmark Rate that has broad market support;
 - (B) for the Affected Reset Interest Period and all Reset Interest Periods thereafter, (1) clause (a) of the definition of the term "Reference Rate" shall be amended pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) to give effect to the determination described in subclause (A)(1) above and any Adjustment Spread determined pursuant to subclause (A)(2) above, and (2) clause (b) of the definition of the term "Reference Rate" shall be amended pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) to give effect to the determination described in subclause (A)(3) above;
 - (C) references to the Reference Rate Page and the Relevant Time in these Terms and Conditions will be deemed to be references to the Alternative Reference Rate Page and the Alternative Relevant Time, respectively;
 - (D) if any changes to the definitions of the terms "Business Day", "Day Count Fraction", "Payment Business Day" and/or "Reset Determination Date" are necessary in order to implement the amendments described in subclause (B) above, such definitions shall be amended pursuant to

clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) to reflect such changes; and

- (E) the Issuer shall promptly give notice to the Holders in accordance with Condition 15 (*Notices*) specifying such Alternative Benchmark Rate (including any Adjustment Spread determined pursuant to subclause (A)(2) above and any alternative method for determining the Reference Rate described in subclause (A)(3) above), the Alternative Reference Rate Page, the Alternative Relevant Time, and any amendments implemented pursuant to clause (c) of Condition 14 (*Meetings of Holders; Substitution and Amendment*) as described in subclauses (B) and (D) above.

Any determination that is made by an Independent Adviser or by the Issuer for purposes of this clause (c) will be made in good faith and in a commercially reasonable manner.

- (d) *Publication of Reset Interest Rate and interest amount payable upon redemption*

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event no later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on any Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notices*) no later than two Business Days prior to such Redemption Date.

- (e) *Calculation of amount of interest payable per Calculation Amount*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (i) of this Condition 5:

- (i) the amount of interest payable per Calculation Amount on each Interest Payment Date falling on or before the First Call Date will be calculated by:
 - (A) applying the Fixed Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and
 - (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards); and
- (ii) if interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount on such date will be calculated by:
 - (A) applying the applicable Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and
 - (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(f) *Calculation of amount of interest payable per Note*

Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*) and clause (i) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:

- (i) the amount of interest per Calculation Amount; and
- (ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.

(g) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for purposes of this Condition 5, whether by the Reset Reference Banks (or any of them) or the Calculation Agent or the Independent Adviser, will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Reset Reference Banks (or any of them), the Calculation Agent or the Independent Adviser in connection with the exercise or non-exercise by the Calculation Agent or the Independent Adviser of its powers, duties and discretions under this Condition 5.

(h) *Accrual of interest in the case of redemption or a Trigger Event or a Viability Event*

- (i) Subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided, however*, that if the payment with respect to any Note is improperly withheld or refused on such Redemption Date, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the relevant Interest Rate to the Relevant Date.
- (ii) Upon the occurrence of a Trigger Event or a Viability Event, interest on the Notes will cease to accrue from (and including) the date on which such Trigger Event or Viability Event occurs.

(i) *Cancellation of interest; prohibited interest*

- (j) The Issuer may, in its sole discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (i)(i) is without prejudice to the provisions of subclause (i)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Principal Paying Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (i)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

- (ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related

Additional Amounts) on the relevant Interest Payment Date if and to the extent that:

- (A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by UBS Group AG on or in respect of the Notes or any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations, in the case of each of subclauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or
- (B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or
- (C) FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Principal Paying Agent and shall give notice in accordance with Condition 15 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (i)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this subclause (i)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

- (iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (i)(i) or subclause (i)(ii) of this Condition 5, UBS Group AG shall not, directly or indirectly,
 - (A) recommend to Shareholders that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; or
 - (B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

- (iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(i) will not constitute a default for any purpose (including, without limitation, Condition 13 (*Events of Default*)) on the part of the Issuer. Any interest payment not paid by virtue of this

Condition 5(i) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.

- (v) If UBS Group AG determines, after consultation with FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (i)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (i)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

6. REDEMPTION AND PURCHASE

(a) *No fixed redemption date*

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed (including by way of Conversion pursuant to Condition 9 (*Conversion*)) or purchased and cancelled in accordance with this Condition 6 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

(b) *Redemption at the option of the Issuer*

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Redemption Date.

(c) *Redemption due to a Tax Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

- (ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes, in the case of each of subclauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

(d) *Redemption due to a Regulatory Event*

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.

- (ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).

(e) *Conditions for redemption*

- (i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, then the Issuer shall give the Holders not less than 15 and not more than 60 days' prior notice in accordance with Condition 15 (*Notices*) (a "**Redemption Notice**"), which notice shall, subject to subclauses (ii) and (iii) of this clause (e), be irrevocable and specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, and (y) the date (which date, in the case of a redemption pursuant to clause (c) or (d) of this Condition 6, shall be a Payment Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").
- (ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
- (iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.
- (iv) If the Issuer elects to redeem the Notes pursuant to clause (c) or (d) of this Condition 6, then prior to the publication of the Redemption Notice pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (c) or (d), as applicable, of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) in the case of a redemption pursuant to clause (c) of this Condition 6 only, an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under clause (c) of this Condition 6 have arisen.

(f) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) *Cancellation*

All Notes redeemed in accordance with this Condition 6 or by way of Conversion pursuant to Condition 9 (*Conversion*) will be cancelled and may not be reissued or resold; *provided, however*, that, in the case of Notes redeemed by way of Conversion, the Issuer will not take any action to cause such Notes to be removed from the main register (*Hauptregister*) of the Intermediary prior to the later of (i) the Conversion Date and (ii) the date on which the relevant Ordinary Shares and/or cash proceeds to be delivered by the Settlement Share Depository or the Settlement Shares Offer Agent, as the case may be, to the relevant Holders pursuant to Condition 9 (*Conversion*) have been delivered.

(h) *Redemption of other instruments*

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **TRIGGER EVENT AND VIABILITY EVENT**

(a) *Trigger Event*

- (i) Upon the occurrence of a Trigger Event:
- (A) if such Trigger Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Trigger Event Write-down Date in accordance with Condition 8 (*Contingent Write-down*); or
 - (B) if such Trigger Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Trigger Event Conversion Date in accordance with Condition 9 (*Conversion*).
- (ii) A "**Trigger Event**" will have occurred if the Issuer gives the Holders a Trigger Event Notice in accordance with clause (b) of this Condition 7.

(b) *Trigger Event Notice*

- (i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, the Issuer shall, subject to subclauses (ii) and (iii) of this Condition 7(b), give a notice (a "**Trigger Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), which notice shall:
- (A) if such Trigger Event Notice is given prior to the occurrence of a Conversion Capital Availability Event (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Contingent Write-down will take place, and (2) specify the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no later than 10 Business Days after the date of such notice (the "**Trigger Event Write-down Date**"); or
 - (B) if such Trigger Event Notice is given on or after the occurrence of a Conversion Capital Availability Event, (1) state that the Trigger CET1 Ratio as of such Publication Date is less than the Threshold Ratio, and a Conversion will take place, (2) specify the date on which the Conversion will take place, which date shall, subject to postponement pursuant to subclause (ii) of this Condition 7(b), be no more than 20 Business Days after the date of such notice (the "**Trigger Event Conversion Date**"), (3) specify the Conversion Price in effect on the date of such Trigger Event Notice, and (4) specify the details of the arrangement for the settlement of the Conversion (including whether or not the Issuer will appoint a Settlement Shares Offer Agent to conduct a

Settlement Shares Offer and, if the Settlement Share Depository is not SIX SIS, the details of the Settlement Share Depository).

- (ii) If a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b), and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,
 - (A) in the case of subclause (x) above, the giving of such Trigger Event Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and
 - (B) in the case of subclauses (x) and (y) above, if the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date or the Trigger Event Conversion Date, as applicable, will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Notice.
 - (iii) If (A) a Trigger Event Notice is required to be given pursuant to subclause (i) of this Condition 7(b) in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down or a Conversion, as applicable, is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Threshold Ratio that FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) the Issuer shall not give such Trigger Event Notice pursuant to subclause (i) of this Condition 7(b) in relation to the relevant Ordinary Publication Date, and (y) the Issuer shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 15 (Notices), which notice shall state that no Contingent Write-down or Conversion, as applicable, will occur in relation to the relevant Ordinary Publication Date.
- (c) *Viability Event*
- (i) Subject to clause (e) of this Condition 7, upon the occurrence of a Viability Event:
 - (A) the Issuer shall give notice (a "**Viability Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall:
 - (1) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than 10 Business

Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**"); or

- (2) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, (w) state that a Viability Event has occurred and a Conversion will take place, (x) specify the date on which the Conversion will take place, which date shall be no more than 20 Business Days following the occurrence of the Viability Event (the "**Viability Event Conversion Date**"), (y) specify the Conversion Price in effect on the date of such Viability Event Notice, and (z) specify the details of the arrangements for the settlement of the Conversion (including, if the Settlement Share Depository is not SIX SIS, the details of the Settlement Share Depository); and
 - (B) if such Viability Event occurs prior to the occurrence of a Conversion Capital Availability Event, a Contingent Write-down will occur on the applicable Viability Event Write-down Date in accordance Condition 8 (*Contingent Write-down*); or
 - (C) if such Viability Event occurs on or after the occurrence of a Conversion Capital Availability Event, a Conversion will occur on the applicable Viability Event Conversion Date in accordance with Condition 9 (*Conversion*).
- (ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):
- (A) FINMA has notified UBS Group AG in writing that it has determined a conversion or write-down, as applicable, of holders' claims in respect of the Notes and all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or
 - (B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Notice have been met.

(d) *Determination of CET1 Ratio and Trigger CET1 Ratio*

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of

the calculations described in subclauses (i) through (iii) of this clause (d) subsequently published will have no effect for purposes of this Condition 7.

(e) *Alternative loss absorption*

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

(f) *Conversion Capital Availability Event*

(i) A "**Conversion Capital Availability Event**" will have occurred on the first date after the Issue Date on which an amendment to the Articles of Association is registered in the main register (*Hauptregister*) of the Commercial Register (*Handelsregister*) of the Canton of Zurich as a result of which the Conversion Capital provided for in the Articles of Association meets or exceeds the Minimum Conversion Capital Availability Amount. For purposes of these Terms and Conditions, a Conversion Capital Availability Event may occur only once.

For purposes of the definition of Conversion Capital Availability Event:

"**Articles of Association**" means, at any time, the articles of association (*Statuten*) of UBS Group AG in effect at such time.

"**Minimum Conversion Capital Availability Amount**" means, at any time, the amount of Conversion Capital that UBS Group AG would require in order for it to create and issue:

- (A) the number of Ordinary Shares into which the Notes outstanding at such time would be converted if they were to be converted at the Conversion Price in effect at such time and otherwise in accordance with these Terms and Conditions; and
- (B) if any Other Tier 1 Contingent Convertible Capital Notes are outstanding at such time, the number of Ordinary Shares into which such Other Tier 1 Contingent Convertible Capital Notes would be converted if they were to be converted at the conversion price then in effect pursuant to, and otherwise in accordance with, their respective terms at such time,

in each case, out of such Conversion Capital.

"**Other Tier 1 Contingent Convertible Capital Note**" means any capital instrument (other than the Notes) that:

- (A) is eligible in full to be (x) treated as Additional Tier 1 Capital and (y) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both); and
- (B) subject to the terms and conditions thereof, is to be:
 - (x) converted into Ordinary Shares; or
 - (y) after a Conversion Capital Availability Event (or equivalent event described in the terms and conditions thereof) occurs, converted into Ordinary Shares,

in either case, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a certain threshold and/or a Viability Event (or equivalent event described in the terms and conditions thereof) occurs.

As of 15 February 2024, the outstanding Other Tier 1 Contingent Convertible Capital Notes consisted of (1) the 9.250 per cent. Tier 1 Capital Notes (ISIN: US902613BF40 (144A); USH42097ES26 (Reg S)) issued by UBS Group AG in an aggregate principal amount of USD 1,750,000,000 on 13 November 2023, (2) the 9.250 per cent. Tier 1 Capital Notes (ISIN: US902613BE74 (144A); USH42097ER43 (Reg S)) issued by UBS Group AG in an aggregate principal amount of USD 1,750,000,000 on 13 November 2023, and (3) the 7.750 per cent. Tier 1 Capital Notes (ISIN: US902613BK35 (144A); USH42097EW38 (Reg S)) issued by UBS Group AG in an aggregate principal amount of USD 1,000,000,000 on 12 February 2024.

- (ii) If a Conversion Capital Availability Event occurs at any time on or prior to a Trigger Event or a Viability Event, the Issuer shall as soon as practicable thereafter deliver to the Principal Paying Agent and the Settlement Agent a certificate signed by the Authorised Signatories and notice to the Holders in accordance with Condition 15 (*Notices*), in each case stating that a Conversion Capital Availability Event has occurred and the date on which it occurred.

8. CONTINGENT WRITE-DOWN

If the Issuer has given a Trigger Event Write-down Notice or a Viability Event Write-down Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then on the relevant Write-down Date:

- (a) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;
- (b) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (a) of this Condition 8 (*bedingter Forderungsverzicht*); and
- (c) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the date of the relevant Trigger Event Notice or Viability Event Notice, as the case may be, or the Write-down Date.

9. CONVERSION

- (a) *Conversion upon a Trigger Event or a Viability Event*

If the Issuer has given a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*), then:

- (i) each Note shall, subject to and as provided in this Condition 9, be redeemed and settled (the "**Conversion**") on the applicable Conversion Date by (x) the delivery of new fully paid Ordinary Shares to the Settlement Share Depository on behalf of the Holders, and (y) the cancellation of any accrued and unpaid interest on the Notes (whether or not due and payable); and
- (ii) receipt by the Settlement Share Depository of such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares in respect of the Conversion on the applicable Conversion Date shall be a good and complete

discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes.

In the case of the Ordinary Shares to be delivered upon Conversion, as from the applicable Share Creation Date for such Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares into Notes.

(b) *Recourse for Ordinary Shares*

Holders shall have recourse only to the Issuer for the issue and delivery of Ordinary Shares to the Settlement Share Depository pursuant to these Terms and Conditions. After such delivery to the Settlement Share Depository, Holders shall have recourse only to the Settlement Share Depository (or any relevant intermediary) for the delivery to them of such Ordinary Shares or, in the circumstances described in clause (h) of this Condition 9, any cash amounts to which such Holders are entitled under clause (h) of this Condition 9.

(c) *Conversion Price and determination of number of Ordinary Shares*

- (i) Upon the occurrence of a Conversion Event, as at the date on which the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice is published, each Holder shall be deemed to have accepted, and hereby accepts and agrees, (A) to the conversion of its holding of Notes into Ordinary Shares at the Conversion Price provided for herein and that, where necessary under Swiss law, the Settlement Agent shall effect such conversion on such Holder's behalf, and (B) that its obligation to pay up the Ordinary Shares to be issued shall be set off against its claim for repayment of the principal amount upon redemption of the Notes, which claim shall be deemed to be due and payable immediately prior to the time on the Share Creation Date when, as a matter of Swiss law, the relevant Ordinary Shares are paid up. Such Ordinary Shares shall be paid up and issued on the Share Creation Date whereupon the Holders shall cease as a matter of Swiss law to be treated for all purposes under Swiss law as Holders and shall instead as of such date be treated for all purposes under Swiss law as Shareholders.
- (ii) Subject to clause (g) of this Condition 9, the Issuer, with the assistance of the Settlement Agent, where necessary under Swiss law, shall issue and deliver to the Settlement Share Depository on the applicable Conversion Date such number of Ordinary Shares in respect of each Holder as is determined by the Settlement Agent by dividing the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date by the Conversion Price in effect on the date of relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be. The Settlement Agent shall determine such number of Ordinary Shares in accordance with this subclause (ii) as soon as practicable after publication of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as applicable.
- (iii) The initial Conversion Price per Ordinary Share in respect of the Notes is specified in the definition thereof. The Conversion Price is subject to adjustment to (and including) the date of the relevant Trigger Event Conversion Notice or Viability Event Conversion Notice, as the case may be, in the circumstances described in clause (d) below.

