## **Supplemental Listing Document**

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of UBS AG, acting through its London branch, the Certificates, or the Company (as defined below).

20,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Hong Kong Exchanges and Clearing Limited with a Daily Leverage of -5x

> UBS AG (Incorporated with limited liability in Switzerland) acting through its London Branch

> > Issue Price: S\$0.95 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "Certificates") to be issued by UBS AG (the "Issuer") acting through its London branch, and is supplemental to and should be read in conjunction with a base listing document dated 28 June 2024 (the "Base Listing Document"), including its supplements and addenda as executed from time to time, for the purpose of giving information with regard to the Issuer and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer. Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in the United States, the United Kingdom, the European Economic Area, Singapore and Hong Kong (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer and/or any of its affiliates may from time to time purchase the Certificates or sell additional

Certificates on the market, the Issuer and/or any of its affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

For the purpose of section 309B(1) of the Securities and Futures Act 2001 of Singapore (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Certificates are classified as capital markets products other than prescribed capital markets products and Specified Investment Products (SIPs)<sup>2</sup>, and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

Prospective purchasers should therefore ensure that they understand the nature of the Certificates and carefully study the risk factors set out in the Base Listing Document and pages 5 to 10 of this document before they invest in the Certificates.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 24 March 2025.

As at the date hereof, the Issuer's long term credit rating by S&P Global Ratings Europe Limited is A+, by Moody's Investors Service Ltd. is Aa2 and by Fitch Ratings Ireland Limited is A+.

The Issuer is regulated by, among others, the Swiss Federal Banking Commission. In the United Kingdom, it is authorised by the Prudential Regulatory Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulatory Authority.

21 March 2025

<sup>&</sup>lt;sup>1</sup> As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

<sup>&</sup>lt;sup>2</sup> As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer accepts full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to itself and the Certificates. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which it accepts responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer accepts responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer.

No persons have been authorised to give any information or to make any representation save as contained in this document or otherwise authorised by the Issuer in connection with the Certificates and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or its subsidiaries and associates since the date hereof.

This document does not constitute an offer or solicitation by or on behalf of the Issuer to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer requires persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer and/or any of its affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer and/or any of its affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "Conditions" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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# **RISK FACTORS**

The following risk factors are relevant to the Certificates:-

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer will be unable to satisfy its obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute direct, general and unsecured contractual obligations of the Issuer and if you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against any other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against the Company which has issued the Underlying Stock (as defined below). The Issuer has substantially no obligation to a Certificate Holder (as defined in the Conditions) other than to pay amounts in accordance with the terms thereof as set forth herein and in the Base Listing Document. The Issuer does not in any respect underwrite or quarantee the performance of any Certificate. Any profit or loss realised by a Certificate Holder in respect of a Certificate upon exercise or otherwise due to changes in the value of such Certificate or the Underlying Stock is solely for the account of such Certificate Holder. In addition, the Issuer shall have the absolute discretion to put in place any hedging transaction or arrangement which it deems appropriate in connection with any Certificate or the Underlying Stock. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by any one of its rating agencies could result in a reduction in the trading value of the Certificates;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) in the event that the Company is subject to any sanction by governmental authorities, (i) such sanction may impact general investor interest in the Underlying Stock, which may in turn affect the liquidity and market price of the Underlying Stock, and (ii) investors should consult their own legal advisers to check whether and to what extent investing in the Certificates will be in violation of applicable laws and regulations;
- (e) in the event that the Company is controlled through weighted voting rights, certain individuals who own shares of a class which is being given more votes per share may have the ability to determine the outcome of most matters, and depending on the action taken by the Company, the market price of the Certificates could be adversely affected;
- (f) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry and the creditworthiness of the Issuer;

- (g) fluctuations in the price of the Underlying Stock will affect the price of the Certificates but not necessarily in the same magnitude and direction, therefore, prospective investors intending to purchase Certificates to hedge their market risk associated with investing in the Underlying Stock which may be specified herein, should recognise the complexities of utilising the Certificates in this manner;
- (h) a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (j) investors should note that the Issuer's obligations to pay amounts in accordance with the terms thereof as set forth herein shall be discharged by delivery of the aggregate Cash Settlement Amount (if positive) to all Certificate Holders in accordance with the agreement with the Warrant Agent;
- (k) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (I) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions;
- (m) the Certificates are only exercisable on the expiry date and may not be exercised by Certificate Holders prior to such expiry date. Accordingly, if on such expiry date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (n) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below):
- (o) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and the Rebalancing Cost (as defined below);
- (p) investors should note that there may be an exchange rate risk where the Cash Settlement Amount may be converted from a foreign currency into Singapore dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

- (q) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (r) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous trading day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (s) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (t) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (u) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight rise in the Underlying Stock, where there is a 20% or greater gap between the previous trading day closing price and the opening price of the Underlying Stock the following trading day, as the Air Bag Mechanism will only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following trading day (including pre-opening session or opening auction, as the case may be) or (ii) a sharp intraday rise in the Underlying Stock of 20% or greater during the observation period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest new observed price. Investors may refer to pages 41 to 42 of this document for more information;
- (v) certain events may, pursuant to the terms and conditions of the Certificates, trigger (A) the implementation of methods of adjustment or (B) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (A) general market conditions and (B) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to Condition 13 on pages 28 to 29 of this document for more information;
- (w) investors should note that it is not possible to predict the price at which the Certificates will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Certificates of a particular issue are exercised, the number of Certificates of such issue

outstanding will decrease, resulting in a diminished liquidity for the remaining Certificates of such issue. A decrease in the liquidity of an issue of Certificates may cause, in turn, an increase in the volatility associated with the price of such issue of Certificates. The Issuer may, but is not obligated to, at any time, purchase Certificates at any price in the open market or by tender or private agreement. Any Certificates so purchased may be held or resold or surrendered for cancellation. To the extent that an issue of Certificates becomes illiquid, an investor may have to exercise such Certificates to realise value;

- (x) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;
- (y) investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors should refer to the Taxation Section in the Base Listing Document;
- (z) investors should note that the Issuer may enter into discount, commission or fee arrangements with brokers and/or any of its subsidiaries or affiliates with respect to the primary or secondary market in the Certificates. The arrangements may result in the benefit to investors in Certificates buying and selling Certificates through nominated brokers by reducing or eliminating the commission payable by such Certificate Holders. In the event that the commission payable by Certificate Holders is eliminated, fee arrangements between the Issuer and brokers and/or any of its subsidiaries or affiliates will continue to apply. Investors in the Certificates should note that any brokers with whom the Issuer has a commission arrangement does not, and cannot be expected to, deal exclusively in the Certificates, therefore any broker and/or any of its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Stock and/or structured products of other issuers over the Underlying Stock as the Certificates for their proprietary accounts and/or accounts of their The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Certificates and present certain conflicts of interests;
- (aa) various potential and actual conflicts of interest may arise from the overall activities of the Issuer and any of its subsidiaries and affiliates.

The Issuer and any of its subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer and any of its subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer and any of its subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer and any of its subsidiaries and affiliates

and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (bb) in the ordinary course of their business, including without limitation in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer and any of its respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock and/or related derivatives. In addition, in connection with the offering of any Certificates, the Issuer and any of its respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock and/or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and any of its respective subsidiaries and its affiliates, the Issuer and any of its respective subsidiaries and affiliates may enter into transactions in the Underlying Stock and/or related derivatives which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (cc) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website:
- (dd) certain risks relating to the Issuer's operating environment and strategy, including those as set out in Appendix 2 of the Base Listing Document, may impact the Issuer's ability to execute its strategy and directly affect its business activities, financial condition, results of operations and prospects. As a broad-based international financial services firm, the Issuer is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which it is not presently aware or which it currently does not consider to be material could also materially affect its business activities, financial condition, results of operations and prospects. The sequence in which the risk factors are set out in Appendix 2 of the Base Listing Document is not indicative of their likehood of occurrence or the potential magnitude of their financial consequences;
- (ee) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("CDP"):-
  - (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
  - (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates:
  - (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
  - (iv) notices to such Certificate Holders will be published on the website of the SGX-ST.
     Investors will need to check the website of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (ff) Generally, investing in the Certificates may involve risks related to the discontinuance, changes or adjustments to benchmarks generally

Discontinuance of, or changes to, benchmarks may require adjustments to the Issuer's agreements, systems and processes. The interbank offered rate(s) and other interest rate, equity, commodity, foreign exchange and other types of indices which are deemed to be "benchmarks", are the subject of national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be or may be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks or any of the international or national reforms in making any investment decision with respect to any Certificates referencing a benchmark; and

(gg) Specifically, the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate ("**HIBOR**") benchmark is referenced in the Leverage Inverse Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate.

## TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates: 20,000,000 European Style Cash Settled Short Certificates relating

to the ordinary shares of Hong Kong Exchanges and Clearing Limited traded in HKD (the "**Underlying Stock**" or the "**Underlying**")

ISIN: CH1227876864

Company: Hong Kong Exchanges and Clearing Limited (RIC: 0388.HK)

Underlying Price<sup>3</sup> and Source: HK\$361 (Bloomberg)

Calculation Agent: UBS AG acting through its London Branch

Strike Level: Zero

Daily Leverage: -5x (within the Leverage Inverse Strategy as described below)

Notional Amount per Certificate: SGD 0.95

Management Fee (p.a.)<sup>4</sup>: 0.40%

Gap Premium (p.a.)<sup>5</sup>: 7.00%, is a hedging cost against extreme market movements

overnight.

Stock Borrowing Cost<sup>6</sup>: The annualised costs for borrowing stocks in order to take an

inverse exposure on the Underlying Stock.

Rebalancing Cost<sup>6</sup>: The transaction costs (if applicable), computed as a function of

leverage and daily inverse performance of the Underlying Stock.

Launch Date: 14 March 2025

Closing Date: 21 March 2025

<sup>&</sup>lt;sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 21 March 2025. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 21 March 2025.

<sup>&</sup>lt;sup>4</sup> Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

<sup>&</sup>lt;sup>5</sup> Please note that the Gap Premium is calculated on a 360-day basis.