(d) *Anti-dilution adjustment of the Conversion Price*

- (i) Upon the occurrence of any of the events described below after 15 February 2024, the Conversion Price will be adjusted by the Issuer as follows:
- (A) If there is a consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares that alters the number of Ordinary Shares in issue, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification, redesignation or subdivision by the following fraction:

$\frac{A}{B}$ where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment will become effective on the date on which the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (B) If UBS Group AG issues any Ordinary Shares to Shareholders as a class credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Cash Distribution that the Shareholders would or could otherwise have elected to receive, (y) where the Shareholders may elect to receive a Cash Distribution in lieu of such Ordinary Shares or (z) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$\frac{A}{B}$ where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (C) If UBS Group AG makes or pays an Extraordinary Distribution to Shareholders, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$\frac{A-B}{B}$ where:

- A is the Current Market Price of one Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- B is the portion of the aggregate Extraordinary Distribution attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Distribution by the number of Ordinary Shares entitled to receive the relevant Extraordinary Distribution. If the Extraordinary Distribution shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (C), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-the Extraordinary Distribution on the Relevant Stock Exchange or (y) if there is no Relevant Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (C).

- (D) If UBS Group AG issues Ordinary Shares to Shareholders as a class by way of rights or UBS Group AG or any other member of the Group or (at the direction or request or pursuant to arrangements with UBS Group AG or any other member of the Group) any other Person issues or grants to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities that by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share that is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date), the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C} \text{ where:}$$

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares that the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date (translated, if necessary, into the Relevant Currency at the Prevailing Rate on the Effective Date); and
- C is the number of Ordinary Shares to be issued or the maximum number of Ordinary Shares that may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate, as the case may be,

provided that, if on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this subclause (D), "C" will be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

For purposes of this subclause (D), "**Effective Date**" means (x) the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange or (y) if there is no Relevant

Stock Exchange, the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this subclause (D).

For purposes of any calculation of the consideration receivable or price pursuant to this subclause (D), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities will be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights will be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights that are attributed by UBS Group AG to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of subclauses (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights, and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights will be the aggregate consideration or price referred to in subclause (x) or (y) above (as the case may be), divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (3) if the consideration or price determined pursuant to subclause (1) or (2) above (or any component thereof) is expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of subclause (1) above) or the relevant date of first public announcement (in the case of subclause (2) above);
- (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
- (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to UBS Group AG or another entity.

- (E) If UBS Group AG determines, in its sole discretion, that, notwithstanding subclauses (A) to (D) of this Condition 9(d)(i), a reduction to the Conversion Price should be made as a result of one or more events or circumstances not referred to in this Condition 9(d)(i) that would require an adjustment to the Conversion Price in order to comply with Swiss mandatory law on the protection of holders of instruments that may convert into shares issued out of capital range (*Kapitalband*), conditional capital (*bedingtes Kapital*) or Conversion Capital, the Conversion Price will be reduced (either generally or for a specified period) in such manner and with effect from such date as UBS Group AG shall determine and the Issuer shall notify to the Holders in accordance with Condition 15 (*Notices*).
- (ii) Notwithstanding Condition 9(d)(i):
- (A) where
- (1) the events or circumstances giving rise to any adjustment to the Conversion Price have resulted or will result in an adjustment to the Conversion Price; or
- (2) more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time,

that, in the opinion of UBS Group AG, a modification to the operation of the adjustment provisions set forth in this Condition 9(d) is required to give the intended result, such modification will be made to the operation of the adjustment provisions set forth in this Condition 9(d) as may be determined by an Independent Adviser to be in its opinion appropriate to give the intended result, including to ensure that (x) an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, (y) the economic effect of an Extraordinary Distribution is not taken into account more than once, and (z) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency;

- (B) any adjustment to the Conversion Price will be subject to such Conversion Price (translated, if necessary, into the currency in which the par value of an Ordinary Share is denominated at the time such adjustment becomes effective at the then-prevailing exchange rate as determined by the Issuer) not being less than the par value of an Ordinary Share at such time;
- (C) UBS Group AG shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price (translated, if necessary, into the currency in which the par value of an Ordinary Share is denominated at the time of such action at the then- prevailing exchange rate as determined by the Issuer) to below the par value of an Ordinary Share then in effect;
- (D) if any doubt arises as to whether an adjustment is to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, the Issuer may in its sole discretion appoint an Independent Adviser and, following consultation between the Issuer and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof will (in the absence of wilful default, bad faith and manifest error) be conclusive and binding on the Issuer and the Holders;
- (E) no adjustment will be made to the Conversion Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or

granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of UBS Group AG or any of its subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme; and

- (F) on any adjustment, if the resultant Conversion Price has more decimal places than the initial Conversion Price, it will be rounded to the same number of decimal places as the initial Conversion Price. No adjustment will be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, will be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment will be made on the basis that the adjustment not required to be made had been made at the relevant time and/or that the relevant rounding down had not been made, as the case may be.
 - (iii) The Issuer shall give notice of any adjustments to the Conversion Price made pursuant to this Condition 9(d) to the Holders in accordance with Condition 15 (*Notices*) promptly after the determination thereof.
 - (iv) References in these Terms and Conditions to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.
- (e) *Qualifying Relevant Event*
- (i) Upon the occurrence of a Relevant Event that is a Qualifying Relevant Event, then:
 - (A) upon the occurrence of a Conversion Event where the applicable Conversion Date falls on or after the New Conversion Condition Effective Date,
 - (1) the Notes shall be converted on such Conversion Date into, or be exchanged on such Conversion Date for, as the case may be, Relevant Shares of the Approved Entity, *mutatis mutandis* as provided in accordance with this Condition 9, at a Conversion Price that shall be the New Conversion Price; and
 - (2) the Issuer shall procure the issue and/or delivery of the relevant number of Relevant Shares of the Approved Entity in the manner provided in this Condition 9 (as may be amended as described in the definition of the term New Conversion Condition); and
 - (B) the New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 9 for the adjustment of the Conversion Price (if necessary with such amendments as an Independent Adviser shall determine to be appropriate) and the Issuer shall give notice in accordance with Condition 15 (*Notices*) to the Holders of the New Conversion Price and of any such amendments thereafter.

- (ii) Upon the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Holders in accordance with Condition 15 (*Notices*) within 10 Business Days following the occurrence of such Relevant Event, which notice shall:
 - (A) specify the identity of the Acquiror;
 - (B) specify whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;
 - (C) in the case of a Qualifying Relevant Event, specify the New Conversion Price; and
 - (D) if applicable, specify the New Conversion Condition Effective Date.
- (iii) For the avoidance of doubt, upon the occurrence of a Relevant Event that is a Non-Qualifying Relevant Event, the provisions of this clause (e) shall (subject to the subsequent operation of this clause (e) upon the occurrence of a subsequent Relevant Event) not apply, and the Notes will continue to be convertible into Ordinary Shares pursuant to and in accordance with the other provisions of this Condition 9 (*Conversion*), if and when the Issuer gives a Trigger Event Conversion Notice or a Viability Event Conversion Notice in accordance with Condition 7 (*Trigger Event and Viability Event*).
- (iv) For purposes of these Terms and Conditions:

"Acquiror" means the Person (including a Governmental Entity) that, following a Relevant Event, controls UBS Group AG.

"Approved Entity" means an Acquiror that is body corporate that is incorporated or established under the laws of an OECD member state and that, on the occurrence of the Relevant Event, has in issue Relevant Shares.

"Governmental Entity" means (x) the Swiss Confederation, (y) an agency of the Swiss Confederation or (z) a person or entity (other than a body corporate) controlled by the Swiss Confederation or any such agency referred to in clause (y); *provided, however*, that, if UBS Group AG is at any time organised in a jurisdiction outside of Switzerland, references in this definition to "the Swiss Confederation" shall be read as references to the government of such other jurisdiction.

The **"New Conversion Condition"** shall be satisfied in respect of a Relevant Event if, by no later than seven days following the occurrence of such Relevant Event, (x) UBS Group AG has, to the satisfaction of UBS Group AG, entered into arrangements with the Approved Entity that provide for delivery of Relevant Shares of the Approved Entity on Conversion on terms *mutatis mutandis* as provided in the provisions of this Condition 9, and (y) the Issuer has entered into such agreements and arrangements, and made such amendments to these Terms and Conditions, as may be required to ensure that, with effect from the New Conversion Condition Effective Date, the Notes shall, following the occurrence of a Conversion Event, be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 9 (as may be so amended) at the New Conversion Price; *provided, however*, that, any failure to enter into the arrangements and agreements and/or make the amendments described in clauses (x) and (y) shall not constitute a default or an Event of Default under these Terms and Conditions.

"New Conversion Condition Effective Date" means the date with effect from which the New Conversion Condition has been satisfied.

"**New Conversion Price**" means, in respect of any Conversion Date falling on or after the New Conversion Condition Effective Date, the amount determined by the Issuer in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

- NCP is the New Conversion Price.
- ECP is the Conversion Price in effect on the last dealing day prior to the New Conversion Condition Effective Date.
- VWAPRS is the average of the Volume Weighted Average Price of the Relevant Shares of the Approved Entity (translated, if necessary, into SGD at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the last dealing day prior to the date on which the Relevant Event occurred (and where references in the definition of "Volume Weighted Average Price" to "Ordinary Shares" shall be construed as a reference to the Relevant Shares of the Approved Entity and in the definition of "dealing day", references to the "Relevant Stock Exchange" shall be to the primary Recognised Stock Exchange on which the Relevant Shares of the Approved Entity are then listed, admitted to trading or accepted for dealing).
- VWAPOS is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into SGD at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the last dealing day prior to the date on which the Relevant Event occurred.

"**Non-Qualifying Relevant Event**" means a Relevant Event that is not a Qualifying Relevant Event.

"**Qualifying Relevant Event**" means a Relevant Event where:

- (A) the Acquiror is an Approved Entity; and
- (B) the New Conversion Condition is satisfied.

A "**Relevant Event**" will have occurred if, on or after the occurrence of a Conversion Capital Availability Event, any Person or Persons acting in concert acquires control of UBS Group AG (other than as a result of an Exempt Reorganisation). For the purposes of this definition "Relevant Event", "**control**" means the acquisition or holding of legal or beneficial ownership of more than 95 per cent. of the issued Ordinary Shares of UBS Group AG (whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise) and, as a consequence thereof, the Ordinary Shares are no longer admitted to trading on any Recognised Stock Exchange, and "**controlled**" shall be construed accordingly.

"**Relevant Shares**" means, in respect of an Acquiror, ordinary share capital of such Acquiror that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) that is listed and admitted to trading on a Recognised Stock Exchange.

(f) *Procedure for settlement and delivery of Ordinary Shares on Conversion*

Ordinary Shares to be issued on Conversion shall be delivered subject to and as provided below.

(g) *Fractions*

Fractions of Ordinary Shares will not be issued or delivered pursuant to these Terms and Conditions on Conversion and no cash payment will be made in lieu thereof. The number of Ordinary Shares to be issued and delivered to the Settlement Share Depository for the benefit of each Holder in respect of a Conversion shall be calculated by the Settlement Agent on the basis of the aggregate principal amount of Notes held by such Holder on the applicable Conversion Date and rounded down, if necessary, to the nearest whole number of Ordinary Shares.

(h) *Procedure for delivery in respect of a Conversion*

(i) UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, shall on or prior to the applicable Conversion Date issue and deliver to the Settlement Share Depository such number of Ordinary Shares as is required to satisfy in full its obligation to deliver Ordinary Shares to the Holders in respect of the Conversion on the applicable Conversion Date. Receipt by the Settlement Share Depository of such Ordinary Shares shall be a good and complete discharge of the Issuer's (and, if UBS Group AG is not the Issuer, UBS Group AG's) obligations in respect of the Notes.

(ii) Subject to the making of a Settlement Shares Offer and as otherwise provided herein, the Settlement Agent shall give instructions to the Settlement Share Depository for the relevant Ordinary Shares to be delivered by the Settlement Share Depository on the applicable Conversion Date to the Holders, and the Settlement Share Depository shall take such actions as are customary to effect such delivery of such Ordinary Shares to the Holders on the applicable Conversion Date.

(iii) In respect of a Conversion as a result of the occurrence of a Trigger Event only, following receipt by the Settlement Share Depository of the Ordinary Shares and the resulting good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (i) above, the Issuer may, in its sole discretion, appoint a placement agent (the "**Settlement Shares Offer Agent**") acting on behalf, and for the accounts, of the Holders to conduct an offering of the Ordinary Shares to which the Holders are otherwise entitled (a "**Settlement Shares Offer**"). In the relevant Trigger Event Conversion Notice, the Issuer shall notify the Holders whether it will appoint such Settlement Shares Offer Agent to conduct such a Settlement Shares Offer. If it does so appoint a Settlement Shares Offer Agent, it will instruct the Settlement Share Depository to deliver the relevant Ordinary Shares to or to the order of the Settlement Shares Offer Agent for this purpose prior to the end of the Offer Settlement Period. Such Settlement Shares Offer shall be made (x) in the currency of the Issuer's choosing and at a cash price per Ordinary Share (such price translated, if necessary, into SGD at the prevailing exchange rate on the date of the Trigger Event Conversion Notice as determined by the Issuer) equal to the Conversion Price in effect on the date of the Trigger Event Conversion Notice, and (y) to some or, subject to applicable laws and regulations and to such an offer being practicable in the opinion of the Issuer in the Offer Settlement Period, all Shareholders on the record date of the Trigger Event Conversion Notice then eligible to participate in such offer. Any such Settlement Shares Offer shall be completed no later than 20 Business Days after the occurrence of the Trigger Event (the "**Offer Settlement Period**"). Neither the Issuer nor the Settlement Share Depository shall incur any liability whatsoever to the Holders in respect of the appointment of such Settlement Shares Offer Agent or its conduct, save for cases of gross negligence or wilful intent.

If the Settlement Shares Offer is fully subscribed by or before the end of the Offer Settlement Period, the Holders shall, pursuant to the agreement appointing the Settlement Shares Offer Agent, be entitled to receive from the Settlement Shares Offer Agent on the fifth Business Day after the end of the Offer Settlement Period, their *pro rata* share of the aggregate cash proceeds received from the Settlement Shares Offer (such aggregate cash proceeds translated, if necessary, from the currency in which they are denominated into SGD at the then-prevailing exchange rate as determined by the Settlement Shares Offer Agent (less any foreign exchange transaction costs)), such amount being rounded to the nearest cent (half a cent being rounded upwards). If the Settlement Shares Offer is only partially subscribed by the end of the Offer Settlement Period, the Holders shall (x) pursuant to the agreement appointing the Settlement Shares Offer Agent, be entitled to receive from the Settlement Shares Offer Agent on the fifth Business Day after the end of the Offer Settlement Period, their *pro rata* share of the aggregate cash proceeds received from the Settlement Shares Offer (such aggregate cash proceeds translated, if necessary, from the currency in which they are denominated into SGD at the then-prevailing exchange rate as determined by the Settlement Shares Offer Agent (less any foreign exchange transaction costs)), such amount being rounded to the nearest cent (half a cent being rounded upwards), and (y) be entitled to receive their *pro rata* share of the number of Ordinary Shares not subscribed pursuant to the Settlement Shares Offer (rounded down to the nearest whole number of such Ordinary Shares) within the period specified below from the Settlement Share Depository. If no Ordinary Shares are subscribed in the Settlement Shares Offer, Holders shall be entitled to receive the relevant Ordinary Shares within the period specified below from the Settlement Share Depository.

In relation to any Ordinary Shares not sold pursuant to a Settlement Shares Offer, the Settlement Agent shall give instructions to the Settlement Shares Offer Agent for such Ordinary Shares to be delivered by the Settlement Shares Offer Agent to the relevant Holders within five Business Days after the end of the Offer Settlement Period.

(i) *Taxes and duties*

None of the Issuer, any other member of the Group, any Agent and the Settlement Share Depository will pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of Ordinary Shares to the Settlement Share Depository or to any Holder. A Holder must pay any capital, stamp, issue, registration, transfer or other taxes or duties arising upon Conversion or that may arise or be paid as a consequence of or in connection with the issue and delivery of the Ordinary Shares to the Settlement Share Depository or to such Holder and such Holder must pay all, if any, such taxes and duties arising by reference to any disposal or deemed disposal of such Holder's Notes or interest therein. Any capital, stamp, issue, registration, transfer or other taxes or duties arising on delivery or transfer of Ordinary Shares to a purchaser in any Settlement Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(j) *Delivery of Ordinary Shares*

UBS Group AG, with the assistance of the Settlement Agent where necessary under Swiss law, will issue and deliver the Ordinary Shares required to be issued and delivered on Conversion to the Settlement Share Depository on behalf of the Holder of the relevant Note(s). Receipt by the Settlement Share Depository of such Ordinary Shares will be a good and complete discharge of the Issuer's obligations in respect of the Notes as described in subclause (h)(i) of this Condition 9.

Such Ordinary Shares will be delivered to Holders in uncertificated form through SIX SIS or any other appropriate settlement organisations. Where such Ordinary Shares are to be delivered through SIX SIS or any other appropriate intermediary (*Verwahrungsstelle*) in Switzerland, the Settlement Agent shall request that the Settlement Share Depository

deliver such Ordinary Shares to the account(s) in which the relevant Note(s) is/are held, on the applicable Conversion Date or such other date as is specified for the delivery. At the time of such delivery of the Ordinary Shares, the then-valid share registration rules of UBS Group AG will apply, and UBS Group AG does not offer any assurance or guarantee that any Holder will be accepted as a Shareholder with voting rights in the share register of UBS Group AG.

(k) *Ordinary Shares*

The Ordinary Shares issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Share Creation Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant Holder will not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Share Creation Date.

(l) *Purchase or redemption of Ordinary Shares*

UBS Group AG or any of its subsidiaries may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of UBS Group AG (including Ordinary Shares) or any depository or other receipts or certificates representing the same without the consent of Holders.

(m) *Determinations to be made by an Independent Adviser*

In the case of any determination that is required to be made by an Independent Adviser for purposes of this Condition 9, the Issuer shall use reasonable endeavours to appoint an Independent Adviser to make such determination; *provided, however*, that, notwithstanding the other provisions of these Terms and Conditions, if the Issuer is unable to so appoint an Independent Adviser or the Independent Adviser so appointed by the Issuer fails to make such determination, the Issuer, acting in good faith and a commercially reasonable manner, will make such determination.

Any determination that is made by an Independent Adviser for purposes of this Condition 9 will be made in the sole discretion of such Independent Adviser acting in good faith and in a commercially reasonable manner.

(n) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by an Independent Adviser or the Settlement Agent for purposes of this Condition 9 will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders will attach to the Independent Adviser or the Settlement Agent in connection with the exercise or non-exercise by the Independent Adviser or the Settlement Agent of its powers, duties and discretions under this Condition 9.

10. **PAYMENTS; AGENTS**

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in SGD, which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in SGD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of

the relevant Holder and without certification, affidavit or the fulfilment of any other formality.

- (b) The receipt by the Principal Paying Agent of the due and punctual payment of funds in SGD will release the Issuer from its obligations under the Notes to the extent of such payment.
- (c) Subject to clause (d) of this Condition 10, the Issuer reserves the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment or other similar functions in respect of the Notes (each, a "**Paying Agent**", which term includes the Principal Paying Agent), *provided* that (i) so long as any Note is outstanding, there will at all times be a Principal Paying Agent, a Calculation Agent and a Settlement Agent, (ii) for so long as the Notes are listed on the SIX Swiss Exchange and if then required by the regulations of the SIX Swiss Exchange, the Issuer shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent, and (iii) any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations and determinations to be made by the Calculation Agent.
- (d) Any appointment or termination of appointment of a Paying Agent may only take effect not more than 45 and not less than 30 days' after the Issuer has notified the Holders of such appointment or termination in accordance with Condition 15 (*Notices*); *provided, however*, that, in the case of insolvency of any Paying Agent, any termination of such Paying Agent and appointment of any other Paying Agent will take immediate effect.
- (e) Subject to clause (c) of this Condition 10, the Issuer may appoint, or terminate the appointment of, any Settlement Agent or Calculation Agent at any time. The Issuer shall promptly notify the Holders of any such appointment or termination in accordance with Condition 15 (*Notices*).
- (f) If at any time the Calculation Agent fails to (i) determine the Reference Rate or the Reset Interest Rate or duly calculate the Reset Interest Amount for any Reset Interest Period or the interest amount payable on the relevant Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (ii) comply with any other requirement in relation to the Notes, then the Issuer will terminate the appointment of the Calculation Agent in accordance with the Agency Agreement and appoint a successor Calculation Agent.

11. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").

- (c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 11 in relation to any Note:
- (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
 - (ii) with respect to any Tax collected pursuant to the provisions of, or any laws or an agreement with any Tax Jurisdiction relating to, Sections 1471 through 1474 of the US Internal Revenue Code, as amended (commonly referred to as "FATCA"); or
 - (iii) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or
 - (iv) to the extent any combination of subclauses (i) through (iii) of this clause (c) applies.
- (d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 11 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 11.

12. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the 10-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

13. EVENTS OF DEFAULT

- (a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":
- (i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied for a period of 30 days; or
 - (iii) the Issuer fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or
 - (iv) a Bankruptcy Event;

provided, however, that, notwithstanding subclauses (i) to (iv) above, neither (A) the opening of Restructuring Proceedings with respect to the Issuer nor (B) the exercise of any Swiss Resolution Power with respect to the Issuer during any such Restructuring Proceedings nor (C) the ordering of any Protective Measures with respect to the Issuer that are ordered or confirmed upon the opening of or during any such Restructuring Proceedings will constitute a default or an Event of Default.

- (b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.
- (c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 13, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.
- (d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.
- (e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 13 and subject to Condition 8 (*Contingent Write-down*) and Condition 9 (*Conversion*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.
- (f) No remedy against the Issuer other than those described in this Condition 13 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 13.

14. MEETINGS OF HOLDERS; SUBSTITUTION AND AMENDMENT

- (a) Except as otherwise specified in this Condition 14, the provisions of bondholder meetings contained in article 1157 et seqq. of the Swiss Code apply in relation to meetings of Holders.
- (b) If a Tax Event or a Regulatory Event has occurred, the Issuer may, without the consent of the Holders, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:
 - (i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;
 - (ii) FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);
 - (iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 15 (*Notices*), which notice will, subject to subclause (v) of this clause (b), be irrevocable, and state the date on

which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");

- (iv) prior to the publication of any notice pursuant to subclause (iii) of this clause (b), the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (b) have arisen; and
- (v) no Trigger Event or Viability Event has occurred prior to the relevant Substitution or Amendment Effective Date.

In connection with any substitution or amendment in accordance with this clause (b), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (c) In addition to its rights under clause (b) of this Condition 14, the Issuer may, without the consent of the Holders, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to (A) any Alternative Benchmark Rate determined in accordance with clause (c) of Condition 5 (*Interest*) (including any Adjustment Spread determined in accordance with subclause (v)(A)(2) thereof and any alternative method for determining the Reference Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset Determination Date determined in accordance with subclause (v)(A)(3) thereof), and any related changes to the definitions of the terms "Business Day", "Day Count Fraction", "Payment Business Day" and/or "Reset Determination Date" determined to be necessary in accordance with subclause (v)(D) thereof, or (B) the provisions of clause (a) of Condition 16 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 4 (*Status and Subordination*) and the provisions of Condition 13 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(iii) of Condition 16 (*Issuer Substitution*)), or (C) the provisions of subclause (e)(iii) and/or subclause (e)(i)(B) of Condition 9 (*Conversion*), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error, or (iv) not materially prejudicial to the interests of the Holders.
- (d) The Issuer shall notify the Holders of any amendments made pursuant to clause (c) of this Condition 14 in accordance with Condition 15 (*Notices*), which notice shall state the date on which such amendment will be effective.
- (e) Any amendment made pursuant to this Condition 14 will be binding on the Holders in accordance with its terms.

15. NOTICES

- (a) So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (i) by means of electronic publication on the internet website of SIX Exchange Regulation Ltd (<https://www.ser-ag.com>), where notices are as at the Issue Date published under the address [https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/,](https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

- (b) If the Notes are for any reason no longer listed on the SIX Swiss Exchange, notices to Holders will be given by the Issuer to the Intermediary for forwarding to the Holders. Any such notice will be validly given on the date of delivery to the Intermediary.

16. ISSUER SUBSTITUTION

- (a) The Issuer (for purposes of this Condition 16, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 15 (*Notices*), *provided that*:
- (i) the Substitute Issuer is UBS Group AG or at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
 - (ii) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
 - (iii) if the Substitute Issuer is not UBS Group AG, UBS Group AG has irrevocably and unconditionally guaranteed to the Holders, pursuant to article 111 of the Swiss Code and on a subordinated basis corresponding *mutatis mutandis* to Condition 4 (*Status and Subordination*), (A) the due and punctual payment of principal and interest and all other amounts due and payable by the Substitute Issuer under, or in respect of, the Notes upon receipt of the written request for payment of the relevant amount, and (B) upon the occurrence of a Conversion, the due delivery of the Ordinary Shares required to be delivered pursuant to Condition 9 (*Conversion*), and on the terms whereby subclause (iii) of Condition 5(i) (*Cancellation of interest; prohibited interest*), subclause (d)(ii)(C) of Condition 9 (*Conversion*), Condition 11 (*Taxation*), Condition 13 (*Events of Default*) and Condition 21 (*No Set-off by Holders*) apply to UBS Group AG and to its obligations under such guarantee either by making the necessary consequential amendments to such Conditions or including such Conditions applicable to UBS Group AG and to its obligations under such guarantee in such guarantee itself, as applicable;
 - (iv) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 4 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Agency Agreement, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
 - (v) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 11 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes and in relation to the guarantee referred to in subclause (iii) above, with, in the case of the Notes but not such guarantee, the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the

jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;

- (vi) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;
 - (vii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes;
 - (viii) such substitution does not give rise to a Tax Event or a Regulatory Event; and
 - (ix) the Substitute Issuer has appointed a Paying Agent in Switzerland that is a participant in the Intermediary.
- (b) Upon any substitution pursuant to clause (a) of this Condition 16, (i) the Substitute Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, and (ii) the Current Issuer will be released from its obligations under the Notes.
- (c) After giving effect to any substitution pursuant to clause (a) of this Condition 16, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (ii) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

17. **RESERVED**

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 18, references in these Terms and Conditions to "Notes" include such further notes, unless the context otherwise requires.

19. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than SGD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in SGD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase SGD with such amount on such date, on the first date on which it is practicable to do so). If the amount of SGD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 19, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 19 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder

and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

20. **RESERVED**

21. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer in respect of, or arising in connection with, the Notes.

22. **GOVERNING LAW AND JURISDICTION**

- (a) The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by and construed in accordance with the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, including any non-contractual obligation arising out of or in connection with the Notes.

Merger Agreement

Fusionsvertrag

dated 7 December 2023

vom 7. Dezember 2023

between **UBS AG**
zwischen Bahnhofstrasse 45
8001 Zürich

Aeschenvorstadt 1
4051 Basel

(hereinafter "**UBS AG**")

*(nachfolgend "**UBS AG**")*

and **Credit Suisse AG**
und Paradeplatz 8
8001 Zürich

(hereinafter "**Credit Suisse AG**")

*(nachfolgend "**CREDIT SUISSE AG**")*

(together referred to as the "**Parties**" and each as a "**Party**")

*(zusammen die "**PARTEIEN**" und einzeln die "**PARTEI**")*

The English version of this merger agreement prevails.

Die englische Version dieses Fusionsvertrags geht vor.

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Exhibits / Anhänge

Exhibit 1 Merger balance sheet of Credit Suisse AG (balance sheet per 30 June 2023)

Anhang 1 Fusionsbilanz der CREDIT SUISSE AG (Bilanz per 30. Juni 2023)

Recitals / Erwägungsgründe

- A) UBS AG is a company limited by shares pursuant to art. 620 ff. of the Swiss Code of Obligations ("**CO**") with its registered offices in Zurich and Basel. Its share capital amounts to USD 385,840,846.60 and is divided into 3,858,408,466 registered shares with a par value of USD 0.10 per share.

*UBS AG ist eine Aktiengesellschaft i.S.v. Art. 620 ff. des Schweizer Obligationenrechts ("**OR**") mit Sitz in Zürich und Basel. Das Aktienkapital beträgt USD 385'840'846.60 und ist unterteilt in 3'858'408'466 Namenaktien mit einem Nennwert von USD 0.10 pro Aktie.*

- B) Credit Suisse AG is a company limited by shares pursuant to art. 620 ff. CO with its registered office in Zurich. Its share capital amounts to CHF 4,399,680,200.00 and is divided into 4,399,680,200 registered shares with a par value of CHF 1.00 per share.

CREDIT SUISSE AG ist eine Aktiengesellschaft i.S.v. Art. 620 ff. OR mit Sitz in Zürich. Das Aktienkapital beträgt CHF 4'399'680'200.00 und ist unterteilt in 4'399'680'200 Namenaktien mit einem Nennwert von CHF 1.00 pro Aktie.

- C) UBS AG and Credit Suisse AG are both direct wholly-owned subsidiaries of UBS Group AG.

UBS AG und CREDIT SUISSE AG, sind beides direkte hundertprozentige Tochtergesellschaften der UBS Group AG.

- D) In order to facilitate the further integration of the UBS banking business and the Credit Suisse banking business following the merger between UBS Group AG and Credit Suisse Group AG which completed on 12 June 2023, it is intended to merge Credit Suisse AG into UBS AG.

Um nach der am 12. Juni 2023 vollzogenen Fusion zwischen der UBS Group AG und der Credit Suisse Group AG die weitere Integration des UBS Bankengeschäftes und des Credit Suisse Bankengeschäftes zu erleichtern, soll die CREDIT SUISSE AG in die UBS AG fusioniert werden.

THEREFORE, THE PARTIES AGREE TO THE FOLLOWING:

DIE PARTEIEN VEREINBAREN DAHER DAS FOLGENDE:

1 Merger / Fusion

- 1 The Parties hereby agree to merge with each other pursuant to art. 3 para. 1 lit. a in combination with art. 4 para. 1 lit. a of the Federal Act on Mergers, Demergers, Conversion and Transfer of Assets and Liabilities ("**Merger Act**") and in accordance with this merger agreement (merger by absorption between two companies limited by shares; the "**Merger**"). UBS AG is the surviving company, and Credit Suisse AG is the transferring company.