<sup>&</sup>lt;sup>6</sup> These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date: 24 March 2025

Last Trading Date: The date falling 5 Business Days immediately preceding the Expiry

Date, currently being 24 August 2026

Expiry Date: 31 August 2026 (if the Expiry Date is not a Business Day, then the

Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)

Board Lot: 100 Certificates

Valuation Date: 28 August 2026 or if such day is not an Exchange Business Day, the

immediately preceding Exchange Business Day.

Exercise: The Certificates may only be exercised on the Expiry Date or if the

Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of

the Certificates.

Cash Settlement Amount: In respect of each Certificate, shall be an amount (if positive)

payable in the Settlement Currency equal to:

Closing Level multiplied by the Notional Amount per Certificate

Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 33 to 47 of this document for examples and illustrations of the calculation

of the Cash Settlement Amount.

Hedging Fee Factor: In respect of each Certificate, shall be an amount calculated as:

Product (for t from Expected Listing Date to Valuation Date) of (1 - Management Fee x (ACT (t-1;t) ÷ 360)) x (1 - Gap Premium (t-1) x)

 $(ACT (t-1;t) \div 360))$ , where:

"t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

An "**Underlying Stock Business Day**" is a day on which The Stock Exchange of Hong Kong Limited (the "**HKEX**") is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 33 to 47 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

 $\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$ 

1,000

The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 15 to 19 below.

0.1717794173

The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

The "Air Bag Mechanism" refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("Air Bag Trigger Price") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the

Closing Level:

Initial Reference Level:

Final Reference Level:

Initial Exchange Rate<sup>3</sup>:

Final Exchange Rate:

Air Bag Mechanism:

impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes of continuous trading after the Air Bag is triggered. The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the "Air Bag Mechanism" section on page 19 below and the "Description of Air Bag Mechanism" section on pages 39 to 40 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:

The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

**Underlying Stock Currency:** Hong Kong Dollar ("HKD")

Settlement Currency: Singapore Dollar ("SGD")

Exercise Expenses: Certificate Holders will be required to pay all charges which are

incurred in respect of the exercise of the Certificates.

the Certificates:

Relevant Stock Exchange for The Singapore Exchange Securities Trading Limited ("SGX-ST")

Relevant Stock Exchange for HKEX

the Underlying Stock:

**Business** Day, Settlement Business Day and Exchange Business Day:

A "Business Day" or a "Settlement Business Day" is a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

An "Exchange Business Day" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.

Warrant Agent: The Central Depository (Pte) Limited ("CDP")

Clearing System: CDP

Fees and Charges: Normal transaction and brokerage fees shall apply to the trading of

the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax

treatment which will apply at any given time.

Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and the Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee

will be announced on the SGXNET.

Further Information: Please refer to the website at http://dlc.ubs.com for more information

on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day

and the Management Fee and Gap Premium.

## Specific Definitions relating to the Leverage Inverse Strategy

# Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

## Leverage Inverse Strategy Formula

LSL<sub>t</sub>

means the Leverage Inverse Strategy Level as of the Leverage Reset Time (t), calculated in accordance with the following formulae:

On Leverage Reset Time(1):

$$LSL_1 = 1000$$

On each subsequent Leverage Reset Time(t):

$$LSL_{t} = Max \Big[ LSL_{r(t)} \times \Big( 1 + LR_{r(t),t} - \ FC_{r(t),t} - \ SB_{r(t),t} - \ RC_{r(t),t} \Big), 0 \Big]$$

# Leverage Reset Time (t) means

1) the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date; and

2) end of any Intraday Restrike Event Observation Period.

Leverage Reset Time (1) is the scheduled close for the Relevant Stock Exchange for the Underlying Stock on Issue Date.

# Leverage Reset Time r(t)

means the Leverage Reset Time immediately preceding the Leverage Reset Time (t).

 $LR_{r(t),t} \\$ 

means the Leveraged Return of the Underlying Stock between Leverage Reset Time r(t) and Leverage Reset Time (t), calculated as follows:

$$LR_{r(t),t} = Leverage \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1\right)$$

 $FC_{r(t),t} \\$ 

means, the Funding Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:

If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

$$FC_{r(t),t} = (Leverage - 1) \times \frac{Rate_{r(t)} \times ACT(r(t),t)}{DayCountBasisRate}$$

Otherwise,  $FC_{r(t),t} = 0$ 

 $SB_{r(t),t} \\$ 

means the Stock Borrowing Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:

If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

$$SB_{r(t),t} = -Leverage \times \frac{CB \times ACT(r(t),t)}{DayCountBasisRate}$$

Otherwise,  $SB_{r(t),t} = 0$ 

CB

means the Cost of Borrowing applicable that is equal to: 3.00%

 $RC_{r(t),t} \\$ 

means the Rebalancing Cost of the Leverage Inverse Strategy as at Leverage Reset Time (t), calculated as follows:

$$\text{RC}_{r(t),t} = \text{ Leverage } \times (\text{Leverage} - 1) \times \left( \left| \frac{s_t}{s_{r(t)} \times \textit{Rfactor}_t} - 1 \right| \right) \times \text{TC}$$

TC

means the Transaction Costs applicable as determined by the Calculation Agent (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:

0.11%

"Stamp Duty" refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

# Leverage

-5

 $\mathbf{S}_{\mathbf{t}}$ 

means the Underlying Stock Price as of Leverage Reset Time (t) computed as follows, subject to the adjustments and provisions of the Conditions:

If the Leverage Reset Time (t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

 $S_{\rm t}$  is the Closing Price of the Underlying Stock as of such Observation Date.

Otherwise,

 $S_{\rm t}$  is the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period.

Rfactor<sub>t</sub>

means an amount determined by the Calculation Agent, according to the following formula, subject to the adjustments and provisions of the Conditions:

If in respect of the Leverage Reset Time (t), the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

$$Rfactor_{t} = 1 - \frac{Div_{t}}{S_{r(t)}}$$

Otherwise,

$$Rfactor_t=1$$

Where

 ${\it Div}_t$  is the dividend to be paid out in respect of the Underlying Stock on the Observation Date of the Leverage Reset Time (t) if such Observation Date is an ex-dividend date, otherwise is zero. The dividend shall be considered gross of any applicable withholding taxes.

Rate,

means, in respect of the Observation Date of Leverage Reset Time (t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing,

as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if such rate is not available, then the rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Benchmark Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

#### **Benchmark Event**

#### means:

- (a) the relevant reference rate has ceased to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or
- (b) a public statement by the administrator of the relevant reference rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such reference rate) it has ceased publishing such reference rate permanently or indefinitely or that it will cease to do so by a specified future date (the "Specified Future Date"); or
- (c) a public statement by the supervisor of the administrator of the relevant reference rate that such reference rate has been or will, by a specified future date (the "Specified Future Date"), be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the relevant reference rate as a consequence of which Reference Rate will, by a specified future date (the "Specified Future Date"), be prohibited from being used, or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Certificates; or
- (e) a public statement by the supervisor of the administrator of the relevant reference rate that, in the view of such supervisor, such reference rate is or will, by a specified future date (the "Specified Future Date"), be no longer representative of an underlying market or the methodology to calculate such reference rate has materially changed; or
- (f) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any holder of the Certificates using the relevant reference rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the subparagraphs above, where the relevant Benchmark Event is a public statement within subparagraphs (b), (c), (d)

or (e) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

ACT(r(t),t)

ACT (r(t),t) means the number of calendar days between the Observation Date of the Leverage Reset Time r(t) (included) and the Observation Date of the Leverage Reset Time (t) (excluded).

**DayCountBasisRate** 

365

## Air Bag Mechanism

**Intraday Restrike Event** 

means in respect of an Observation Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the amount of  $S_{r(t)} \times Rfactor_t$  where r(t) means the immediately preceding Leverage Reset Time prior to such Calculation Time.

**Calculation Time** 

means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

**TimeReferenceOpening** 

means the scheduled opening time (including pre-opening session or opening auction, as the case may be) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**TimeReferenceClosing** 

means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event
Observation Period

means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time

means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

# TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

## 1. Form, Status, Transfer and Title

- (a) Form. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
  - (i) a master instrument by way of deed poll (the "Master Instrument") dated 28 June 2024, made by UBS AG (the "Issuer") acting through its London Branch; and
  - (ii) a warrant agent agreement (the "Master Warrant Agent Agreement" or "Warrant Agent Agreement") dated any time on or before the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The Certificate Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) Status. The Certificates constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise and, in particular, the Certificates will not be secured by any underlying assets. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.
- (c) Transfer. The Certificates are represented by a global warrant certificate ("Global Warrant") which will be deposited with The Central Depository (Pte) Limited ("CDP"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) Title. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "Certificate Holder" shall be construed accordingly.

# 2. Certificate Rights and Exercise Expenses

(a) Certificate Rights. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "Cash Settlement Amount", in respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "Closing Level", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{Final\,Reference\,Level\,\times Final\,Exchange\,Rate}{Initial\,Reference\,Level\,\times Initial\,Exchange\,Rate} - Strike\,Level\right) \times Hedging\,Fee\,Factor$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Final Reference Level or the relevant closing level by having regard to the manner in which futures contracts relating to the Underlying Stock are calculated.

"Market Disruption Event" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange, if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) Exercise Expenses. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "Exercise Expenses"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the

foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

# 3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

## 4. Exercise of Certificates

- (a) Exercise. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) Automatic Exercise. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) Settlement. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the Warrant Agent who will then pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be dispatched by the Warrant Agent as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document) following the Expiry Date (subject to extension upon the occurrence of a Market Disruption Event (as defined above) by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment to the Warrant Agent in accordance with the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (d) CDP not liable. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) Business Day. In these Conditions, a "Business Day" shall be a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

# 5. Warrant Agent

- (a) Warrant Agent. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) Agent of Issuer. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

# 6. Adjustments

- (a) Potential Adjustment Event. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) Definitions. "Potential Adjustment Event" means any of the following:
  - (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
  - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer

acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

- (iii) an extraordinary dividend;
- (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
- (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise:
- (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
- (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) Merger Event, Tender Offer, Nationalisation and Insolvency. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
  - (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
  - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
  - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "Option Reference Source") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or

more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) Definitions. "Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "Merger Event" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "Nationalisation" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "Tender Offer" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

- (e) Subdivision or Consolidation of the Certificates. The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (f) Other Adjustments. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events (including the events as contemplated in Conditions 6(a) to 6(e)) occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) and irrespective of, in substitution for, or in addition to the provisions contemplated in Conditions 6(a) to 6(e) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or as the case may be, amendment provided that such adjustment or as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (g) Notice of Adjustments. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given notice as soon as practicable of any adjustment and of the date from which such adjustment is effective in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

# 7. Purchases

The Issuer or its related corporations may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

## 8. Meetings of Certificate Holders; Modification

(a) Meetings of Certificate Holders. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting two or more

persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) Modification. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

## 9. Notices

- (a) Documents. All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.
- (b) Notices. All notices to Certificate Holders will be validly given if published in English on the website of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the website of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

# 10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

## 11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates.

# 12. Delisting

- (a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

# 13. Early Termination

(a) Early Termination for Illegality etc. The Issuer shall have the right to terminate the Certificates if it shall have determined in its absolute discretion that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("Applicable Law").

For the purposes of this Condition:

"Regulatory Event" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or any of its affiliates involved in the issue of the Certificates (hereafter the "Relevant Affiliates" and each of the Issuer and the Relevant Affiliates, a "Relevant Entity") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase,

substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"Change in Law" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) Early Termination for other reasons. The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(c) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction).
- (c) Termination. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by the Applicable Law, pay to each Certificate Holder in respect of each Certificate held by such Certificate Holder an amount calculated by it as the fair market value of the Certificate immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Certificate Holder in such manner as shall be notified to the Certificate Holder in accordance with Condition 9.

# 14. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore.

# 15. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

# 16. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise expressly provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

#### SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer: UBS AG acting through its London Branch

Company: Hong Kong Exchanges and Clearing Limited

The Certificates: European Style Cash Settled Short Certificates relating to the Underlying

Stock

Number: 20,000,000 Certificates

Form: The Certificates will be issued subject to, and with the benefit of, a

master instrument by way of deed poll dated 28 June 2024 (the "Master Instrument") and executed by the Issuer and a master warrant agent agreement dated 27 February 2008 (the "Master Warrant Agent

**Agreement**") and made between the Issuer and the Warrant Agent.

Cash Settlement Amount: In respect of each Certificate, is the amount (if positive) equal to:

Notional Amount per Certificate x Closing Level

Denominations: Certificates are represented by a global warrant in respect of all the

Certificates.

Exercise: The Certificates may only be exercised on the Expiry Date or if the Expiry

Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to

receive any payment from the Issuer in respect of the Certificates.

**Exercise and Trading** 

Currency:

SGD

Board Lot: 100 Certificates

Transfers of Certificates: Certificates may only be transferred in Board Lots (or integral multiples

thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass

upon registration of the transfer in the records of CDP.

Listing: Application has been made to the SGX-ST for permission to deal in and

for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence

on or about 24 March 2025.

Governing Law: The laws of Singapore

Warrant Agent: The Central Depository (Pte) Limited

4 Shenton Way

#02-01 SGX Centre 2 Singapore 068807

Further Issues: Further issues which will form a single series with the Certificates will be

permitted.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

#### INFORMATION RELATING TO

## THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

# What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the "Certificates") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

## A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

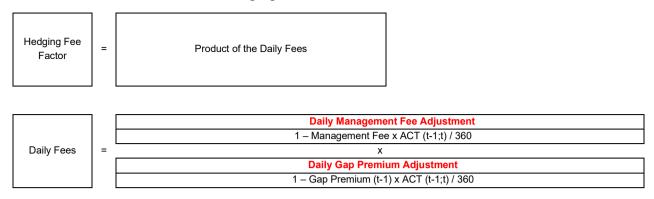
# B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and the Rebalancing Cost.

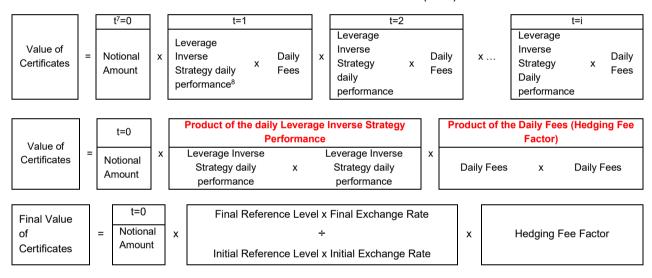
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## Illustration of the Calculation of Hedging Fee Factor



#### Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates - Strike Level (zero)



# Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

<sup>7</sup> "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date. 
<sup>8</sup> Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Level on Business Day (t) divided by the Leverage Inverse Strategy Level on Business Day (t-1).

# **Example of Calculation of Hedging Fee Factor and Cash Settlement Amount**

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock: Ordinary shares of Hong Kong Exchanges

and Clearing Limited traded in HKD

Expected Listing Date: 01/02/2021

Expiry Date: 16/02/2021

Initial Reference Level: 1,000

Initial Exchange Rate: 1

Final Reference Level: 1,200

Final Exchange Rate: 1

Issue Price: 0.95 SGD

Notional Amount per Certificate: 0.95 SGD

Management Fee (p.a.): 0.40%

Gap Premium (p.a.): 7.00%

Strike Level: Zero

# **Hedging Fee Factor**

Hedging Fee Factor on the n<sup>th</sup> Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF (1) = HFF (0)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t-1;t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t-1;t)}}{360}\right)$$

HFF (1) = 
$$100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 7.00\% \times \frac{1}{360}\right)$$

HFF (1) = 
$$100\% \times 99.9989\% \times 99.9806\% \approx 99.9794\%$$

Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

$$\text{HFF (2)} = \text{HFF (1)} \times \left(1 - \text{Management Fee } \times \frac{\text{ACT (t-1;t)}}{360}\right) \times \left(1 - \text{Gap Premium } \times \frac{\text{ACT (t-1;t)}}{360}\right)$$

HFF (2) = 99.9794% × 
$$\left(1 - 0.40\% \times \frac{3}{360}\right)$$
 ×  $\left(1 - 7.00\% \times \frac{3}{360}\right)$ 

HFF (2) = 
$$99.9794\% \times 99.9967\% \times 99.9417\% \approx 99.9178\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n-1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t-1;t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t-1;t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6921% as illustrated below:

Date	HFF
2/1/2021	100.0000%
2/2/2021	99.9794%
2/3/2021	99.9589%
2/4/2021	99.9383%
2/5/2021	99.9178%
2/8/2021	99.8562%
2/9/2021	99.8357%
2/10/2021	99.8151%
2/11/2021	99.7946%
2/12/2021	99.7741%
2/15/2021	99.7126%
2/16/2021	99.6921%

## **Cash Settlement Amount**

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

Cash Settlement Amount = Closing Level x Notional Amount per Certificate = 119.63%x 0.95 SGD

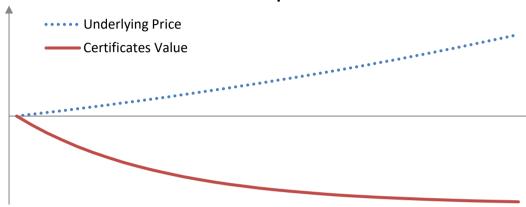
= 1.136 SGD

#### Illustration on how returns and losses can occur under different scenarios

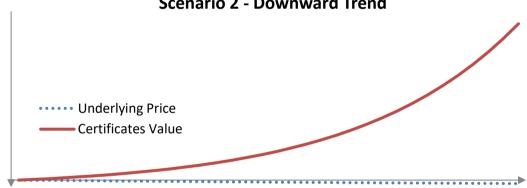
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

#### 1. Illustrative examples





Scenario 2 - Downward Trend



Scenario 3 - Volatile Market



# 2. Numerical Examples

# Scenario 1 - Upward Trend

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		2.00%	2.00%	2.00%	2.00%	2.00%
Value at end of day	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32	11,040.81
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Price at end of day	0.95	0.86	0.77	0.69	0.62	0.56
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

# Scenario 2 - Downward Trend

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Value at end of day	10,000.00	9,800.00	9,604.00	9,411.92	9,223.68	9,039.21
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
Day 0 Day 1 Day 2 Day 3 Day 4 Day 5						
Daily Return		10.00%	10.00%	10.00%	10.00%	10.00%
Price at end of day	0.95	1.05	1.15	1.26	1.39	1.53
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

# Scenario 3 - Volatile Market

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		2.00%	-2.00%	-2.00%	2.00%	2.00%
Value at end of day	10,000.00	10,200.00	9,996.00	9,796.08	9,992.00	10,191.84
Accumulated Return		2.00%	-0.04%	-2.04%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-10.00%	10.00%	10.00%	-10.00%	-10.00%
Price at end of day	0.95	0.86	0.94	1.03	0.93	0.84
Accumulated Return		-10.00%	-1.00%	8.90%	-1.99%	-11.79%

#### **Description of Air Bag Mechanism**

The Certificates integrate an "Air Bag Mechanism" which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

In accordance with the Air Bag Mechanism timeline below, when the Air Bag triggers, the following typically occurs:

- Observation Period: the price of the Underlying Stock is observed and its maximum price is recorded (i) during 15 minutes of continuous trading after the Air Bag is triggered, or (ii) until Market Close if there is 15 minutes (or less) of continuous trading until Market Close when the Air Bag is triggered; and
- Reset Period: thereafter, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy.