*Die PARTEIEN vereinbaren hiermit im Sinne von Art. 3 Abs. 1 lit. a in Verbindung mit Art. 4 Abs. 1 lit. a des Bundesgesetzes über Fusion, Spaltung, Umwandlung und Vermögensübertragung ("**FUSG**") nach Massgabe dieses Fusionsvertrages zu fusionieren (Absorptionsfusion zwischen zwei Aktiengesellschaften; die "**FUSION**"). UBS AG ist die übernehmende Gesellschaft und CREDIT SUISSE AG ist die übertragende Gesellschaft.*

- 2 Credit Suisse AG will transfer to UBS AG all its assets and liabilities, as evidenced on the merger balance sheet attached as Exhibit 1 (statutory balance sheet of Credit Suisse AG as per 30 June 2023), as well as its contracts by universal succession, with legal effect as per the time of entry in the commercial register. The Parties agree that this merger balance sheet shall be superseded and replaced for the purposes of this merger agreement with an audited statutory balance sheet of Credit Suisse AG as per 31 December 2023, which – upon completion of the audit of such balance sheet – shall become the applicable merger balance sheet (and thus the new Exhibit 1) for the purposes of this merger agreement. Without any prejudice to the merger of branches in other jurisdictions as an effect of the Merger, the Parties hereby agree that the Merger shall also include the merger of the following branches, including the transfer, or the allocation, as the case may be, of their assets and liabilities, as well as their contracts in totality as follows:

CREDIT SUISSE AG wird sämtliche Aktiven und Passiven gemäss der als Anhang 1 beigefügten Fusionsbilanz (handelsrechtliche Bilanz der CREDIT SUISSE AG per 30. Juni 2023) sowie ihre Verträge durch Universalsukzession mit Wirkung per Eintragung ins Handelsregister auf UBS AG übertragen. Die Parteien vereinbaren, dass diese Fusionsbilanz für die Zwecke dieses Fusionsvertrages durch eine handelsrechtliche, geprüfte Bilanz der CREDIT SUISSE AG per 31. Dezember 2023 ersetzt wird, welche – nach Abschluss der Prüfung dieser Bilanz – für die Zwecke dieses Fusionsvertrages als anwendbare Fusionsbilanz (und somit als neuer Anhang 1) gelten soll. Ohne Auswirkung auf die Fusion der Zweigniederlassungen in anderen Jurisdiktionen als Folge der FUSION, vereinbaren die PARTEIEN hiermit, dass die FUSION auch die Fusion der folgenden Zweigniederlassungen der PARTEIEN umfasst, einschliesslich des Übergangs oder der Allokation, von Fall zu Fall, sämtlicher ihrer Aktiven und Passiven sowie Verträge:

- i) Credit Suisse AG's London branch which shall merge into UBS AG's London branch with UBS AG's London branch being the surviving branch and constituting the universal legal successor to Credit Suisse AG's London branch; and

die Zweigniederlassung der CREDIT SUISSE AG in London, die auf die Zweigniederlassung der UBS AG in London übergehen soll, wobei die Zweigniederlassung der UBS AG in London die übernehmende Zweigniederlassung und Rechtsnachfolgerin der Zweigniederlassung der CREDIT SUISSE AG in London sein soll; und

- ii) Credit Suisse AG (DIFC Branch) (DIFC registration number 20) which shall merge into UBS AG (DIFC Branch) (DIFC registration number 249) with UBS AG (DIFC Branch) (DIFC registration number 249) being the surviving branch and constituting universal legal successor to Credit Suisse AG (DIFC Branch) (DIFC registration number 20).

die Zweigniederlassung der Credit Suisse AG (DIFC Branch) (DIFC registration number 20), die auf die Zweigniederlassung der UBS AG (DIFC Branch) (DIFC registration number 249) übergehen soll wobei die Zweigniederlassung der UBS AG (DIFC Branch) (DIFC

registration number 249) die übernehmende Zweigniederlassung und Rechtsnachfolgerin der Zweigniederlassung der Credit Suisse AG (DIFC Branch) (DIFC registration number 20) sein soll.

- iii) all assets, liabilities and contracts allocated to the Credit Suisse AG's Milan branch (VAT code and registration number with the Companies' Register of Milan-Monza-Brianza-Lodi 10087790159) shall be allocated to a UBS AG branch to be established in Milan (Italy) before effectiveness of the Merger.

alle zur Zweigniederlassung Credit Suisse AG Mailand (UmSt. Nr. und Registrierungsnummer beim Gesellschaftsregister von Milan-Monza-Brianza-Lodi 10087790159) allozierten Aktiven, Passiven und Verträge sollen einer vor Wirksamkeit der Fusion zu gründenden Zweigniederlassung in Mailand (Italien) zugeordnet werden.

- 3 UBS AG will record these assets and liabilities in its statutory balance sheet at their present statutory book values in accordance with Exhibit 1 with effect as per the balance sheet date of 1 January 2024. Therefore, all relevant acts and transactions as of and from 1 January 2024 onwards are deemed to be made on behalf of UBS AG and will be booked in the accounts accordingly with the profits and losses generated in Credit Suisse AG from such date being recorded in the profit and loss statement of UBS AG. UBS AG knows and accepts all legal transactions entered into and all movements in assets and liabilities, as against the merger balance sheet, incurred since that date. For the avoidance of doubt, the Parties acknowledge that the transfer of the assets and liabilities of Credit Suisse AG's London branch to UBS AG's London branch and Credit Suisse AG (DIFC Branch) (DIFC registration number 20) to UBS AG (DIFC Branch) (DIFC registration number 249) shall be at the book value.

UBS AG wird diese Aktiven und Passiven zu bisherigen statutarischen Buchwerten gemäss Anhang 1 mit Wirkung per Bilanzstichtag 1. Januar 2024 in ihre handelsrechtliche Bilanz übernehmen. Demnach gelten alle Handlungen am und ab dem 1. Januar 2024 als für Rechnung der UBS AG vorgenommen und werden entsprechend verbucht. Die von der CREDIT SUISSE AG ab diesem Datum generierten Gewinne und Verluste werden in der Erfolgsrechnung der UBS AG erfasst. UBS AG kennt und akzeptiert sämtliche seit diesem Datum eingegangenen Rechtsgeschäfte und gegenüber der Fusionsbilanz eingetretenen Veränderungen von Aktiven und Passiven. Die PARTEIEN stellen klar, dass der Übergang der Aktiven und Passiven der Zweigniederlassung der CREDIT SUISSE AG in London auf die Zweigniederlassung der UBS AG in London und der Zweigniederlassung der Credit Suisse AG (DIFC Branch) (DIFC registration number 20) auf die Zweigniederlassung der UBS AG (DIFC Branch) (DIFC registration number 249) zum Buchwert erfolgt.

2 Use of exemptions / Anwendung von Ausnahmen

- 4 Since UBS Group AG owns 100% of the shares in UBS AG and 100% of the shares in Credit Suisse AG, the Merger can be carried out under simplified conditions pursuant to art. 23 para. 1 lit. b Merger Act. The Parties agree to make use of the exemptions pursuant to art. 24 para. 1 Merger Act, i.e., *Da sich 100% der Aktien der UBS AG und 100% der Aktien der CREDIT SUISSE AG im Eigentum der UBS Group AG befinden, kann die FUSION gemäss Art. 23 Abs. 1 lit. b FUSG unter erleichterten Voraussetzungen durchgeführt werden. Die PARTEIEN vereinbaren, von den Erleichterungen gemäss Art. 24 Abs. 1 FUSG Gebrauch zu machen, d.h.*

- not to include in the merger agreement the particulars required by art. 13 para. 1 lit. b–e Merger Act;

im Fusionsvertrag auf die Angaben nach Art. 13 Abs. 1 lit. b–e FusG zu verzichten;

- neither to establish a merger report (art. 14 Merger Act), nor to commission a merger review (art. 15 Merger Act);

weder einen Fusionsbericht zu erstellen (Art. 14 FusG), noch eine Fusionsprüfung durchzuführen (Art. 15 FusG);

- to waive the statutory procedure for inspection (art. 16 Merger Act); and

auf die Durchführung eines Einsichtsverfahrens (Art. 16 FusG) zu verzichten; und

- not to submit the merger agreement to the shareholders' meetings of UBS AG and Credit Suisse AG for resolution (art. 18 Merger Act).

den Fusionsvertrag den Generalversammlungen der UBS AG und der Credit Suisse AG nicht zur Beschlussfassung zu unterbreiten (Art. 18 FusG).

3 Share capital, compensation, special benefits / Aktienkapital, Abfindungen, besondere Vorteile

3.1 Share capital and contributions / Aktienkapital und Einlagen

- 5 The share capital of UBS AG will not be modified in relation with the Merger. Since UBS Group AG owns 100% of the shares in UBS AG and 100% of the shares in Credit Suisse AG, the shares of Credit Suisse AG will become null and void upon the closing of the Merger.

Das Aktienkapital der UBS AG bleibt im Rahmen der FUSION unverändert. Da sich 100% der Aktien der UBS AG und 100% der Aktien der CREDIT SUISSE AG im Eigentum der UBS Group AG befinden, werden die Aktien der CREDIT SUISSE AG mit dem Vollzug der FUSION ungültig.

3.2 Compensation / Abfindung

- 6 The Parties agree that no compensation pursuant to art. 8 Merger Act will be paid.

Die PARTEIEN sind sich einig, dass keine Abfindung im Sinne von Art. 8 FUSG ausgerichtet wird.

3.3 Special benefits / Besondere Vorteile

- 7 The Parties agree that no special benefits will be granted to members of a managing or administrative body pursuant to art. 13 para. 1 lit. h Merger Act.

Die PARTEIEN sind sich einig, dass keine besonderen Vorteile im Sinne von Art. 13 Abs. 1 lit. h FUSG an Mitglieder von Leitungs- oder Verwaltungsorganen gewährt werden.

4 Information to creditors / Information der Gläubiger

- 8 The Parties will publish a creditors' call pursuant to art. 25 para. 2 Merger Act.

Die PARTEIEN werden einen Schuldenruf gemäss Art. 25 Abs. 2 FUSG publizieren.

5 Publication and information of employees / Publikation und Information der Arbeitnehmer

- 9 The Parties shall coordinate any information of the public, of UBS AG's shareholder (*i.e.*, UBS Group AG) and the authorities.

Die PARTEIEN koordinieren die Information der Öffentlichkeit, der Aktionärin der UBS AG (d.h. UBS Group AG) und der Behörden.

- 10 Both Parties have employees and will (and if required, will procure that their subsidiaries will) (i) inform the employees and/or their representatives of the Merger in compliance with the requirements of the applicable laws (such as art. 27 and 28 Merger Act in connection with art. 333 and 333a CO and including, e.g., applicable foreign laws) and of any applicable collective bargaining or other applicable agreements and in due time before the filing of the Merger with the commercial registry, and (ii) if required under applicable laws (such as art. 27 and 28 Merger Act in connection with art. 333 and 333a CO and including, e.g., applicable foreign laws) and applicable collective bargaining or other applicable agreements, consult with the employees and/or their representatives in compliance with the requirements of such laws and agreements in due time before the filing of the Merger with the commercial registry. Both Parties will cooperate in good faith and provide prompt and reasonable assistance to the other Party to enable each Party to comply with the obligations described in this section 5, and shall share such information as may reasonably be required in order to discharge applicable information and consultation obligations.

Beide PARTEIEN beschäftigen Mitarbeiter und werden (und soweit erforderlich, werden gewährleisten, dass ihre Tochtergesellschaften) (i) die Mitarbeiter und/oder ihre Vertreter rechtzeitig vor der Anmeldung der FUSION beim Handelsregister unter Beachtung der anwendbaren gesetzlichen Vorschriften (wie z.B. von Art. 27 und 28 FUSG in Verbindung mit Art. 333 und 333a OR und inklusive z.B. anwendbaren ausländischen Vorschriften) und der Vorschriften der anwendbaren Gesamtarbeits- oder anderen Verträge informieren, und (ii) sofern gemäss den anwendbaren gesetzlichen Vorschriften (wie z.B. Art. 27 und 28 FUSG in Verbindung mit Art. 333 und 333a OR und inklusive z.B. anwendbaren ausländischen Vorschriften) und den Vorschriften der anwendbaren Gesamtarbeits- oder anderen Verträge erforderlich, die Mitarbeiter und/oder ihre Vertreter unter Beachtung dieser gesetzlichen und vertraglichen Vorschriften rechtzeitig vor der Anmeldung der FUSION beim Handelsregister konsultieren. Die PARTEIEN werden nach den Grundsätzen von Treu und Glauben zusammenarbeiten und unverzüglich und angemessen einander unterstützen, um die jeweils andere PARTEI in die Lage zu versetzen, ihren Pflichten nachzukommen, wie sie in dieser Ziff. 5 beschrieben sind, und werden darüber hinaus einander Informationen zur Verfügung stellen, soweit dies angemessen und erforderlich ist, um die anwendbaren Informations- und Konsultationspflichten zu erfüllen.

6 Validity of the merger agreement / Gültigkeit des Fusionsvertrages

6.1 Entry into force / Inkrafttreten

11 This merger agreement will enter into force upon its execution.

Dieser Fusionsvertrag tritt mit seiner Unterzeichnung in Kraft.

6.2 Conditions precedent to the Merger / Bedingungen für die Fusion

12 The closing of the Merger shall be subject to the satisfaction of the following conditions precedent:

Der Vollzug der Fusion untersteht folgenden aufschiebenden Bedingungen:

- i) receipt of all licenses, amendments of licenses, approvals, non-objections or confirmations required to be obtained for the closing of the Merger and subsequent continuation of the business by UBS AG under applicable laws, rules or regulations from the relevant competent regulatory (including self-regulatory) and governmental authorities (each a "**Regulatory Approval**") and all such Regulatory Approvals being in full force and effect and not having been revoked until closing of the Merger;

Erhalt aller Bewilligungen, Änderungen von Bewilligungen, Genehmigungen, Nichtbeanstandungen oder Bestätigungen, die für den Vollzug der Fusion und die anschließende Weiterführung der Geschäftstätigkeit der UBS AG gemäss den geltenden Gesetzen, Regeln oder Regulierungen von den jeweils zuständigen Aufsichtsbehörden (einschließlich der Selbstregulierungsbehörden) und Regierungsbehörden ("AUF SICHTSBEHÖRDLICHE GENEHMIGUNGEN") erforderlich sind, und dass alle diese AUF SICHTSBEHÖRDLICHEN GENEHMIGUNGEN bis zum Vollzug der Fusion in vollem Umfang in Kraft sind und nicht widerrufen wurden;

- ii) expiration or termination of any statutory, court or official prohibitions to close, where such prohibitions are legally enforceable in Switzerland or where failure to comply would, in the judgment of UBS AG and Credit Suisse AG, have unacceptable consequences for one or both Parties;

Ablauf oder Beseitigung allfälliger gesetzlicher, gerichtlicher oder behördlicher Vollzugsverbote, soweit diese rechtskräftig in der Schweiz vollstreckt werden können oder deren Nichtbefolgung nach Ansicht der UBS AG und der Credit Suisse AG für eine oder beide Parteien mit untragbaren Folgen verbunden wäre;

- iii) if required under applicable laws (such as art. 27 and 28 Merger Act in connection with art. 333 and 333a CO and including, e.g., applicable foreign laws), applicable collective bargaining or other applicable agreements: implementation and completion of the information and/or consultation procedure with the employees and/or the employee representatives of the Parties in compliance with the requirements of such laws and/or agreements.

sofern gemäss den anwendbaren gesetzlichen Vorschriften (wie z.B. Art. 27 und 28 FusG in Verbindung mit Art. 333 und 333a OR und inklusive z.B. anwendbaren ausländischen Vorschriften), den Vorschriften der anwendbaren Gesamtarbeits- oder anderen Verträge erforderlich: Durchführung und Abschluss des Informations- und/oder Konsultationsverfahrens mit den Mitarbeitern und/oder Arbeitnehmervertretern der PARTEIEN unter Beachtung dieser gesetzlichen und/oder vertraglichen Vorschriften.