During the Observation Period and Reset Period, trading of Certificates is suspended for a period of at least 30 minutes of continuous trading after the Air Bag is triggered, and such suspension will be based on instructions provided by the Issuer to the SGX-ST for suspension of trading. Investors cannot sell or purchase any Certificates during this period.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

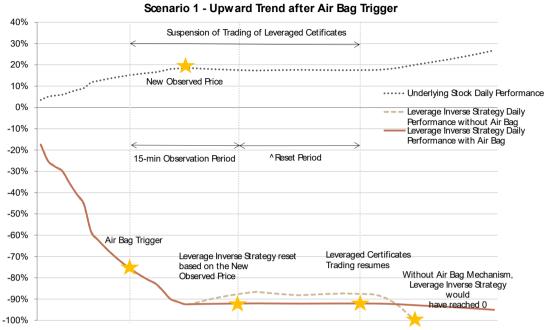
For the avoidance of doubt, if the Air Bag Mechanism was triggered with more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST's approval to resume trading. If the Air Bag Mechanism was triggered between 45 minutes and 60 minutes of continuous trading before Market Close, trading of Certificates may or may not resume the same trading day after the Reset Period has elapsed. If the Air Bag Mechanism was triggered with only 45 minutes (or less) of continuous trading before Market Close, trading of Certificates resumes on the next trading day.

The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour. The Issuer will provide at least 15 minutes' notice of the resumption of trading by making an SGXNET announcement.

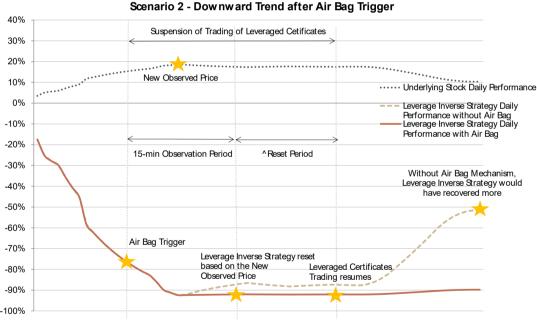
#### With Market Close defined as:

- the Underlying Stock closing time, including the closing auction session, with respect to the Observation Period; and
- the sooner of (i) the Underlying Stock closing time for continuous trading and (ii) the SGX-ST closing time, with respect to the Resumption of Trading

#### Illustrative examples of the Air Bag Mechanism9



^ The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.



^ The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

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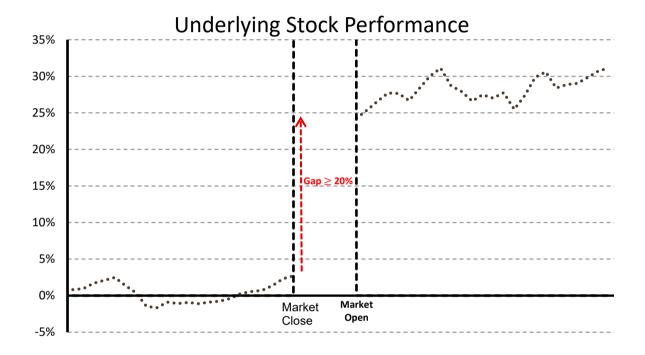
<sup>&</sup>lt;sup>9</sup> The illustrative examples are not exhaustive.

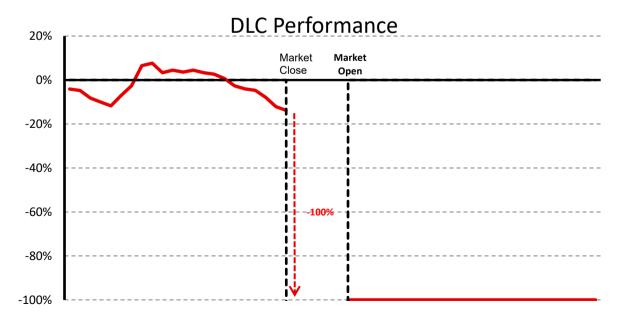
#### Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

#### <u>Scenario 1 – Overnight rise of the Underlying Stock</u>

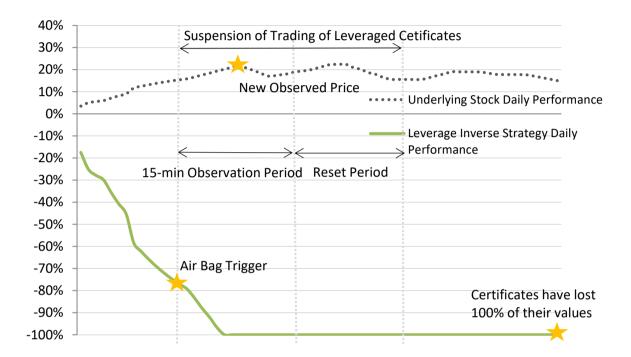
On any Underlying Stock Business Day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous trading day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous trading day closing price, the Air Bag Mechanism would only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following trading day (including pre-opening session or opening auction, as the case may be), and the Certificates would lose their entire value in such event.





#### Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag events have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



#### Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event the Observation Date of the Leverage Reset Time(t) is an ex-date with respect to a corporate action related to the Underlying Stock, and the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto), the Calculation Agent may, in its sole and absolute discretion, replace the  $Rfactor_t$  with respect to such Leverage Reset Time (t) by an amount computed according to the following generic formula:

$$Rfactor_{t} = \left[1 - \frac{Div_{t} + DivExc_{t} - M \times R}{S_{r(t)}}\right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of  $Rfactor_t$  would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

#### Where:

DivExc<sub>t</sub> is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

**M** is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

**R** is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

#### 1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{r(t)} = $100$$

$$S_t = $51$$

 $Div_t = \$0$ 

 $DivExc_t = \$0$ 

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0}{100}\right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{r(t),t} = Leverage \ \times \ \left(\frac{S_t}{S_{r(t)} \times \textit{Rfactor}_t} - 1\right) = \ -5 \ \times \ \left(\frac{51}{100 \times 50\%} - 1\right) = \ -10\%$$

S <sub>r(t)</sub>	$S_{r(t)} \times Rfactor_t$	S <sub>t</sub>	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates'	performance
		(excluding any cost	t and fees)
0.95	0.855	-10%	

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$57.5, which is 15% above \$50, the Underlying Stock Reference Price.

#### 2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{r(t)} = $100$$

 $S_t = $202$ 

 $Div_t = \$0$ 

 $DivExc_t = \$0$ 

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{r(t),t} = Leverage \ \times \ \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1\right) = \ -5 \ \times \ \left(\frac{202}{100 \times 200\%} - 1\right) = \ -5\%$$

S <sub>r(t)</sub>	$S_{r(t)} \times Rfactor_t$	$S_{\mathrm{t}}$	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' (excluding any cos	performance t and fees)
0.95	0.9025	-5%	

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$230, which is 15% above \$200, the Underlying Stock Reference Price.

### 3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{r(t)} = $100$$

 $S_t = $84$ 

 $Div_t = \$0$ 

 $DivExc_t = \$0$ 

R = \$40 (i.e. subscription price of \$40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{r(t),t} = Leverage \ \times \ \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1\right) = \ -5 \ \times \ \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

$S_{r(t)}$	$S_{r(t)} \times Rfactor_t$	$S_{\mathrm{t}}$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates'	performance
		(excluding any cost	and fees)
0.95	0.7125	-25%	

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

#### 4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{r(t)} = $100$$

 $S_t = $85$ 

 $Div_t = \$0$ 

 $DivExc_t = \$0$ 

R = \$0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{r(t),t} = Leverage \ \times \ \left(\frac{s_t}{s_{r(t)} \times \textit{Rfactor}_t} - 1\right) = \ -5 \ \times \ \left(\frac{85}{100 \times 83.33\%} - 1\right) = -10\%$$

S <sub>r(t)</sub>	$S_{r(t)} \times Rfactor_t$	$S_{t}$	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.95	0.855	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

#### 5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{r(t)} = $100$$

$$S_t = $84$$

$$Div_t = \$0$$

$$DivExc_t = $20$$

$$R = $0$$

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{r(t),t} = Leverage \times \left(\frac{s_t}{s_{r(t)} \times \textit{Rfactor}_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

S <sub>r(t)</sub>	$S_{r(t)} \times Rfactor_t$	S <sub>t</sub>	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.95	0.7125	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

#### INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "HKExCL") at http://www.hkex.com.hk. The Issuer has not independently verified any of such information.

Hong Kong Exchanges and Clearing Limited (the "Company") is principally engaged in the operation of stock exchanges. The Company operates through five business segments. The Cash segment includes various equity products traded on the Cash Market platforms, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The Equity and Financial Derivatives segment includes derivatives products traded on Hong Kong Futures Exchange Limited (HKFE) and the Stock Exchange of Hong Kong Limited (SEHK) and other related activities. The Commodities segment includes the operations of the London Metal Exchange (LME). The Clearing segment includes the operations of various clearing houses, such as Hong Kong Securities Clearing Company Limited, the SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited, over the counter (OTC) Clearing Hong Kong Limited and LME Clear Limited. The Platform and Infrastructure segment provides users with access to the platform and infrastructure of the Company.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2024 and has been extracted and reproduced from an announcement by the Company released on 17 March 2025 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

#### INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

UBS AG, acting through its London Branch, has been appointed the designated market maker ("DMM") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a) Maximum bid and offer spread

when the best bid price of the Certificate is : (i) S\$10 and below: 10 ticks or S\$0.20 whichever is greater; and

(ii) when the best bid price of the Certificate is above S\$10: 5% of the best bid price of the Certificate.

Minimum quantity subject to bid and : 10,000 Certificates (b) offer spread

(c) Last Trading Day for Market Making

: The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- during the pre-market opening and five minutes following the opening of the SGX-ST on any (i) trading day;
- if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for (ii) such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- where the Certificates are suspended from trading for any reason; (v)
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide bid quotations. The DMM may provide intermittent offer quotations when it has inventory of the Certificates:

- (x) if the stock market experiences exceptional price movement and volatility;
- (xi) when it is a public holiday in Singapore and/or Hong Kong and the SGX-ST and/or the HKEX is not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

#### PLACING AND SALE

#### General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

#### **United Kingdom**

In relation to each tranche of Certificates, the Issuer has represented, warranted and agreed that:

- (a) No deposit-taking: in relation to any Certificates having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Certificates would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

- (b) Financial Promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not or would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) General Compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.
- If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not offered, sold or otherwise made available such Certificates to any retail investor in the United Kingdom. For the purposes of this provision:
- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
- (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

- a) if the Supplemental Listing Document in relation to the Certificates specifies an offer of those Certificates may be made other than pursuant to Article 1(4) of the UK Prospectus Regulation in the United Kingdom (a "Public Offer"), following the date of publication of a prospectus in relation to such Certificates which either (i) has been approved by the UK Financial Conduct Authority ("FCA"), or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation); or
- d) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Certificates to the public referred to in (a) to (c) above shall require the publication of a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Certificates to the public" in relation to any products in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### **United States of America**

The Certificates have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. The Certificates will not be offered, sold or delivered within the United States or to U.S. persons. As used herein, "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; and "U.S. person" means (i) any citizen or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, (ii) any estate or trust the income of which is subject to United States income taxation regardless of its source, (iii) "U.S. person" as such term is defined in (a) Regulation S under the Securities Act or (b) the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the U.S. Commodity Futures Trading Commission ("CFTC") pursuant to the U.S. Commodity Exchange Act of 1936, as amended, or (iv) a person other than a "Non-United States Person" as defined in CFTC Rule 4.7, in each case, as such definition is amended, modified or supplemented from time to time.