- 13 The chairmen of the boards of directors of UBS AG and Credit Suisse AG may, by joint decision, waive the fulfillment of the mentioned conditions (either in whole or in part, provided that any part that is not waived is otherwise satisfied) and direct that the merger agreement be closed despite non-fulfillment of one or more of the conditions.

Die Präsidenten des Verwaltungsrates der UBS AG und der CREDIT SUISSE AG können durch gemeinsamen Beschluss auf den Eintritt der genannten Bedingungen verzichten (entweder gänzlich oder teilweise, sofern diejenigen Teile der Bedingungen, auf die nicht verzichtet wurde, erfüllt sind) und bestimmen, dass der Fusionsvertrag trotz fehlenden Eintritts einer oder mehrerer Bedingungen vollzogen wird.

7 Closing / Vollzug

- 14 Unless otherwise mutually agreed, the boards of directors of the Parties will file this merger agreement or procure that this merger agreement is filed with the commercial register as soon as (i) the audited statutory balance sheet of Credit Suisse AG as per 31 December 2023 is available and has replaced the attached current merger balance sheet as per 30 June 2023, and (ii) all conditions precedent to the Merger set forth in section 6.2 have been fulfilled (or waived in accordance with paragraph 13).

Sofern nichts anderes vereinbart wird, werden die Verwaltungsräte der PARTEIEN diesen Fusionsvertrag beim Handelsregister anmelden oder dafür sorgen, dass dieser Fusionsvertrag beim Handelsregister angemeldet wird, sobald (i) die handelsrechtliche, geprüfte Bilanz der CREDIT SUISSE AG per 31. Dezember 2023 verfügbar ist und die beigefügte aktuelle Fusionsbilanz per 30. Juni 2023 ersetzt hat, und (ii) sämtliche aufschiebenden Bedingungen, die in Ziff. 6.2 aufgeführt sind, erfüllt sind (oder auf deren Eintritt in Übereinstimmung mit Paragraphen 13 verzichtet wurde).

- 15 This merger agreement (and, consequently, the Merger) will be deemed closed as soon as the entries in the commercial register in respect of both Parties have been made.

Dieser Fusionsvertrag (und damit die FUSION) gilt als vollzogen, sobald die Eintragungen im Handelsregister bei beiden PARTEIEN durchgeführt worden sind.

- 16 The Parties undertake to use their best efforts to do everything, not to forbear anything and to cooperate with each other to ensure that the closing can occur as quickly as possible.

Die PARTEIEN verpflichten sich, alles Erforderliche zu unternehmen, nichts zu unterlassen und sich gegenseitig zu unterstützen, damit der Vollzug so rasch als möglich erfolgen kann.

- 17 The Parties undertake, at the closing and, if necessary, before or thereafter, to execute any instruments, declarations, powers of attorney or other documents, in any form, including but not limited to before the notary (public or private), and to do any acts, and enter into any contracts, required for the full closing of this merger agreement.

Die PARTEIEN verpflichten sich, beim – oder wenn notwendig vor oder nach dem – Vollzug alle Urkunden zu unterzeichnen, Erklärungen abzugeben, Vollmachten auszustellen oder Dokumente zu unterzeichnen, in jeder möglichen Form, einschliesslich vor einem öffentlichen oder privaten Notar, alle Handlungen vorzunehmen, sowie Verträge einzugehen, die der vollständige Vollzug dieses Fusionsvertrages erfordert.

- 18 To the extent the transfer by Credit Suisse AG of all its assets and liabilities, as well as its contracts (and UBS AG's succession to the same), for the avoidance of doubt, including all rights and obligations, its position in any judicial, arbitral or administrative procedures, the powers of attorney it has granted, as well as the licenses, authorizations and registrations it has obtained, by universal succession by way of this merger agreement and the Merger Act is not recognized and / or given full effect under the laws of a foreign jurisdiction which apply to the transfer ("**Relevant Jurisdiction**"),

*Soweit die Übertragung durch CREDIT SUISSE AG von ihren sämtlichen Aktiven und Passiven, sowie ihren Verträgen (und der Rechtsnachfolge der UBS AG in diese), wozu klarstellend alle ihre Rechte und Pflichten, ihre Stellung in Gerichts-, Schieds- oder Verwaltungsverfahren, von ihr erteilte Vollmachten sowie die von ihr gehaltenen Lizenzen, Bewilligungen und Registereintragungen gehören, durch Universalsukzession mittels dieses Fusionsvertrages und des FusG nach dem Recht einer Rechtsordnung, das für die Übertragung relevant ist, ("**RELEVANTE RECHTSORDNUNG**") nicht anerkannt wird und / oder nicht vollständig wirksam ist,*

- i) Credit Suisse AG herewith transfers, conveys and assigns all of its assets and liabilities, as well as contracts, including the title and possession of assets or the claims to return the title and possession of assets and any other rights or obligations in respect of Credit Suisse AG's assets and liabilities, as well as contracts, which are governed by the laws of such Relevant Jurisdiction to UBS AG with effect as of completion of the Merger and UBS AG herewith accepts this transfer; in the case of any power of attorney granted by Credit Suisse AG, UBS AG herewith grants to the corresponding representative powers of attorney in the same extent;

überträgt, übereignet und zediert die CREDIT SUISSE AG zum Zeitpunkt der Wirksamkeit der FUSION hiermit alle Aktiven und Passiven sowie Verträge, einschliesslich des Eigentums und Besitzes an Sachen oder der Ansprüche auf Rückübertragung des Eigentums oder Besitzverschaffung und alle anderen Rechte oder Pflichten in Bezug auf alle Aktiven und Passiven sowie Verträge der CREDIT SUISSE AG, die dem Recht der Relevanten Rechtsordnung unterliegen, an die UBS AG, und die UBS AG nimmt diese Übertragung hiermit an; hinsichtlich einer von der CREDIT SUISSE AG erteilten Vollmacht erteilt die UBS AG dem entsprechenden Bevollmächtigten hiermit im gleichen Umfang Vollmacht;

- ii) the Parties undertake to execute and deliver (or cause to execute and deliver) any instruments, declarations, powers of attorney or other documents

in any form, including but not limited to before the notary (public or private), and to do any acts (or cause to do any acts), including but not limited to making any applications, filings or reports, and enter into any contracts, deeds or other arrangements that are required and/or expedient to evidence, implement, perfect or effect such transfer of such assets and liabilities, as well as contracts in accordance with the laws of such Relevant Jurisdiction to achieve the transfer as contemplated by this merger agreement, to be completed prior to, upon or as soon as possible following the closing of the Merger (as applicable);

verpflichten sich die PARTEIEN, Urkunden und Vollmachten auszustellen, Erklärungen abzugeben und Dokumente zu unterzeichnen, in jeder möglichen Form, einschliesslich vor einem öffentlichen oder privaten Notar, und jeweils zuzustellen (oder die Ausstellung, Abgabe, Unterzeichnung und jeweilige Zustellung zu veranlassen), alle Handlungen vorzunehmen (oder zu veranlassen), einschliesslich von Anträgen, Anmeldungen und Berichten, sowie Verträge einzugehen, Urkunden auszustellen oder sonstigen Vorkehrungen zu treffen, die erforderlich oder förderlich sind, um solche Aktiven und Passiven sowie Verträge vor, zum Zeitpunkt oder unmittelbar nach dem Vollzug der FUSION (soweit zutreffend) nach den Bestimmungen dieser Relevanten Rechtsordnung zu übertragen, die Übertragung zu verstollständigen, nachzuweisen oder umzusetzen, um die nach diesem Fusionsvertrag angestrebte Übertragung zu erreichen;

- iii) in any event, the assets and liabilities, as well as contracts of Credit Suisse AG, which are governed by the laws of such Relevant Jurisdiction shall be deemed as transferred, conveyed or assigned to and accepted by UBS AG from an economic perspective, and UBS AG and Credit Suisse AG will use commercially reasonable best efforts to request, procure, obtain and complete also the legal transfer and acceptance, conveyance or assignment of such assets and liabilities, as well as contracts in accordance with the laws of such Relevant Jurisdiction as soon as possible following the closing of the Merger; and

in jedem Falle sollen die Aktiven und Passiven sowie Verträge DER CREDIT SUISSE AG, die dem Recht der Relevanten Rechtsordnung unterliegen, wirtschaftlich als auf UBS AG übertragen, übereignet oder abgetreten und angenommen gelten, und UBS AG und CREDIT SUISSE AG werden sämtliche wirtschaftlich vertretbaren Anstrengungen unternehmen, um die rechtliche Übertragung und Annahme, Übereignung oder Abtretung dieser Aktiven und Passiven sowie Verträge nach den Bestimmungen dieser Relevanten Rechtsordnung so rasch als möglich nach dem Vollzug der FUSION zu beantragen, besorgen, einzuholen und erreichen; und

- iv) the Parties, for the avoidance of doubt, agree that the inclusion of the foregoing clauses (i) through (iii) in this merger agreement is not intended in any manner to, and shall not be construed to, limit the effectiveness of the universal succession effected by way of the Merger.

die PARTEIEN stellen klar, dass die Aufnahme der vorstehenden Klauseln (i) bis (iii) in diesem Fusionsvertrag in keiner Weise die Wirksamkeit der durch die FUSION herbeigeführten Universalsukzession beeinträchtigen soll und auch nicht in diesem Sinne zur Auslegung herangezogen werden soll.

8 Miscellaneous / Verschiedenes

8.1 Taxes / Steuern

- 19 Provided that UBS AG and Credit Suisse AG belong to the same VAT group at the time of the consummation of the Merger, the Merger contemplated by this agreement will not be subject to Swiss value added tax ("**VAT**"). Otherwise, the transfer of assets and liabilities as part of the Merger is subject to Swiss VAT in whole or in part. The Swiss VAT obligation shall be fulfilled by application of the notification procedure pursuant to Art. 38 para. 1 of the Swiss Federal Act on Value Added Tax. No Swiss VAT will be paid on the transfer of the assets and liabilities. UBS AG assumes the tax base for the transferring assets and liabilities and the degree of use for the input VAT deduction of the transferring company. For the avoidance of doubt, should the Merger be recognized as being subject to any non-Swiss VAT the Parties undertake to and cooperate with, if necessary, execute any action, not limited to file any VAT declarations, required under the respective VAT law of such relevant jurisdiction.

*Bilden die UBS AG und CREDIT SUISSE AG zum Zeitpunkt des Vollzugs der FUSION Teil der gleichen Mehrwertsteuergruppe für Schweizer Mehrwertsteuerzwecke ("**MWST**"), unterliegt die vorliegende FUSION nicht der Schweizer MWST. Andernfalls unterliegt die Übertragung der Vermögenswerte im Rahmen der FUSION ganz oder teilweise der Schweizer MWST. Die Steuerpflicht wird im Meldeverfahren gemäss Art. 38 Abs. 1 des Bundesgesetzes über die Mehrwertsteuer erfüllt. Für die Übertragung der Vermögenswerte wird keine Schweizer MWST entrichtet. Die UBS AG übernimmt für die veräusserten Vermögenswerte die Bemessungsgrundlage und den zum Vorsteuerabzug berechtigenden Verwendungsgrad der übertragenden Gesellschaft. Die PARTEIEN verpflichten sich, sollte die Fusion einer nicht-schweizerischen Mehrwertsteuer unterliegen, zusammenzuarbeiten und alle Massnahmen zu ergreifen, die nach dem jeweiligen Mehrwertsteuerrecht der relevanten Jurisdiktion erforderlich sind, insbesondere zur Einreichung von Mehrwertsteuererklärungen.*

8.2 Modifications and amendments of the agreement / Vertragsänderung und Vertragsanpassung

- 20 Any modifications to this merger agreement (including this paragraph) must be made in writing.

Dieser Fusionsvertrag (inklusive dieser Paragraph) kann nur schriftlich abgeändert werden.

- 21 To the extent possible, each provision of this merger agreement is to be construed so that it is valid and enforceable under applicable law. Should a provision of this merger agreement be unenforceable or invalid, it shall only lapse to the extent that it is unenforceable or invalid and shall otherwise be replaced by a valid and enforceable provision which a party acting in good faith would regard as a commercially adequate replacement for the provision which is invalid or unenforceable. The other provisions of this merger agreement will remain binding and in force under all circumstances.

Wann immer möglich, ist jede Bestimmung dieses Fusionsvertrages so auszulegen, dass sie unter dem anwendbaren Recht gültig und durchsetzbar ist. Sollte eine Bestimmung dieses Fusionsvertrages nicht vollstreckbar oder ungültig sein, so fällt sie nur im Ausmass ihrer Unvollstreckbarkeit oder Ungültigkeit dahin und ist im Übrigen durch eine gültige und vollstreckbare Bestimmung zu ersetzen, die eine gutgläubige Partei als ausreichenden wirtschaftlichen Ersatz für die ungültige und unvollstreckbare Bestimmung ansehen würde. Die übrigen Bestimmungen dieses Fusionsvertrages bleiben unter allen Umständen bindend und in Kraft.

8.3 Applicable law and jurisdiction / Anwendbares Recht und Gerichtsstand

- 22 This merger agreement shall be governed by and construed in accordance with Swiss substantive law, excluding its rules on conflict of laws and excluding international treaties (in particular the Vienna Convention on the International Sale of Goods dated 11 April 1980; CISG).

Dieser Fusionsvertrag untersteht materiellem Schweizer Recht unter Ausschluss der Kollisionsnormen und unter Ausschluss internationaler Verträge (insbesondere des Wiener Kaufrechtsübereinkommens vom 11. April 1980; CISG).

- 23 Any disputes arising out of or in connection with this merger agreement, including disputes about its conclusion, validity, modification or dissolution, shall be submitted to the exclusive jurisdiction of the courts of the city of Zurich (Zurich 1), Switzerland.

Für sämtliche Streitigkeiten, die aus oder im Zusammenhang mit diesem Fusionsvertrag entstehen, einschliesslich solcher über sein gültiges Zustandekommen, seine Rechtswirksamkeit, Abänderung oder Auflösung, sind die Gerichte der Stadt Zürich (Zürich 1), Schweiz, ausschliesslich zuständig.