#### **Prohibition of Sales to European Economic Area**

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II");
  - (ii) a customer within the meaning of Directive 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

#### PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION

If the Supplemental Listing Document specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", in relation to each member state of the European

Economic Area (each, a "Relevant State"), the Issuer has represented, warranted and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in that Relevant State except that it may make an offer of such Certificates to the public in that Relevant State:

- (a) Approved listing document: if the Supplemental Listing Document in relation to the Certificates specifies that an offer of those Certificates may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "Non-exempt Offer"), following the date of publication of a listing document in relation to such Certificates which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such listing document has subsequently been completed by the Supplemental Listing Document contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such listing document or Supplemental Listing Document, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) Fewer than 150 offered: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Issuer for any such offer; or
- (d) Other exempt offers: at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a listing document pursuant to Article 3 of the Prospectus Regulation or supplement a listing document pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Certificates to the public" in relation to any Certificates in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State.

#### **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

#### **Hong Kong**

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued, or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Certificates, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

#### SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

The information set out in Appendix II of this document relates to the risk factors relating to operating environment and strategy of the Issuer.

The information set out in Appendix III of this document relates to the recent developments in the Issuer's business.

The information set out in Appendix IV of this document is an extract of the audited consolidated financial statements of UBS AG and its subsidiaries for the full year ended 31 December 2024.

For more information on the Issuer, please see <a href="http://www.ubs.com/">http://www.ubs.com/</a>.

Queries regarding the Certificates may be directed to +852 2971 6668 or OL-HKWarrants@ubs.com.

#### SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 268 of the Base Listing Document.

- Save as disclosed in the Base Listing Document and herein, there is no litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates to which the Issuer is a party nor, to the best of its knowledge and belief, is there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates which would in either case jeopardise its ability to discharge its obligations in respect of the Certificates.
- 2. UBS AG, Singapore Branch at 9 Penang Road, Singapore 238459, has been authorised to accept, on behalf of the Issuer, service of process and any other notices required to be served on the Issuer. Any notices required to be served on the Issuer should be sent to UBS AG, Singapore Branch at the above address for the attention of Han-Kiat Tan, Legal & Compliance.
- 3. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in board lots of 100 Certificates in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.
- 4. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
- 5. There has been no adverse change, material in the context of the issue of the Certificates, in the financial position of the Issuer since 31 December 2024.
- 6. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and may be material to the issue of the Certificates:
  - (a) the Master Instrument; and
  - (b) the Master Warrant Agent Agreement.

None of the directors of the Issuer has any direct or indirect interest in any of the above contracts.

- 7. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
- 8. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of Allen & Gledhill LLP at One Marina Boulevard #28-00, Singapore 018989, during the period of 14 days from the date of this document:

- (a) the articles of association of the Issuer;
- (b) the latest financial reports (including the notes thereto) of the Issuer;
- (c) the Base Listing Document; and
- (d) this document.

#### APPENDIX I

## REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 OF HONG KONG EXCHANGES AND CLEARING LIMITED AND ITS SUBSIDIARIES

# Auditor's Report

# Independent Auditor's Report to the Members of Hong Kong Exchanges and Clearing Limited

(incorporated in Hong Kong with limited liability)

#### **Opinion**

#### What we have audited

The consolidated financial statements of Hong Kong Exchanges and Clearing Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 140 to 230, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Control environment supporting key information technology systems

#### **Key Audit Matters** (Continued)

#### Goodwill impairment assessment

#### Nature of the Key Audit Matter

As at 31 December 2024, the Group has goodwill of HK\$13,297 million arising from various acquisitions. Goodwill of HK\$13,192 million arising from the acquisition of LME Holdings Limited and its subsidiaries (collectively the "LME Group") is attributable to the Cash Generating Unit ("CGU") for the "Commodities" segment.

We focused on goodwill arising from the acquisition of the LME Group due to significant judgements applied by management in the goodwill impairment assessment and financial significance.

Goodwill with an indefinite useful life is subject to impairment assessments annually, or more frequently if there is an indication for impairment.

Management performed an impairment assessment over the goodwill by estimating the recoverable amount (being the higher of the fair value less costs of disposal and value-in-use).

The value-in-use calculation for the relevant CGU is determined based on a discounted cash flow model. The model takes into consideration the projected future cash flows of the CGU for the next five years. Significant judgments are required to estimate the value-in-use for the CGU. These include projected revenue and operating expenditure, the growth rate used to project the cash flows beyond the 5-year period ("terminal growth rate") and the discount rate applied to convert the future cash flows to their present values ("discount rate").

Based on the impairment assessment, management concluded that there is no impairment in respect of the goodwill allocated to the Commodities segment.

The significant assumptions are disclosed in note 30 to the consolidated financial statements.

#### How our audit addressed the Key Audit Matter

Our procedures to evaluate the Group's goodwill impairment assessment included the following:

- Understanding of management's process for performing the goodwill impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias;
- Assessing the appropriateness of the discounted cash flow model used;
- Assessing the reasonableness of projected revenue and operating expenditure assumptions used to estimate the future cash flows of the CGU for the next five years against approved budgets, forecasts, future business plans and correlations with trading and clearing volumes;
- 4. Assessing the reliability of management's projections by comparing budgets against actual results achieved in prior years;
- 5. Assessing the reasonableness of other significant assumptions being the terminal growth rate and the discount rate used in estimating value-inuse based on independent market data with the involvement of our valuation expert; and
- 6. Independently performing sensitivity analysis on the significant assumptions and evaluating the impact that reasonably possible changes could have on management's goodwill impairment assessment.

Based on available evidence, we found the significant assumptions management adopted in relation to the goodwill impairment assessment to be supportable.

#### **Key Audit Matters** (Continued)

#### Control environment supporting key information technology systems

#### **Nature of the Key Audit Matter**

The Group operates securities and derivatives trading, clearing and settlement systems, which process significant volumes of transactions and market data. Trading, clearing and settlement fees, and depository, custody and nominee services fees generated from these transactions accounted for the majority of the Group's revenue. The completeness and accuracy of the fee revenue recognised rely heavily on the information technology ("IT") systems processing those transactions and data.

Key systems and related key controls are put in place by management over the data capture, processing and reporting of fee revenue. These include the core trading, clearing and settlement systems that capture and process transactions generating fee revenue and the financial accounting and reporting systems ("key systems").

As part of our audit, we focused on these key systems as the fee revenue reported in the Group's financial statements is highly dependent on (i) the proper functioning of these key systems, and (ii) the design and operating effectiveness of automated application controls and underlying IT general controls (including controls over cybersecurity) put in place by management. Such automated application controls include system logical access controls and controls over system automated calculations, system generated information and system interfaces. IT general controls include controls over access to programs and data, program changes, computer operations and program development.

#### How our audit addressed the Key Audit Matter

As part of our audit, we obtained an understanding of the end-to-end processes of the key systems that capture and process transactions generating fee revenue and their reporting in the Group's financial statements. Based on this understanding, we identified and evaluated the design of the key business process controls, including both manual and automated application controls, as well as the underlying IT general controls governing the associated IT systems and processes that we relied on in our audit.

Our audit procedures over the revenue streams that have a high dependency on IT systems included the following:

- Assessing the control environment (including the IT governance framework, cybersecurity and IT incident management and IT general controls over the key systems) that support the processing of transactions to evaluate whether the system functionality, data and controls could be relied on throughout the audit. Our testing of IT general controls covered the design and operating effectiveness of controls over access to programs and data, program changes, computer operations and program development; and
- Testing relevant key automated application controls over the capture, processing and reporting of transactions. Our procedures included the testing of controls over system logical access, system automated calculations, system generated information and system interfaces.

Based on the procedures performed, we considered that the control environment supporting the relevant IT systems maintained by the Group can be relied on for the purpose of our audit of revenue.

#### Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

#### Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Group assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these consolidated financial statements.

# Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information
  of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial
  statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of
  the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit 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 Audit 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.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Po-ting Li.

#### PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 February 2025

# Consolidated Income Statement

For the year ended 31 December 2024

	Note	2024 \$m	2023 \$m
Trading fees and trading tariffs	5(a)	7,189	6,081
Clearing and settlement fees		4,717	3,885
Stock Exchange listing fees	5(b)	1,484	1,523
Depository, custody and nominee services fees		1,146	1,276
Market data fees		1,086	1,098
Other revenue	5(c)	1,724	1,582
Revenue	5	17,346	15,445
Investment income		10,755	10,972
Interest rebates to Participants		(5,828)	(6,013)
Net investment income	6	4,927	4,959
Donation income of HKEX Foundation	7	67	88
Sundry income	8	34	24
Revenue and other income		22,374	20,516
Less: Transaction-related expenses	9	(332)	(247)
Revenue and other income less transaction-related expenses		22,042	20,269
Operating expenses			
Staff costs and related expenses	10	(3,886)	(3,564)
Information technology and computer maintenance expenses	11	(882)	(814)
Premises expenses		(138)	(134)
Product marketing and promotion expenses		(126)	(135)
Professional fees		(199)	(289)
HKEX Foundation charitable donations		(86)	(94)
Other operating expenses	12	(444)	(411)
		(5,761)	(5,441)
EBITDA (non-HKFRS measure)		16,281	14,828
Depreciation and amortisation		(1,402)	(1,443)
Operating profit	13	14,879	13,385
Finance costs	14	(114)	(135)
Share of profits of joint ventures		88	82
Profit before taxation		14,853	13,332
Taxation	17	(1,698)	(1,351)
Profit for the year		13,155	11,981
Profit attributable to:			
Shareholders of HKEX	46	13,050	11,862
Non-controlling interests	28(a)(i)	105	119
Profit for the year		13,155	11,981
Basic earnings per share	18(a)	\$10.32	\$9.37
Diluted earnings per share	18(b)	\$10.29	\$9.36

The notes on pages 145 to 230 are an integral part of these consolidated financial statements.

Details of dividends are set out in note 19 to the consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	2024 \$m	2023 \$m
Profit for the year		13,155	11,981
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences of foreign subsidiaries		(107)	(16)
Cash flow hedges, net of tax	44(a)	(48)	(7)
Financial assets measured at fair value through other comprehensive income:			
– Changes in fair value, net of tax		79	129
- Loss on disposal reclassified to profit or loss, net of tax		48	-
Other comprehensive (loss)/income		(28)	106
Total comprehensive income		13,127	12,087
Total comprehensive income attributable to:			
Shareholders of HKEX		13,024	11,971
Non-controlling interests		103	116
Total comprehensive income		13,127	12,087

The notes on pages 145 to 230 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2024

			At 31 Dec 2024	ļ	At 31 Dec 2023			
	Note	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m	
Assets								
Cash and cash equivalents	20,21	134,365	-	134,365	125,107	-	125,107	
Financial assets measured at fair value through profit or loss	20,22	6,901	657	7,558	6,357	604	6,961	
Financial assets measured at fair value through other comprehensive income	20,23	47,562	3,142	50,704	18,250	-	18,250	
Financial assets measured at amortised cost	20,24	42,082	1,528	43,610	74,984	1,665	76,649	
Derivative financial instruments	26	67,747	-	67,747	58,127	_	58,127	
Accounts receivable, prepayments and deposits	27	54,478	19	54,497	33,313	19	33,332	
Tax recoverable		441	-	441	64	-	64	
Interests in joint ventures	29	-	415	415	-	352	352	
Goodwill and other intangible assets	30	-	19,605	19,605	_	19,279	19,279	
Fixed assets	31	-	1,504	1,504	-	1,553	1,553	
Right-of-use assets	32	-	1,174	1,174	-	1,484	1,484	
Deferred tax assets	41(c)	-	9	9	-	21	21	
Total assets		353,576	28,053	381,629	316,202	24,977	341,179	
Liabilities and equity								
Liabilities								
Derivative financial instruments	26	67,863	-	67,863	58,100	-	58,100	
Margin deposits, Mainland security and settlement deposits, and cash collateral from								
Participants	20,33	188,857	-	188,857	176,165	_	176,165	
Accounts payable, accruals and other liabilities	34	37,584	-	37,584	27,849	-	27,849	
Deferred revenue	35	1,037	319	1,356	1,060	307	1,367	
Taxation payable		1,321	-	1,321	639	-	639	
Other financial liabilities	36	33	-	33	29	_	29	
Participants' contributions to Clearing House Funds	20,37	27,124	-	27,124	21,955	-	21,955	
Lease liabilities	38	260	1,034	1,294	270	1,334	1,604	
Borrowings	39	382	70	452	382	65	447	
Provisions	40	64	123	187	62	113	175	
Deferred tax liabilities	41(c)	-	1,151	1,151	_	1,053	1,053	
Total liabilities		324,525	2,697	327,222	286,511	2,872	289,383	
Equity								
Share capital	42			31,955			31,946	
Shares held for Share Award Scheme	42			(1,125)			(1,009)	
Employee share-based compensation reserve	43			414			373	
Hedging and revaluation reserves	44			(65)			(144)	
Exchange reserve				(273)			(168)	
Designated reserves	45			1,451			1,018	
Reserve relating to written put options to non-controlling interests				(395)			(395)	
Retained earnings	46			21,890			19,723	
Equity attributable to shareholders of HKEX				53,852			51,344	
Non-controlling interests	28(a)(i)			555			452	
Total equity				54,407			51,796	
Total liabilities and equity				381,629			341,179	
Net current assets				29,051			29,691	

The notes on pages 145 to 230 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 27 February 2025

**Carlson TONG** 

**Bonnie Y CHAN** 

Director

Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to shareholders of HKEX									
	Share capital and shares held for Share Award Scheme (note 42) \$m	Employee share-based compensation reserve (note 43) \$m		Exchange reserve \$m	Designated reserves (note 45) \$m	Reserve relating to written put options to non-controlling interests	Retained earnings (note 46) \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
At 1 Jan 2023	31,000	346	(266)	(155)	686	(430)	18,547	49,728	371	50,099
Profit for the year	-	-	-	-	-	-	11,862	11,862	119	11,981
Other comprehensive income/ (loss)	-		122	(13)	-	_	_	109	(3)	106
Total comprehensive income	_	_	122	(13)	-	-	11,862	11,971	116	12,087
Total transactions with shareholders of HKEX, recognised directly in equity:										
<ul> <li>2022 second interim dividend at \$3.69 per share</li> </ul>	-	-	-	-	-	-	(4,669)	(4,669)	-	(4,669)
<ul> <li>2023 first interim dividend at \$4.50 per share</li> </ul>	_	-	_	_	_	_	(5,695)	(5,695)	_	(5,695)
<ul> <li>Unclaimed HKEX dividends forfeited (note 34(a))</li> </ul>	_	-	-	-		_	23	23	-	23
<ul> <li>Shares purchased for Share Award Scheme</li> </ul>	(448)	-	-	-	-	-	-	(448)	-	(448)
<ul> <li>Vesting of shares of Share Award Scheme</li> </ul>	385	(372)	-	-	-	-	(13)	-	-	-
<ul> <li>Employee share-based compensation benefits</li> </ul>	_	399	_	-	-	-	-	399	-	399
- Transfer of reserves	-	-	-	-	332	-	(332)	-	-	-
<ul> <li>Redemption of written put options exercised by non-controlling interests</li> </ul>	_	_	_	-	-	35	_	35	(35)	-
	(63)	27	-	-	332	35	(10,686)	(10,355)	(35)	(10,390)
At 31 Dec 2023	30,937	373	(144)	(168)	1,018	(395)	19,723	51,344	452	51,796
At 1 Jan 2024	30,937	373	(144)	(168)	1,018	(395)	19,723	51,344	452	51,796
Profit for the year	-	-	-	-	-	-	13,050	13,050	105	13,155
Other comprehensive income/ (loss)	_	_	79	(105)	-	-	-	(26)	(2)	(28)
Total comprehensive income	_		79	(105)	_		13,050	13,024	103	13,127
Total transactions with shareholders of HKEX, recognised directly in equity:										
<ul> <li>2023 second interim dividend at \$3.91 per share</li> </ul>	_	_	_	_	_	_	(4,944)	(4,944)	_	(4,944)
<ul> <li>2024 first interim dividend at \$4.36 per share</li> </ul>	_	_	_	_	_	_	(5,513)	(5,513)	_	(5,513)
<ul> <li>Unclaimed HKEX dividends forfeited (note 34(a))</li> </ul>	_	_	_	_	_	_	32	32	_	32
<ul> <li>Shares purchased for Share Award Scheme</li> </ul>	(481)	-	_	_	_	_	_	(481)	_	(481)
<ul> <li>Vesting of shares of Share Award Scheme</li> </ul>	374	(349)	-	-	_	_	(25)	_	_	-
<ul> <li>Employee share-based compensation benefits</li> </ul>	_	390	-	-	_	_	-	390	_	390
- Transfer of reserves	_	_	_	_	433	_	(433)	-	-	_
	(107)	41	_	-	433	_		(10,516)		(10,516)
At 31 Dec 2024	30,830	414	(65)	(273)	1,451	(395)	21,890	53,852	555	54,407

The notes on pages 145 to 230 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 \$m	2023 \$m
Cash flows from principal operating activities			
Net cash inflow from principal operating activities (non-HKFRS measure)	47(a)	12,783	11,294
Cash flows from other operating activities			
Net (payments to)/redemption from external fund managers for (purchases)/sales of financial assets measured at fair value through profit or loss		(9)	206
Net cash inflow from operating activities		12,774	11,500
Cash flows from investing activities			
Payments for purchases of fixed assets and intangible assets		(1,604)	(1,386)
Net decrease/(increase) in financial assets of Corporate Funds:			
Decrease/(increase) in time deposits with original maturities more than three months		11,034	(4,810)
Increase in debt securities with remaining maturities within twelve months upon acquisition (short-term debt securities)		(4,173)	-
Proceeds received upon maturity of debt securities with remaining maturities more than twelve months upon acquisition (long-term debt securities)		_	502
Payments for purchases of long-term debt securities		(3,055)	(1,460)
Interest received from long-term debt securities		967	843
Dividend received from a joint venture		25	21
Net cash inflow/(outflow) from investing activities		3,194	(6,290)
Cash flows from financing activities			
Purchases of shares for Share Award Scheme		(481)	(448)
Payments of other finance costs		(54)	(69)
Dividends paid to shareholders of HKEX		(10,416)	(10,316)
Lease payments	47(b),47(c)		
– Capital elements		(255)	(307)
– Interest elements		(55)	(59)
Payment for written put options exercised by non-controlling interests	39	-	(51)
Net cash outflow from financing activities		(11,261)	(11,250)
Net increase/(decrease) in cash and cash equivalents		4,707	(6,040)
Cash and cash equivalents at 1 Jan		9,212	15,258
Exchange differences on cash and cash equivalents		(9)	(6)
Cash and cash equivalents at 31 Dec		13,910	9,212
Analysis of cash and cash equivalents			
Cash, bank balances and short-term investments of Corporate Funds	21	15,045	10,286
Less: Cash reserved for supporting Skin-in-the-Game and default fund credits of clearing houses	21(b)	(1,135)	(1,074)
		13,910	9,212

The notes on pages 145 to 230 are an integral part of these consolidated financial statements.