(Signatures on the following page)
(Unterschriften auf der nächsten Seite)

Exhibit 1

Merger Balance Sheet of Credit Suisse AG (balance sheet per 30 June 2023)

Anhang 1

Fusionsbilanz der CREDIT SUISSE AG (Bilanz per 30. Juni 2023)

| Credit Suisse AG Parent Balance Sheets | End of | 2022 Dec | 2023 Jun |
|---|--------|----------------|----------------|
| Assets (CHF million) | | | |
| Cash and other liquid assets | | 38,566 | 50,459 |
| Due from banks | | 62,363 | 52,123 |
| Securities borrowing and reverse repurchase agreements | | 52,380 | 37,805 |
| Due from customers | | 117,543 | 91,474 |
| Mortgage loans | | 5,033 | 4,928 |
| Trading assets | | 26,072 | 13,540 |
| Positive replacement values of derivative financial instruments | | 7,390 | 3,574 |
| Financial investments | | 28,396 | 27,106 |
| Accrued income and prepaid expenses | | 3,067 | 2,441 |
| Participations | | 30,357 | 24,394 |
| Tangible fixed assets | | 1,672 | 931 |
| Other assets | | 5,524 | 6,734 |
| Total assets | | 378,363 | 315,509 |
| Liabilities and shareholder's equity (CHF million) | | | |
| Due to banks | | 54,307 | 63,329 |
| Securities lending and repurchase agreements | | 52,646 | 33,205 |
| Customer deposits | | 87,383 | 67,342 |
| Trading liabilities | | 2,857 | 2,014 |
| Negative replacement values of derivative financial instruments | | 4,994 | 3,231 |
| Liabilities from other financial instruments held at fair value | | 43,725 | 36,781 |
| Bonds and mortgage-backed bonds | | 111,770 | 83,496 |
| Accrued expenses and deferred income | | 3,338 | 2,862 |
| Other liabilities | | 525 | 551 |
| Provisions | | 563 | 1,375 |
| Total liabilities | | 362,108 | 294,186 |
| Share capital | | 4,400 | 4,400 |
| Legal capital reserves | | 34,790 | 42,290 |
| <i>of which: tax-exempt capital contribution reserves</i> | | 34,790 | 42,290 |
| Free reserves | | 7,500 | 0 |
| <i>of which: capital contribution reserves</i> | | 7,500 | 0 |
| Retained earnings | | (17,870) | (30,435) |
| Net profit/(loss) | | (12,565) | 5,068 |
| Total shareholder's equity | | 16,255 | 21,323 |
| Total liabilities and shareholder's equity | | 378,363 | 315,509 |

Merger Agreement *Fusionsvertrag*

dated 9 February 2024

vom 9. Februar 2024

between **UBS Switzerland AG**

zwischen Bahnhofstrasse 45
8001 Zurich

(hereinafter "**UBS Switzerland AG**")

*(nachfolgend "**UBS SWITZERLAND AG**")*

and **Credit Suisse (Schweiz) AG**

und Paradeplatz 8
8001 Zurich

(hereinafter "**Credit Suisse (Schweiz) AG**")

*(nachfolgend "**CREDIT SUISSE (SCHWEIZ) AG**")*

(together referred to as the "**Parties**" and each as a "**Party**")

*(zusammen die "**PARTEIEN**" und einzeln die "**PARTEI**")*

The English version of this merger agreement prevails.

Die englische Version dieses Fusionsvertrags geht vor.

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Exhibits / Anhänge

Exhibit 1 Merger balance sheet of Credit Suisse (Schweiz) AG
(balance sheet per 30 September 2023)

Anhang 1 Fusionsbilanz der CREDIT SUISSE (SCHWEIZ) AG (Bilanz per 30.
September 2023)

Recitals / Erwägungsgründe

- A) UBS Switzerland AG is a company limited by shares pursuant to art. 620 *et seqq.* of the Swiss Code of Obligations ("**CO**") with its registered office in Zurich. Its share capital amounts to CHF 10,000,000.00 and is divided into 100,000,000 registered shares with a par value of CHF 0.10 per share.

*UBS SWITZERLAND AG ist eine Aktiengesellschaft im Sinne von Art. 620 ff. des Schweizer Obligationenrechts ("**OR**") mit Sitz in Zürich. Das Aktienkapital beträgt CHF 10'000'000.00 und ist unterteilt in 100'000'000 Namenaktien mit einem Nennwert von CHF 0.10 pro Aktie.*

- B) Credit Suisse (Schweiz) AG is a company limited by shares pursuant to art. 620 *et seqq.* CO with its registered office in Zurich. Its share capital amounts to CHF 100,000,000.00 and is divided into 100,000,000 registered shares with a par value of CHF 1.00 per share.

CREDIT SUISSE (SCHWEIZ) AG ist eine Aktiengesellschaft im Sinne von Art. 620 ff. OR mit Sitz in Zürich. Das Aktienkapital beträgt CHF 100'000'000.00 und ist unterteilt in 100'000'000 Namenaktien mit einem Nennwert von CHF 1.00 pro Aktie.

- C) UBS Switzerland AG is a direct wholly owned subsidiary of UBS AG and Credit Suisse (Schweiz) AG is a direct wholly owned subsidiary of Credit Suisse AG.

UBS SWITZERLAND AG ist eine direkte hundertprozentige Tochtergesellschaft der UBS AG und CREDIT SUISSE (SCHWEIZ) AG ist eine direkte hundertprozentige Tochtergesellschaft der Credit Suisse AG.

- D) In order to facilitate the further integration of the UBS banking business and the Credit Suisse banking business following the merger between UBS Group AG and Credit Suisse Group AG which completed on 12 June 2023, it is intended to merge Credit Suisse AG into UBS AG ("**Parent Bank Merger**") and subsequent to the completion of the Parent Bank Merger, upon which UBS Switzerland AG and Credit Suisse (Schweiz) AG will both be direct wholly owned subsidiaries of UBS AG, to merge Credit Suisse (Schweiz) AG into UBS Switzerland AG.

*Um nach der am 12. Juni 2023 vollzogenen Fusion zwischen der UBS Group AG und der Credit Suisse Group AG die weitere Integration des UBS Bankengeschäfts und des Credit Suisse Bankengeschäfts zu erleichtern, soll die Credit Suisse AG in die UBS AG fusioniert werden ("**PARENT BANK MERGER**"), und nach dem Vollzug des PARENT BANK MERGERS, nach welchem die UBS SWITZERLAND AG und CREDIT SUISSE (SCHWEIZ) AG beide direkte hundertprozentige Tochtergesellschaften der UBS AG sein werden, soll die CREDIT SUISSE (SCHWEIZ) AG in die UBS SWITZERLAND AG fusioniert werden.*

THEREFORE, THE PARTIES AGREE TO THE FOLLOWING:

DIE PARTEIEN VEREINBAREN DAHER DAS FOLGENDE:

1 Merger / Fusion

- 1 The Parties hereby agree to merge with each other pursuant to art. 3 para. 1 lit. a in combination with art. 4 para. 1 lit. a of the Federal Act on Mergers, Demergers, Conversion and Transfer of Assets and Liabilities ("**Merger Act**") and in accordance with this merger agreement (merger by absorption between two companies limited by shares; the "**Merger**"). UBS Switzerland AG is the surviving company, and Credit Suisse (Schweiz) AG is the transferring company.

*Die PARTEIEN vereinbaren hiermit im Sinne von Art. 3 Abs. 1 lit. a in Verbindung mit Art. 4 Abs. 1 lit. a des Bundesgesetzes über Fusion, Spaltung, Umwandlung und Vermögensübertragung ("**FUSG**") nach Massgabe dieses Fusionsvertrages zu fusionieren (Absorptionsfusion zwischen zwei Aktiengesellschaften; die "**FUSION**"). UBS SWITZERLAND AG ist die übernehmende Gesellschaft und CREDIT SUISSE (SCHWEIZ) AG ist die übertragende Gesellschaft.*

- 2 Credit Suisse (Schweiz) AG will transfer to UBS Switzerland AG all its assets and liabilities, as evidenced on the merger balance sheet attached as Exhibit 1 (statutory balance sheet of Credit Suisse (Schweiz) AG as per 30 September 2023), as well as its contracts by universal succession, with legal effect as per the time of entry in the commercial register. The Parties agree that this merger balance sheet shall be superseded and replaced for the purposes of this merger agreement with an audited statutory balance sheet of Credit Suisse (Schweiz) AG as per 31 March 2024, which – upon completion of the audit of such balance sheet – shall become the applicable merger balance sheet (and thus the new Exhibit 1) for the purposes of this merger agreement.

CREDIT SUISSE (SCHWEIZ) AG wird sämtliche Aktiven und Passiven gemäss der als Anhang 1 beigefügten Fusionsbilanz (handelsrechtliche Bilanz der CREDIT SUISSE (SCHWEIZ) AG per 30. September 2023) sowie ihre Verträge durch Universalsukzession mit Wirkung per Eintragung ins Handelsregister auf UBS SWITZERLAND AG übertragen. Die Parteien vereinbaren, dass diese Fusionsbilanz für die Zwecke dieses Fusionsvertrages durch eine handelsrechtliche, geprüfte Bilanz der CREDIT SUISSE (SCHWEIZ) AG per 31. März 2024 ersetzt wird, welche – nach Abschluss der Prüfung dieser Bilanz – für die Zwecke dieses Fusionsvertrages als anwendbare Fusionsbilanz (und somit als neuer Anhang 1) gelten soll.

- 3 UBS Switzerland AG will record these assets and liabilities in its statutory balance sheet at their present statutory book values in accordance with Exhibit 1 with effect as per the balance sheet date of 1 April 2024. Therefore, all relevant acts and transactions as of and from 1 April 2024 onwards are deemed to be made on behalf of UBS Switzerland AG and will be booked in the accounts accordingly with the profits and losses generated in Credit Suisse (Schweiz) AG from such date being recorded in the profit and loss statement of UBS Switzerland AG. UBS Switzerland AG knows and accepts all legal transactions entered into and all movements in assets and liabilities, as against the merger balance sheet, incurred since that date.

UBS SWITZERLAND AG wird diese Aktiven und Passiven zu bisherigen statutarischen Buchwerten gemäss Anhang 1 mit Wirkung per Bilanzstichtag 1. April 2024 in ihre handelsrechtliche Bilanz übernehmen. Demnach gelten alle Handlungen am und ab dem 1. April 2024 als für Rechnung der UBS SWITZERLAND AG vorgenommen und werden entsprechend verbucht. Die von der CREDIT

SUISSE (SCHWEIZ) AG ab diesem Datum generierten Gewinne und Verluste werden in der Erfolgsrechnung der UBS SWITZERLAND AG erfasst. UBS SWITZERLAND AG kennt und akzeptiert sämtliche seit diesem Datum eingegangenen Rechtsgeschäfte und gegenüber der Fusionsbilanz eingetretenen Veränderungen von Aktiven und Passiven.

2 Use of exemptions / Anwendung von Ausnahmen

- 4 Since UBS AG will own 100% of the shares in UBS Switzerland AG and 100% of the shares in Credit Suisse (Schweiz) AG at the time of the filing of this merger agreement with the commercial register in accordance with section 7, the Merger can be carried out under simplified conditions pursuant to art. 23 para. 1 lit. b Merger Act. The Parties agree to make use of the exemptions pursuant to art. 24 para. 1 Merger Act, i.e.,

Da sich 100% der Aktien der UBS SWITZERLAND AG und 100% der Aktien der CREDIT SUISSE (SCHWEIZ) AG im Zeitpunkt der Anmeldung dieses Fusionsvertrages beim Handelsregister gemäss Ziff. 7 im Eigentum der UBS AG befinden werden, kann die FUSION gemäss Art. 23 Abs. 1 lit. b FUSG unter erleichterten Voraussetzungen durchgeführt werden. Die PARTEIEN vereinbaren, von den Erleichterungen gemäss Art. 24 Abs. 1 FUSG Gebrauch zu machen, d.h.

- not to include in the merger agreement the particulars required by art. 13 para. 1 lit. b-e Merger Act;

im Fusionsvertrag auf die Angaben nach Art. 13 Abs. 1 lit. b-e FUSG zu verzichten;

- neither to establish a merger report (art. 14 Merger Act), nor to commission a merger review (art. 15 Merger Act);

weder einen Fusionsbericht zu erstellen (Art. 14 FUSG), noch eine Fusionsprüfung durchzuführen (Art. 15 FUSG);

- to waive the statutory procedure for inspection (art. 16 Merger Act); and

auf die Durchführung eines Einsichtsverfahrens (Art. 16 FUSG) zu verzichten; und

- not to submit the merger agreement to the shareholders' meetings of UBS Switzerland AG and Credit Suisse (Schweiz) AG for resolution (art. 18 Merger Act).

den Fusionsvertrag den Generalversammlungen der UBS SWITZERLAND AG und der CREDIT SUISSE (SCHWEIZ) AG nicht zur Beschlussfassung zu unterbreiten (Art. 18 FUSG).

3 Share capital, compensation, special benefits / Aktienkapital, Abfindungen, besondere Vorteile

3.1 Share capital and contributions / Aktienkapital und Einlagen

- 5 The share capital of UBS Switzerland AG will not be modified in relation with the Merger. Since UBS AG will own 100% of the shares in UBS Switzerland AG and

100% of the shares in Credit Suisse (Schweiz) AG at the time of the filing of this merger agreement with the commercial register in accordance with section 7, the shares of Credit Suisse (Schweiz) AG will become null and void upon the closing of the Merger.

Das Aktienkapital der UBS SWITZERLAND AG bleibt im Rahmen der FUSION unverändert. Da sich 100% der Aktien der UBS SWITZERLAND AG und 100% der Aktien der CREDIT SUISSE (SCHWEIZ) AG im Zeitpunkt der Anmeldung dieses Fusionsvertrages beim Handelsregister gemäss Ziff. 7 im Eigentum der UBS AG befinden werden, werden die Aktien der CREDIT SUISSE (SCHWEIZ) AG mit dem Vollzug der FUSION ungültig.

3.2 Compensation / Abfindung

6 The Parties agree that no compensation pursuant to art. 8 Merger Act will be paid.

Die PARTEIEN sind sich einig, dass keine Abfindung im Sinne von Art. 8 FUSG ausgerichtet wird.

3.3 Special benefits / Besondere Vorteile

7 The Parties agree that no special benefits will be granted to members of a managing or administrative body pursuant to art. 13 para. 1 lit. h Merger Act.

Die PARTEIEN sind sich einig, dass keine besonderen Vorteile im Sinne von Art. 13 Abs. 1 lit. h FUSG an Mitglieder von Leitungs- oder Verwaltungsorganen gewährt werden.

4 Information to creditors / Information der Gläubiger

8 The Parties will publish a creditors' call pursuant to art. 25 para. 2 Merger Act.

Die PARTEIEN werden einen Schuldenruf gemäss Art. 25 Abs. 2 FUSG publizieren.

5 Publication and information of employees / Publikation und Information der Arbeitnehmer

9 The Parties shall coordinate any information of the public, of UBS Switzerland AG's shareholder (*i.e.*, UBS AG) and of the authorities.

Die PARTEIEN koordinieren die Information der Öffentlichkeit, der Aktionärin der UBS SWITZERLAND AG (d.h. UBS AG) und der Behörden.

10 Both Parties have employees and will (and if required, will procure that their subsidiaries will) (i) inform the employees and/or their representatives of the Merger in compliance with the requirements of the applicable laws (specifically art. 27 and 28 Merger Act in connection with art. 333 and 333a CO) and of any applicable collective bargaining or other applicable agreements and in due time before the filing of the Merger with the commercial registry, and (ii) if required under applicable laws (specifically art. 27 and 28 Merger Act in connection with art. 333 and 333a CO) and applicable collective bargaining or other applicable agreements,

consult with the employees and/or their representatives in compliance with the requirements of such laws and agreements in due time before the filing of the Merger with the commercial registry. Both Parties will cooperate in good faith and provide prompt and reasonable assistance to the other Party to enable each Party to comply with the obligations described in this section 5, and shall share such information as may reasonably be required in order to discharge applicable information and consultation obligations.

Beide PARTEIEN beschäftigen Mitarbeiter und werden (und soweit erforderlich, werden gewährleisten, dass ihre Tochtergesellschaften) (i) die Mitarbeiter und/oder ihre Vertreter rechtzeitig vor der Anmeldung der FUSION beim Handelsregister unter Beachtung der anwendbaren gesetzlichen Vorschriften (namentlich Art. 27 und 28 FUSG in Verbindung mit Art. 333 und 333a OR) und der Vorschriften der anwendbaren Gesamtarbeits- oder anderen Verträge informieren, und (ii) sofern gemäss den anwendbaren gesetzlichen Vorschriften (namentlich Art. 27 und 28 FUSG in Verbindung mit Art. 333 und 333a OR) und den Vorschriften der anwendbaren Gesamtarbeits- oder anderen Verträge erforderlich, die Mitarbeiter und/oder ihre Vertreter unter Beachtung dieser gesetzlichen und vertraglichen Vorschriften rechtzeitig vor der Anmeldung der FUSION beim Handelsregister konsultieren. Die PARTEIEN werden nach den Grundsätzen von Treu und Glauben zusammenarbeiten und unverzüglich und angemessen einander unterstützen, um die jeweils andere PARTEI in die Lage zu versetzen, ihren Pflichten nachzukommen, wie sie in dieser Ziff. 5 beschrieben sind, und werden darüber hinaus einander Informationen zur Verfügung stellen, soweit dies angemessen und erforderlich ist, um die anwendbaren Informations- und Konsultationspflichten zu erfüllen.