(a) "Cash flows from principal operating activities" is a non-Hong Kong Financial Reporting Standard (non-HKFRS) measure used by management for monitoring cash flows of the Group (defined in note 1) and represents the cash flows generated from the trading and clearing operations of the four exchanges and five clearing houses and ancillary services of the Group. This non-HKFRS measure may not be comparable to similar measures presented by other companies. Cash flows from principal operating activities and cash flows from other operating activities together represent cash flows from operating activities as defined by Hong Kong Accounting Standard (HKAS) 7 Statement of Cash Flows.

# Notes to the Consolidated Financial Statements

#### 1. General Information

Hong Kong Exchanges and Clearing Limited (HKEX or the Company) and its subsidiaries (collectively, the Group) own and operate the only stock exchange and futures exchange in Hong Kong and their related clearing houses, a clearing house for clearing over-the-counter derivatives contracts in Hong Kong, an exchange and a clearing house for the trading and clearing of base and ferrous metals futures and options contracts operating in the United Kingdom (UK), and a commodity trading platform in the Mainland.

HKEX is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is 8th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

These consolidated financial statements were approved for issue by the Board of Directors (Board) on 27 February 2025

# 2. Material Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the consolidated financial statements, other material accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board Listing Rules) and the applicable requirements of the Hong Kong Companies Ordinance (Chapter 622).

#### (b) Basis of preparation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries and the Group's interests in joint ventures.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities measured at fair value.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates, and requires management to exercise its judgement when applying the Group's accounting policies. Areas involving significant estimates and judgement are disclosed in note 3.

These consolidated financial statements are presented in Hong Kong Dollar (HKD), which is the Company's functional and presentation currency.

#### 2. Material Accounting Policies (continued)

(b) Basis of preparation (continued)

Adoption of new/revised HKFRSs

In 2024, the Group has adopted the following amendments to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2024:

Amendments to HKAS 1 Presentation of Financial Statements: Classification of Liabilities as

Current or Non-current

Amendments to HKAS 1 Presentation of Financial Statements: Non-current Liabilities with

Covenants

The adoption of these amendments to HKFRSs did not have any material impact on the Group during the year ended 31 December 2024.

New/revised HKFRSs issued before 31 December 2024 but not yet effective and not early adopted

The Group has not applied the following new/revised HKFRSs which were issued before 31 December 2024 and are pertinent to its operations but not yet effective:

HKFRS 18 Presentation and Disclosure in Financial Statements<sup>2</sup>
HKFRS 19 Subsidiaries without Public Accountability: Disclosures<sup>2</sup>

Amendments to HKFRS 7 and HKFRS 9 Amendments to the Classification and Measurement of Financial

Instruments1

Annual Improvements to HKFRS Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and

Accounting Standards – Volume 11 HKAS 7<sup>1</sup>

1 Effective for accounting periods beginning on or after 1 January 2026

2 Effective for accounting periods beginning on or after 1 January 2027

The adoption of HKFRS 19, Amendments to HKFRS 7 and HKFRS 9 and Annual Improvements to HKFRS Accounting Standards – Volume 11 would not have any material impact on the Group.

HKFRS 18 will replace HKAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of financial performance of similar entities and provide more relevant information and transparency to users. These include:

- (i) all income and expenses in the consolidated income statement are required to be classified into one of the five categories, namely operating, investing, financing, income taxes, and discontinued operations;
- (ii) two newly-defined subtotals "operating profit" and "profit before financing and income taxes" are required to be presented in the consolidated income statement to increase comparability;
- (iii) management-defined performance measures (MPMs), which are often non-HKFRS measures (e.g., EBITDA), are required to be disclosed in a single note in the consolidated financial statements;
- (iv) enhanced guidance on the principles of aggregation and disaggregation of information is provided; and
- (v) operating profit subtotal is required to be used as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method, and each of interest income, interest expense and dividend income should be classified under a single category.

#### 2. Material Accounting Policies (continued)

(b) Basis of preparation (continued)

New/revised HKFRSs issued before 31 December 2024 but not yet effective and not early adopted (continued)

The adoption of HKFRS 18 would not have any impact on the Group's profit attributable to shareholders. The Group is still in the process of assessing the impact of HKFRS 18 on the Group's consolidated financial statements, particularly with respect to the categorisation of income and expenses in the Group's consolidated income statement, the structure of the Group's consolidated income statement and consolidated statement of cash flows, and the additional disclosure required for MPMs.

There are no other new/revised HKFRSs not yet effective that are expected to have any material impact on the Group.

#### (c) Impairment of non-financial assets

Assets with an indefinite useful life, which include interests in joint ventures, goodwill and tradenames, are not subject to amortisation but are tested at least annually for impairment. Assets subject to amortisation are reviewed for impairment whenever there is any indication that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (i.e., the higher of an asset's fair value less costs to sell and value-in-use). Such impairment losses are recognised in the consolidated income statement. An impairment loss other than goodwill is reversed if the circumstances and events leading to the impairment cease to exist.

#### 3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future when the consolidated financial statements are prepared. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Goodwill and tradenames

The Group tests annually whether goodwill and tradenames have suffered any impairment in accordance with the accounting policy stated in note 30.

The recoverable amounts of relevant cash generating units (CGUs) and relevant group of CGUs have been determined based on value-in-use calculations, which are disclosed in note 30. These calculations require the use of estimates and significant judgement by management, including the future cash flows expected to arise from the CGUs, discount rates for calculating the present value and growth rates used to extrapolate cash flow projections beyond the financial forecasts approved by management.

Changes in facts and circumstances may result in revisions to estimates of recoverable amounts and to the conclusion as to whether an indication of impairment exists, which could affect the consolidated income statement in future years.

## 3. Critical Accounting Estimates and Assumptions (continued)

#### (b) Valuation of investments

The Group has a significant amount of investments that are not classified as Level 1 investments under HKFRS 13: Fair Value Measurement. Except for investments in minority stakes in unlisted companies which are valued by market-based approach (note 53(d)(i)), the valuations have been determined based on quotes from market makers, alternative pricing sources supported by observable inputs, latest transaction prices or redemption prices provided by fund administrators of investment funds.

At 31 December 2024, the financial assets that were not classified as Level 1 investments (excluding derivative financial instruments) under HKFRS 13 amounted to \$29,095 million (31 December 2023: \$8,045 million) which mainly comprised \$5,026 million (31 December 2023: \$5,698 million) of investments under investment funds and \$23,740 million (31 December 2023: \$1,954 million) of debt securities.

As the valuation of investments reflects movements in their estimated fair values, fair value gains or losses may fluctuate or reverse until the investments are sold, mature or are realised upon redemption. The potential impact of the fair value change of such investments on the Group's consolidated income statement and other components of equity is disclosed in note 53(a)(iv).

#### (c) Income taxes

The Group is subject to income taxes in the countries in which the Group operates. Judgement is required in determining the provision for income taxes and deferred taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the year in which such determination is made.

Since the launch of Stock Connect in 2014, Northbound trading, clearing and portfolio fees (NB Fees) have been reported by the Group's subsidiaries as offshore sourced and non-taxable, whereas the related expenses are reported as non-deductible. As at 31 December 2024, the Inland Revenue Department of Hong Kong (IRD) has issued notices of additional assessments to two subsidiaries in connection with the offshore claim of the NB Fees amounting to \$255 million (31 December 2023: \$16 million).

After consultation with tax advisor, the subsidiaries have lodged objections and have applied to hold over the additional tax demanded. The IRD has agreed to holdover the additional tax demanded subject to the purchase of tax reserve certificates (TRCs). The purchase of TRCs does not prejudice the subsidiaries' tax positions. No additional tax provision has been made during the year in respect of the above additional assessments as the subsidiaries consider that the amounts are recoverable.

The subsidiaries have purchased tax reserve certificates of \$255 million (31 December 2023: \$16 million) and the amount is recorded under tax recoverable on the consolidated statement of financial position.

If the actual taxation charge differs from management's estimates, the additional tax payment made of \$255 million (31 December 2023: \$16 million) will be charged to the consolidated income statement in future years.

## 4. Operating Segments

#### **Accounting Policy**

Operating segments are reported in a manner consistent with the internal management reports that are used to make strategic decisions provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer of HKEX. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the chief operating decision-maker.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Taxation charge/credit is not allocated to reportable segments.

The operations in each of the Group's reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms of The Stock Exchange of Hong Kong Limited (Stock Exchange) and those traded through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect); the clearing, settlement and custodian activities relating to these products and any other related activities. The major sources of revenue of the segment are trading fees, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

The **Equity and Financial Derivatives** segment refers to derivatives products traded on the Stock Exchange and Hong Kong Futures Exchange Limited (Futures Exchange); the clearing, settlement and custodian activities relating to these products and over-the-counter (OTC) derivatives contracts and other related activities. These include the provision and maintenance of trading and clearing platforms for a range of equity and financial derivatives products, such as stock and equity index futures and options, derivative warrants (DWs), callable bull/bear contracts (CBBCs) and warrants, and OTC derivatives contracts. The major sources of revenue are trading fees and trading tariffs, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

The **Commodities** segment refers to the operations of The London Metal Exchange (LME), which operates a global exchange in the UK, for the trading of base and ferrous metals futures and options contracts and the operations of its clearing house, LME Clear Limited (LME Clear). It also covers the operations of Qianhai Mercantile Exchange Co., Ltd. (QME), the commodity trading platform in Mainland China, and the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees and clearing and settlement fees of commodity products, commodity market data fees, net investment income earned on the Margin Funds and Clearing House Funds relating to these products, and fees for ancillary operations.

The **Data and Connectivity** segment covers sales of market data relating to the Hong Kong Cash and Derivatives Markets, all services in connection with providing users with access to the platform and infrastructure of the Group and services provided by BayConnect Technology Company Limited (BayConnect). Its major sources of revenue are market data fees, network, terminal user, data line and software sub-license fees and hosting services fees.