6 Validity of the merger agreement / Gültigkeit des Fusionsvertrages

6.1 Entry into force / Inkrafttreten

11 This merger agreement will enter into force upon its execution.

Dieser Fusionsvertrag tritt mit seiner Unterzeichnung in Kraft.

6.2 Conditions precedent to the Merger / Bedingungen für die Fusion

12 The closing of the Merger shall be subject to the satisfaction of the following conditions precedent:

Der Vollzug der Fusion untersteht folgenden aufschiebenden Bedingungen:

- i) receipt of all licenses, amendments of licenses, approvals, exemptions, non-objections or confirmations required to be obtained for the closing of the Merger and subsequent continuation of the business by UBS Switzerland AG under applicable laws, rules or regulations from the relevant competent regulatory (including self-regulatory) and governmental authorities (each a "**Regulatory Approval**") and all such Regulatory Approvals being in full force and effect and not having been revoked until closing of the Merger;

Erhalt aller Bewilligungen, Änderungen von Bewilligungen, Genehmigungen, Ausnahmen, Nichtbeanstandungen oder Bestätigungen, die für den Vollzug der FUSION und die anschliessende Weiterführung der Geschäftstätigkeit der UBS SWITZERLAND AG gemäss den

geltenden Gesetzen, Regeln oder Regulierungen von den jeweils zuständigen Aufsichtsbehörden (einschliesslich der Selbstregulierungsbehörden) und Regierungsbehörden ("AUF SICHTSBEHÖRDLICHE GENEHMIGUNGEN") erforderlich sind, und dass alle diese AUF SICHTSBEHÖRDLICHEN GENEHMIGUNGEN bis zum Vollzug der FUSION in vollem Umfang in Kraft sind und nicht widerrufen wurden;

- ii) expiration or termination of any statutory, court or official prohibitions to close, where such prohibitions are legally enforceable in Switzerland or where failure to comply would, in the judgment of UBS Switzerland AG and Credit Suisse (Schweiz) AG, have unacceptable consequences for one or both Parties;

Ablauf oder Beseitigung allfälliger gesetzlicher, gerichtlicher oder behördlicher Vollzugsverbote, soweit diese rechtskräftig in der Schweiz vollstreckt werden können oder deren Nichtbefolgung nach Ansicht der UBS SWITZERLAND AG und der CREDIT SUISSE (SCHWEIZ) AG für eine oder beide PARTEIEN mit untragbaren Folgen verbunden wäre;

- iii) if required under applicable laws (specifically art. 27 and 28 Merger Act in connection with art. 333 and 333a CO), applicable collective bargaining or other applicable agreements: implementation and completion of the information and/or consultation procedure with the employees and/or the employee representatives of the Parties in compliance with the requirements of such laws and/or agreements; and

sofern gemäss den anwendbaren gesetzlichen Vorschriften (namentlich Art. 27 und 28 FusG in Verbindung mit Art. 333 und 333a OR), den Vorschriften der anwendbaren Gesamtarbeits- oder anderen Verträge erforderlich: Durchführung und Abschluss des Informations- und/oder Konsultationsverfahrens mit den Mitarbeitern und/oder Arbeitnehmervertretern der PARTEIEN unter Beachtung dieser gesetzlichen und/oder vertraglichen Vorschriften; und

- iv) registration of the Parent Bank Merger with the competent commercial registers.

Eintragung des Parent Bank Merger in den zuständigen Handelsregistern.

- 13 The chairman or the vice chairman of the board of directors of UBS Switzerland AG and the chairman or the vice chairman of the board of directors of Credit Suisse (Schweiz) AG may, by joint decision, waive the fulfillment of the mentioned conditions (either in whole or in part, provided that any part that is not waived is otherwise satisfied) and direct that the merger agreement be closed despite non-fulfillment of one or more of the conditions.

Der Präsident oder der Vizepräsident des Verwaltungsrates der UBS SWITZERLAND AG und der Präsident oder der Vizepräsident des Verwaltungsrates der CREDIT SUISSE (SCHWEIZ) AG können durch gemeinsamen Beschluss auf den Eintritt der genannten Bedingungen verzichten (entweder gänzlich oder teilweise, sofern diejenigen Teile der Bedingungen, auf die nicht verzichtet wurde, erfüllt sind) und bestimmen, dass der Fusionsvertrag trotz fehlenden Eintritts einer oder mehrerer Bedingungen vollzogen wird.

7 Closing / Vollzug

- 14 Unless otherwise mutually agreed between the chairmen of the boards of directors of UBS Switzerland AG and Credit Suisse (Schweiz) AG, the boards of directors of the Parties will file this merger agreement or procure that this merger agreement is filed with the commercial register as soon as (i) the audited statutory balance sheet of Credit Suisse (Schweiz) AG as per 31 March 2024 is available and has replaced the attached current merger balance sheet as per 30 September 2023, and (ii) all conditions precedent to the Merger set forth in section 6.2 have been fulfilled (or waived in accordance with paragraph 13).

Sofern nichts anderes zwischen den Präsidenten des Verwaltungsrates der UBS SWITZERLAND AG und der CREDIT SUISSE (SCHWEIZ) AG vereinbart wird, werden die Verwaltungsräte der PARTEIEN diesen Fusionsvertrag beim Handelsregister anmelden oder dafür sorgen, dass dieser Fusionsvertrag beim Handelsregister angemeldet wird, sobald (i) die handelsrechtliche, geprüfte Bilanz der CREDIT SUISSE (SCHWEIZ) AG per 31. März 2024 verfügbar ist und die beigefügte aktuelle Fusionsbilanz per 30. September 2023 ersetzt hat, und (ii) sämtliche aufschiebenden Bedingungen, die in Ziff. 6.2 aufgeführt sind, erfüllt sind (oder auf deren Eintritt in Übereinstimmung mit Paragraphen 13 verzichtet wurde).

- 15 This merger agreement (and, consequently, the Merger) will be deemed closed as soon as the entries in the commercial register in respect of both Parties have been made.

Dieser Fusionsvertrag (und damit die FUSION) gilt als vollzogen, sobald die Eintragungen im Handelsregister bei beiden PARTEIEN durchgeführt worden sind.

- 16 The Parties undertake to use their best efforts to do everything, not to forbear anything and to cooperate with each other to ensure that the closing can occur as quickly as possible.

Die PARTEIEN verpflichten sich, alles Erforderliche zu unternehmen, nichts zu unterlassen und sich gegenseitig zu unterstützen, damit der Vollzug so rasch als möglich erfolgen kann.

- 17 The Parties undertake, at the closing of this merger agreement and, if necessary, before or thereafter, to execute any instruments, declarations, powers of attorney or other documents, in any form, including but not limited to before the notary (public or private), to do any acts, including but not limited to making any applications, filings or reports, and to enter into any contracts, deeds or other arrangements that are required for the full closing of this merger agreement.

Die PARTEIEN verpflichten sich, beim – oder wenn notwendig vor oder nach dem – Vollzug dieses Fusionsvertrages alle Urkunden zu unterzeichnen, Erklärungen abzugeben, Vollmachten auszustellen oder Dokumente zu unterzeichnen, in jeder möglichen Form, einschliesslich vor einem (öffentlichen oder privaten) Notar, alle Handlungen vorzunehmen, einschliesslich von Anträgen, Anmeldungen und Berichten, sowie Verträge einzugehen, Urkunden auszustellen oder sonstige Vereinbarungen zu treffen, die der vollständige Vollzug dieses Fusionsvertrages erfordert.

- 18 To the extent the transfer by Credit Suisse (Schweiz) AG of all its assets and liabilities, as well as its contracts (and UBS Switzerland AG's succession to the same), for the avoidance of doubt, including all rights and obligations, its position in any judicial, arbitral or administrative procedures, the powers of attorney it has granted, as well as the licenses, authorizations and registrations it has obtained, by universal succession by way of this merger agreement and the Merger Act is not recognized and / or given full effect under the laws of a foreign jurisdiction which apply to the transfer ("**Relevant Jurisdiction**"),

*Soweit die Übertragung durch CREDIT SUISSE (SCHWEIZ) AG von ihren sämtlichen Aktiven und Passiven, sowie ihren Verträgen (und der Rechtsnachfolge der UBS SWITZERLAND AG in diese), wozu klarstellend alle ihre Rechte und Pflichten, ihre Stellung in Gerichts-, Schieds- oder Verwaltungsverfahren, von ihr erteilte Vollmachten sowie die von ihr gehaltenen Lizenzen, Bewilligungen und Registereintragungen gehören, durch Universalsukzession mittels dieses Fusionsvertrages und des FusG nach dem Recht einer Rechtsordnung, das für die Übertragung relevant ist, ("**RELEVANTE RECHTSORDNUNG**") nicht anerkannt wird und / oder nicht vollständig wirksam ist,*

- i) Credit Suisse (Schweiz) AG herewith transfers, conveys and assigns all of its assets and liabilities, as well as contracts, including the title and possession of assets or the claims to return the title and possession of assets and any other rights or obligations in respect of Credit Suisse (Schweiz) AG's assets and liabilities, as well as contracts, which are governed by the laws of such Relevant Jurisdiction to UBS Switzerland AG with effect as of completion of the Merger and UBS Switzerland AG herewith accepts this transfer; in the case of any power of attorney granted by Credit Suisse (Schweiz) AG, UBS Switzerland AG herewith grants to the corresponding representative powers of attorney in the same extent;

überträgt, übereignet und zediert die CREDIT SUISSE (SCHWEIZ) AG zum Zeitpunkt der Wirksamkeit der FUSION hiermit alle Aktiven und Passiven sowie Verträge, einschliesslich des Eigentums und Besitzes an Sachen oder der Ansprüche auf Rückübertragung des Eigentums oder Besitzverschaffung und alle anderen Rechte und Pflichten in Bezug auf alle Aktiven und Passiven sowie Verträge der CREDIT SUISSE (SCHWEIZ) AG, die dem Recht der Relevanten Rechtsordnung unterliegen, an die UBS SWITZERLAND AG, und die UBS SWITZERLAND AG nimmt diese Übertragung hiermit an; hinsichtlich einer von der CREDIT SUISSE (SCHWEIZ) AG erteilten Vollmacht erteilt die UBS SWITZERLAND AG dem entsprechenden Bevollmächtigten hiermit im gleichen Umfang Vollmacht;

- ii) the Parties undertake to execute and deliver (or cause to execute and deliver) any instruments, declarations, powers of attorney or other documents in any form, including but not limited to before the notary (public or private), and to do any acts (or cause to do any acts), including but not limited to making any applications, filings or reports, and enter into any contracts, deeds or other arrangements that are required and/or expedient to evidence, implement, perfect or effect such transfer of such assets and liabilities, as well as contracts in accordance with the laws of such Relevant Jurisdiction to achieve the transfer as contemplated by this merger agreement, to be completed prior to, upon or as soon as possible following the closing of the Merger (as applicable);

verpflichten sich die PARTEIEN, sämtliche Urkunden und Vollmachten auszustellen, Erklärungen abzugeben und Dokumente zu unterzeichnen, in jeder möglichen Form, einschliesslich vor einem (öffentlichen oder privaten) Notar, und jeweils zuzustellen (oder die Ausstellung, Abgabe, Unterzeichnung und jeweilige Zustellung zu veranlassen), alle Handlungen vorzunehmen (oder zu veranlassen), einschliesslich von Anträgen, Anmeldungen und Berichten, sowie Verträge einzugehen, Urkunden auszustellen oder sonstige Vorkehrungen zu treffen, die erforderlich oder förderlich sind, um solche Aktiven und Passiven sowie Verträge vor, zum Zeitpunkt oder unmittelbar nach dem Vollzug der FUSION (soweit zutreffend) nach den Bestimmungen dieser Relevanten Rechtsordnung zu übertragen, die Übertragung zu verstollständigen, nachzuweisen oder umzusetzen, um die nach diesem Fusionsvertrag angestrebte Übertragung zu erreichen;

- iii) in any event, the assets and liabilities, as well as contracts of Credit Suisse (Schweiz) AG, which are governed by the laws of such Relevant Jurisdiction shall be deemed as transferred, conveyed or assigned to and accepted by UBS Switzerland AG from an economic perspective, and UBS Switzerland AG and Credit Suisse (Schweiz) AG will use commercially reasonable best efforts to request, procure, obtain and complete also the legal transfer and acceptance, conveyance or assignment of such assets and liabilities, as well as contracts in accordance with the laws of such Relevant Jurisdiction as soon as possible following the closing of the Merger; and

in jedem Falle sollen die Aktiven und Passiven sowie Verträge der CREDIT SUISSE (SCHWEIZ) AG, die dem Recht der Relevanten Rechtsordnung unterliegen, wirtschaftlich als auf UBS AG übertragen, übereignet oder abgetreten und angenommen gelten, und UBS SWITZERLAND AG und CREDIT SUISSE (SCHWEIZ) AG werden sämtliche wirtschaftlich vertretbaren Anstrengungen unternehmen, um die rechtliche Übertragung und Annahme, Übereignung oder Abtretung dieser Aktiven und Passiven sowie Verträge nach den Bestimmungen dieser Relevanten Rechtsordnung so rasch als möglich nach dem Vollzug der FUSION zu beantragen, zu besorgen, einzuholen und zu erreichen; und

- iv) the Parties, for the avoidance of doubt, agree that the inclusion of the foregoing clauses (i) through (iii) in this merger agreement is not intended in any manner to, and shall not be construed to, limit the effectiveness of the universal succession effected by way of the Merger.

die PARTEIEN stellen klar, dass die Aufnahme der vorstehenden Klauseln (i) bis (iii) in diesem Fusionsvertrag in keiner Weise die Wirksamkeit der durch die FUSION herbeigeführten Universalsukzession beeinträchtigen soll und auch nicht in diesem Sinne zur Auslegung herangezogen werden soll.

8 Miscellaneous / Verschiedenes

8.1 Taxes / Steuern

- 19 Provided that UBS Switzerland AG and Credit Suisse (Schweiz) AG belong to the same VAT group at the time of the consummation of the Merger, the Merger contemplated by this agreement will not be subject to Swiss value added tax ("VAT"). Otherwise, the transfer of assets and liabilities as part of the Merger is subject to VAT in whole or in part. The VAT obligation shall be fulfilled by application of the

notification procedure pursuant to art. 38 para. 1 of the Swiss Federal Act on Value Added Tax. No VAT will be paid on the transfer of the assets and liabilities. UBS Switzerland AG assumes the tax base for the transferring assets and liabilities and the degree of use of the transferring company that entitles Credit Suisse (Schweiz) AG to deduct input tax.

Bilden die UBS SWITZERLAND AG und CREDIT SUISSE (SCHWEIZ) AG zum Zeitpunkt des Vollzugs der FUSION Teil der gleichen Mehrwertsteuergruppe für Schweizer Mehrwertsteuerzwecke ("MWST"), unterliegt die vorliegende FUSION nicht der MWST. Andernfalls unterliegt die Übertragung der Vermögenswerte im Rahmen der FUSION ganz oder teilweise der MWST. Die Steuerpflicht wird im Meldeverfahren gemäss Art. 38 Abs. 1 des Bundesgesetzes über die Mehrwertsteuer erfüllt. Für die Übertragung der Vermögenswerte wird keine MWST entrichtet. Die UBS SWITZERLAND AG übernimmt für die übertragenden Vermögenswerte die Bemessungsgrundlage und den zum Vorsteuerabzug berechtigenden Verwendungsgrad der übertragenden Gesellschaft CREDIT SUISSE (SCHWEIZ) AG.

8.2 Modifications and amendments of the agreement / *Vertragsänderung und Vertragsanpassung*

- 20 Any modifications to this merger agreement (including this paragraph) must be made in writing.

Dieser Fusionsvertrag (inklusive dieser Paragraph) kann nur schriftlich abgeändert werden.

- 21 To the extent possible, each provision of this merger agreement is to be construed so that it is valid and enforceable under applicable law. Should a provision of this merger agreement be unenforceable or invalid, it shall only lapse to the extent that it is unenforceable or invalid and shall otherwise be replaced by a valid and enforceable provision which a party acting in good faith would regard as a commercially adequate replacement for the provision which is invalid or unenforceable. The other provisions of this merger agreement will remain binding and in force under all circumstances.

Wann immer möglich, ist jede Bestimmung dieses Fusionsvertrages so auszulegen, dass sie unter dem anwendbaren Recht gültig und durchsetzbar ist. Sollte eine Bestimmung dieses Fusionsvertrages nicht vollstreckbar oder ungültig sein, so fällt sie nur im Ausmass ihrer Unvollstreckbarkeit oder Ungültigkeit dahin und ist im Übrigen durch eine gültige und vollstreckbare Bestimmung zu ersetzen, die eine gutgläubige Partei als ausreichenden wirtschaftlichen Ersatz für die ungültige und unvollstreckbare Bestimmung ansehen würde. Die übrigen Bestimmungen dieses Fusionsvertrages bleiben unter allen Umständen bindend und in Kraft.

8.3 Applicable law and jurisdiction / *Anwendbares Recht und Gerichtsstand*

- 22 This merger agreement shall be governed by and construed in accordance with Swiss substantive law, excluding its rules on conflict of laws and excluding international treaties (in particular the Vienna Convention on the International Sale of Goods dated 11 April 1980; CISG).

Dieser Fusionsvertrag untersteht materiellem Schweizer Recht unter Ausschluss der Kollisionsnormen und unter Ausschluss internationaler Verträge (insbesondere des Wiener Kaufrechtsübereinkommens vom 11. April 1980; CISG).

- 23 Any disputes arising out of or in connection with this merger agreement, including disputes about its conclusion, validity, modification or dissolution, shall be submitted to the exclusive jurisdiction of the courts of the city of Zurich (Zurich 1), Switzerland.

Für sämtliche Streitigkeiten, die aus oder im Zusammenhang mit diesem Fusionsvertrag entstehen, einschliesslich solcher über sein gültiges Zustandekommen, seine Rechtswirksamkeit, Abänderung oder Auflösung, sind die Gerichte der Stadt Zürich (Zürich 1), Schweiz, ausschliesslich zuständig.

(Signatures on the following page)
(Unterschriften auf der nächsten Seite)

Exhibit 1

Merger Balance Sheet of Credit Suisse (Schweiz) AG (balance sheet per 30 September 2023)

Anhang 1

Fusionsbilanz der CREDIT SUISSE (SCHWEIZ) AG (Bilanz per 30. September 2023)

Credit Suisse (Schweiz) AG Standalone
Swiss GAAP, in CHF million
30 September 2023
Assets

| | |
|---------------------------------------|----------------|
| Cash and other liquid assets | 43,726 |
| o/w SNB Cash | 43,318 |
| o/w Cash Other | 408 |
| Due from banks | 10,512 |
| Securities borrowing and reverse REPO | 10,313 |
| Loans | 160,404 |
| o/w Due from customers | 33,215 |
| o/w Mortgage loans | 127,189 |
| Trading assets | 1,016 |
| Positive RV of derivatives | 1,332 |
| Other assets | 2,157 |
| Total assets | 229,461 |

Liabilities and equity

| | |
|---|----------------|
| Due to banks | 55,826 |
| Securities lending and repurchase agreements | 9,355 |
| Customer deposits | 109,856 |
| Trading liabilities | 0 |
| Negative RV of derivatives | 307 |
| Bonds and mortgage-backed bonds | 38,706 |
| Other liabilities | 3,062 |
| Total liabilities | 217,112 |
| Share capital | 100 |
| Legal capital reserves | 11,544 |
| Retained earnings | 185 |
| Net profit | 519 |
| Total shareholders' equity | 12,348 |
| Total liabilities and shareholders' equity | 229,461 |

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Sergio Ermotti, certify that:

1. I have reviewed this annual report on Form 20-F of UBS Group AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 28, 2024

/s/ Sergio Ermotti
Name: Sergio Ermotti
Title: Group Chief Executive Officer

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Todd Tuckner, certify that:

1. I have reviewed this annual report on Form 20-F of UBS Group AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 28, 2024

/s/ Todd Tuckner
Name: Todd Tuckner
Title: Group Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS Group AG, a Swiss corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2024

/s/ Sergio Ermotti
Name: Sergio Ermotti
Title: Group Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS Group AG, a Swiss corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2024

/s/ Todd Tuckner _____
Name: Todd Tuckner
Title: Group Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Zurich, 28 March 2024

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG:

- (1) on Form F-3 (Registration Number 333-272452), and each related prospectus currently outstanding under such registration statement,
- (2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; 333-249143; and 333-272975), and each related prospectus currently outstanding under any of the aforementioned registration statements,

of our reports dated 27 March 2024, with respect to the consolidated financial statements of UBS Group AG and the effectiveness of internal control over financial reporting of UBS Group AG, included in this Annual Report (Form 20-F) for the year ended 31 December 2023, filed with the Securities and Exchange Commission.

/s/ Ernst & Young Ltd

Group U.S. Listing Standards Clawback Policy

Recovering Incentive-Based Compensation from Covered Executives of entities listed on U.S. national securities exchanges / associations in case of an Accounting Restatement



WHY

U.S. national securities exchanges and associations that list securities (including the NYSE, Nasdaq and NYSE Arca, Inc.) maintain listing standards that require each issuer of a listed security to adopt and comply with a compensation recovery ("clawback") policy that imposes recovery of certain incentive-based compensation received by current or former covered executive officers in the event an issuer's material noncompliance with financial reporting requirements results in an accounting restatement.



WHO

UBS Group AG, UBS AG and Credit Suisse AG are listed issuers on the referenced national exchanges and have each adopted this policy to comply with the listing standards applicable to each issuer. The **Covered Executives** of each **Issuer** are as follows:

- For UBS Group AG and UBS AG:
 - current and former UBS Group Executive Board members of UBS Group AG ("UBS GEB members"); and
- For Credit Suisse AG:
 - Current and former UBS GEB members,
 - current and former Credit Suisse AG Executive Board members, and
 - former Executive Board members of Credit Suisse Group AG ("Credit Suisse ExB members").

This policy will also apply to **Covered Executives** of any Group entities that may later become subject to one or more of the Listing Standards.



WHAT to know about HOW to comply

If an **Issuer** experiences a triggering event, then the **Issuer** is required to recover a certain amount of incentive-based compensation during a three-year lookback period, as follows:

TRIGGERING EVENT:

The clawback is triggered if an **Issuer** is required to prepare an **Accounting Restatement** due to material noncompliance with any financial reporting requirement, including any restatement

that corrects a material error in previously issued financial statements.

REQUIRED ACTIONS:

The **Issuer** must recover **Incentive-Based Compensation** that any **Covered Executive** "received" (as defined in the policy) during the three completed fiscal years immediately preceding the date on which the **Issuer** is required to prepare the **Accounting Restatement**. Only **Incentive-Based Compensation** "received" on and after 2 October 2023 is subject to clawback.

WHO IS IMPACTED:

Covered Executives are impacted under the policy. The Listing Standards require recovery of **Incentive-Based Compensation** received by a person (1) after beginning service as a **Covered Executive** of the **Issuer**, and (2) if that person served as a **Covered Executive** of the **Issuer** at any time during the recovery period.

WHAT IS SUBJECT TO CLAWBACK:

The **Issuer** must recover the received amount (on a pre-tax basis) that exceeds the amount which would have been received if the **Incentive-Based Compensation** had been determined based on the restated financial statements. The final amount, if any, will be determined at the sole discretion of the **Administrator** and based on the rules detailed in the Appendix.¹

RECOVERING THE CLAWBACK AMOUNT:

The **Issuer** is required to pursue recovery unless it is determined that recovery would be impracticable for the specific reasons set forth in the policy. The attempt at recovery and any eventual decision not to recover must be fully documented as set forth in the Appendix.

Important Information

This page is a general high-level overview of the Group U.S. Listing Standards Clawback Policy, which is set forth in its entirety in the attached Appendix. If there is a conflict between this summary page and the Appendix, the Appendix prevails.

¹ For 2023, there is a recognition and consideration of the accounting implications of the Credit Suisse integration.

Appendix to Group U.S. Listing Standards Clawback Policy



Why we have this Appendix

The correctness and compliance of Financial Reporting is essential for our organization. The Clawback Policy set forth in this Appendix is designed to comply with, and shall be interpreted consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1"), and, as applicable to an Issuer, Section 303A.14 of the New York Stock Exchange Listed Company Manual, Nasdaq Listing Rule 5608, Rule 5.3-E(p) of the Rules of the NYSE Arca, Inc. and any other listing standard of any national securities exchange or association that becomes applicable to an Issuer (each, as applicable to an Issuer, the "Listing Standards"). The Appendix sets forth the full text of the Group U.S. Listing Standards Clawback Policy ("Policy").



Applicability

The Policy applies globally to all Covered Executives of each Issuer regardless of primary work location. The Covered Executives of each Issuer are as follows:

- For UBS Group AG and UBS AG:
 - current and former UBS GEB members; and
- For Credit Suisse AG:
 - current and former UBS GEB members,
 - current and former Credit Suisse AG Executive Board members, and
 - former Credit Suisse ExB members".

The Policy will also apply to Covered Executives of Group entities that may later become subject to one or more of the Listing Standards.



Policy content

Below you can find the controlling terms and conditions of the Policy.

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the UBS Group AG Board of Directors Compensation Committee (the "Administrator") on behalf of each Issuer subject to the Policy. The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on the Issuers, all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full UBS Group AG Board of Directors ("Board") or such other committees of the Board, such as the Audit Committee, as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of UBS Group to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Defined Terms; Covered Executives; Incentive-Based Compensation

Defined terms of this Policy are set forth below in the "Glossary" Section. This Policy applies to Incentive-Based Compensation received by a Covered Executive of an Issuer (a) after beginning services as a Covered Executive of an Issuer; (b) if that person served as a Covered Executive of an Issuer at any time during the performance period for such Incentive-Based Compensation; and (c) while the Issuer had a listed class of securities on a national securities exchange or association.

3. Required Recoupment of Erroneously Awarded Compensation in the event of an Accounting Restatement

In the event an Issuer is required to prepare an Accounting Restatement, the Issuer shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as determined in the sole discretion of the Administrator and calculated pursuant to Section 4 hereof, during the Applicable Period.

4. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of "Erroneously Awarded Compensation" subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts, if any.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder, if any, includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Issuer shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the national exchange and/or association on which the Issuer lists securities.

5. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash, notional fund/bond or equity-based award, (b) cancelling prior cash, notional fund/bond or equity-based awards, whether vested or unvested or paid or unpaid, (c) canceling or offsetting against any planned future cash, notional fund/bond or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with applicable tax laws, rules and regulations, (e) any other method authorized by applicable law or contract, and (f) determining that there is no Erroneously Awarded Compensation. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable UBS Group plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Issuer shall recoup Erroneously Awarded Compensation from a Covered Executive in compliance with this Policy unless the Administrator or, in the case of an Issuer other than UBS, the Issuer's committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the Issuer's board of directors, has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Issuer must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover, and provide that documentation to the national exchange and/or association on which the Issuer lists securities.
- Recovery would violate the laws of the country of incorporation of the Issuer where that law was adopted prior to 28 November 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of such law, the Issuer must satisfy the applicable opinion and disclosure requirements of Rule 10D-1 and the applicable Listing Standards; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of UBS Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

6. No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, no Issuer shall indemnify any Covered Executives against

the loss of any Erroneously Awarded Compensation, including through any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

7. Administrator Indemnification

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by UBS Group to the fullest extent under applicable law and UBS Group policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or UBS Group policy.

8. Effective Date; Retroactive Application

This Policy shall be effective as of 2 October 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 5 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

9. Amendment; Termination

The Administrator may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange or association on which the Issuer's securities are listed.

10. Other Recoupment Rights; Claims

The Administrator intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to UBS Group pursuant to applicable law or pursuant to the terms of any similar policy or provisions in any employment-related agreement, deferred compensation plan (including, without limitation, notional fund/bond and equity-based), award agreement, or similar agreement and any other legal remedies available to UBS Group.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies UBS Group may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

11. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

12. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be filed as an exhibit to each Issuer's annual report on Form 20-F.



Glossary

“Accounting Restatement” means an accounting restatement of the Issuer’s financial statements due to the Issuer’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“Administrator” has the meaning set forth in Section 1 of this Policy.

“Applicable Period” means the three completed fiscal years immediately preceding the date on which the Issuer is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Issuer’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The **“date on which the Issuer is required to prepare an Accounting Restatement”** is the earlier to occur of (a) the date the Board or the Issuer’s board of directors, as applicable, concludes, or reasonably should have concluded, that the Issuer is required to prepare an Accounting Restatement, or (b) the date a court, regulator, or other legally authorized body directs the Issuer to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

“Board” has the meaning set forth in Section 1 of this Policy.

“Covered Executives” means an Issuer’s current and former executive officers, as determined by the Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.

“Erroneously Awarded Compensation” has the meaning set forth in Section 4 of this Policy.

A **“Financial Reporting Measure”** is any measure that is determined and presented in accordance with the accounting principles used in preparing the Issuer’s financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): stock price; total shareholder return (“TSR”); return measures (e.g., return on equity (“RoE”), return on tangible equity (“RoTE”), return on common equity tier 1 capital (“RoCET1”)); total revenues; divisional and Group PBT; Group net profit; diluted earnings per share (“EPS”); cost income ratio; resources (e.g., CET1 capital ratio, CET1 leverage ratio) and liquidity measures (e.g., liquidity coverage ratio, net stable funding ratio). A Financial Reporting Measure need not be presented within the Issuer’s financial statements or included in a filing with the Securities Exchange Commission.

“Incentive-Based Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is **“received”** for purposes of this Policy in the Issuer’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

“Issuer” means UBS, UBS AG and Credit Suisse AG, each in its capacity as an issuer subject to the Listing Standards (as applicable to each entity as an issuer.) Any UBS Group entity that hereinafter lists any security on a U.S. national securities exchange or association and becomes subject to one or more of the Listing Standards shall be considered an Issuer under this Policy.

“UBS” means UBS Group AG.

“UBS Group” means UBS and its subsidiaries (including, without limitation, UBS AG and Credit Suisse AG).



Key procedural controls

| KPC ID | KPC title |
|-----------------|--|
| CTRL-0000041802 | Proper implementation and completeness of Clawback Policy requirements |



Further references and links

| ID | Type | Title |
|-----|------|-------|
| n/a | n/a | n/a |



Policy ownership and review

Owner: Head HR Performance & Reward

NFR Taxonomy: 1. Employment or Licensing Practices

Published: 28 November 2023