"Corporate Items" is not a business segment but comprises central income (including net investment income of Corporate Funds and donation income of HKEX Foundation Limited (HKEX Foundation)) and central costs (including costs of central support functions that provide services to all operating segments, HKEX Foundation charitable donations and other costs not directly related to any operating segments).

## 4. Operating Segments (continued)

The chief operating decision-maker assesses the performance of the operating segments principally based on their EBITDA (defined below).

EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures and other non-recurring costs. EBITDA is a non-HKFRS measure used by management for monitoring business performance. It may not be comparable to similar measures presented by other companies.

An analysis by operating segment of the Group's EBITDA, profit before taxation and other selected financial information (including analysis of revenue by timing of revenue recognition) for the year, is set out as follows:

			20	024		
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	7,696	2,870	2,176	110	12	12,864
Over time	1,424	653	386	2,012	7	4,482
Revenue	9,120	3,523	2,562	2,122	19	17,346
Net investment income	287	2,680	212	_	1,748	4,927
Donation income of HKEX Foundation	_	-	-	-	67	67
Sundry income	15	1	14	4	-	34
Revenue and other income	9,422	6,204	2,788	2,126	1,834	22,374
Less: Transaction-related expenses	(9)	(323)	-	-	-	(332)
Revenue and other income less transaction-related expenses	9,413	5,881	2,788	2,126	1,834	22,042
Operating expenses	41			***	***	
Staff costs and related expenses	(983)	(610)			(1,341)	(3,886)
Others	(261)	(281)		• • •	(637)	(1,875)
	(1,244)	(891)	(1,214)	(434)	(1,978)	(5,761)
Reportable segment EBITDA (non-HKFRS measure)	8,169	4,990	1,574	1,692	(144)	16,281
Depreciation and amortisation	(440)	(230)	(323)	(133)	(276)	(1,402)
Finance costs	(32)	(31)	(4)	(2)	(45)	(114)
Share of profits of joint ventures	86	2	-	-	-	88
Reportable segment profit before taxation	7,783	4,731	1,247	1,557	(465)	14,853
Other segment information:						
Interest income	397	4,668	4,107	_	1,393	10,565
Interest rebates to Participants	(110)	(1,823)	(3,895)	-	-	(5,828)
Other material non-cash item:						
Employee share-based compensation expenses	(92)	(70)	(34)	(16)	(178)	(390)

## 4. Operating Segments (continued)

2023

Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
6,488	2,760	1,636	104	7	10,995
1,425	692	362	1,963	8	4,450
7,913	3,452	1,998	2,067	15	15,445
232	3,050	190	_	1,487	4,959
_	-	_	_	88	88
19	-	-	6	(1)	24
8,164	6,502	2,188	2,073	1,589	20,516
(10)	(237)	-	_	-	(247)
8,154	6,265	2,188	2,073	1,589	20,269
(888)	(567)	(625)	(231)	(1,253)	(3,564)
(239)	(295)	(583)	(207)	(553)	(1,877)
(1,127)	(862)	(1,208)	(438)	(1,806)	(5,441)
7,027	5,403	980	1,635	(217)	14,828
(372)	(252)	(331)	(149)	(339)	(1,443)
(33)	(44)	(5)	(2)	(51)	(135)
80	2	-	_	-	82
6,702	5,109	644	1,484	(607)	13,332
326	4,807	4,403	-	1,305	10,841
(94)	(1,706)	(4,213)	-	-	(6,013)
(89)	(58)	(35)	(25)	(192)	(399)
	\$m  6,488 1,425 7,913 232 - 19 8,164 (10) 8,154 (888) (239) (1,127) 7,027 (372) (333) 80 6,702  326 (94)	Financial Derivatives \$m	Cash \$\frac{1}{9m}\$         Derivatives \$\frac{1}{9m}\$         Commodities \$\frac{1}{9m}\$           6,488         2,760         1,636           1,425         692         362           7,913         3,452         1,998           232         3,050         190           -         -         -           19         -         -           8,164         6,502         2,188           (10)         (237)         -           8,154         6,265         2,188           (888)         (567)         (625)           (239)         (295)         (583)           (1,127)         (862)         (1,208)           7,027         5,403         980           (372)         (252)         (331)           (33)         (44)         (5)           80         2         -           6,702         5,109         644           326         4,807         4,403           (94)         (1,706)         (4,213)	Cash \$\frac{1}{9}\$m         Derivatives \$\frac{1}{9}\$m         Commodities \$\frac{1}{9}\$m         Data and Connectivity \$\frac{1}{9}\$m           6,488         2,760         1,636         104           1,425         692         362         1,963           7,913         3,452         1,998         2,067           232         3,050         190         -           -         -         -         -           19         -         -         6           8,164         6,502         2,188         2,073           (10)         (237)         -         -           8,154         6,265         2,188         2,073           (888)         (567)         (625)         (231)           (239)         (295)         (583)         (207)           (1,127)         (862)         (1,208)         (438)           7,027         5,403         980         1,635           (372)         (252)         (331)         (149)           (33)         (44)         (5)         (2)           80         2         -         -           6,702         5,109         644         1,484           326	Cash \$\frac{1}{9}m\$         Data and \$\frac{1}{9}m\$         Corporate Items \$\frac{1}{9}m\$           6,488         2,760         1,636         104         7           1,425         692         362         1,963         8           7,913         3,452         1,998         2,067         15           232         3,050         190         -         1,487           -         -         -         -         8           19         -         -         6         (1)           8,164         6,502         2,188         2,073         1,589           (10)         (237)         -         -         -           8,154         6,265         2,188         2,073         1,589           (888)         (567)         (625)         (231)         (1,253)           (239)         (295)         (583)         (207)         (553)           (1,127)         (862)         (1,208)         (438)         (1,806)           7,027         5,403         980         1,635         (217)           (372)         (252)         (331)         (149)         (339)           (33)         (44)         (5)         (2)

#### (a) Geographical information

The Group's revenue is derived from its operations in Hong Kong, the UK and Mainland China. Such information and the Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location are detailed below:

	Revenue		Non-curre	ent assets
	2024 \$m	2023 \$m	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Hong Kong (place of domicile)	14,666	13,320	4,760	4,949
United Kingdom	2,597	2,033	17,739	17,515
Mainland China	83	92	216	221
Others	-	-	2	2
	17,346	15,445	22,717	22,687

#### (b) Information about major customers

In 2024 and 2023, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

#### 5. Revenue

#### **Accounting Policy**

Revenue excludes value added tax or other sales tax, and is recognised in the consolidated income statement on the following basis:

Trading fees and trading tariffs are recognised on a trade date basis.

Stock Exchange listing fees mainly comprise annual listing fees and initial listing fees. Annual listing fees are recognised on a straight-line basis over the period covered. Initial listing fees are recognised over time when the services are transferred to the listed companies or issuers of warrants, CBBCs and other securities.

Clearing and settlement fees arising from trades between Participants transacted on the Stock Exchange are recognised on the day following the trade day upon acceptance of the trades. Fees for clearing and settlement of trades transacted on the Shanghai Stock Exchange and Shenzhen Stock Exchange through Stock Connect (A-shares) are recognised on the trade day upon acceptance of the trades. Fees for clearing and settlement of trades in respect of base and ferrous metals futures and options contracts transacted on the LME are recognised on the trade match day. Fees for all other settlement transactions are recognised upon completion of the settlement.

Custody fees for securities held in the Central Clearing and Settlement System (CCASS) depository are calculated and accrued on a monthly basis. Portfolio fees for A-shares held or recorded in the CCASS depository, and portfolio fees for Hong Kong securities held by China Depository and Clearing Corporation Limited (ChinaClear) are calculated and accrued on a daily basis.

Income on registration and transfer fees for nominee services are calculated and accrued on the book close dates of the relevant stocks during the financial year.

Market data fees and other fees are recognised when the related services are rendered.

#### (a) Trading Fees and Trading Tariffs

	2024 \$m	2023 \$m
Equity securities traded on the Stock Exchange and through Stock Connect	3,423	2,769
DWs, CBBCs and warrants traded on the Stock Exchange	438	424
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	1,916	1,822
Commodities contracts traded on the LME and QME	1,412	1,066
	7,189	6,081

## 5. Revenue (continued)

#### (b) Stock Exchange Listing Fees

	2024			2023				
	Equity		CBBCs,		Equi	ty	CBBCs,	
	Main Board	GEM	DWs & others Total		Main Board	GEM	DWs & others	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Annual listing fees Initial and subsequent issue	684	43	3	730	689	43	4	736
listing fees	135	4	610	749	147	7	628	782
Other listing fees	4	1	-	5	4	1	-	5
	823	48	613	1,484	840	51	632	1,523

#### (c) Other Revenue

	2024 \$m	2023 \$m
Network, terminal user, data line and software sub-license fees	826	788
Hosting services fees	391	350
Commodities stock levies and warehouse listing fees	67	39
Participants' subscription and application fees	84	76
Accommodation income (note (i))	67	80
Conversion agency fees	90	72
Sales of Trading Rights	8	12
LME financial over-the-counter booking fees	70	39
BayConnect sales and service revenue	82	88
Miscellaneous revenue	39	38
	1,724	1,582

- (i) Accommodation income mainly comprises charges on Participants for depositing securities as alternatives to cash deposits of Margin Funds, or depositing currencies whose relevant bank deposit rates are negative, and charges imposed on Participants of LME Clear for cash collateral where the investment return on the collateral is below the benchmarked interest rates stipulated in the clearing rules of LME Clear.
- (d) Revenue recognised in 2024 that was included in the deferred revenue balance at the beginning of the year amounted to \$1,060 million (2023: \$1,076 million).

#### 6. Net Investment Income

#### **Accounting Policy**

Interest income on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, and interest rebates payable to Participants are recognised on a time apportionment basis using the effective interest method.

Gains and losses arising from changes in fair value of financial assets measured at fair value through profit or loss and derivative financial instruments are included under net investment income in the consolidated income statement.

On disposal of financial assets measured at fair value through other comprehensive income, any related balance within the revaluation reserve is reclassified to the consolidated income statement and included under net investment income.

	2024 \$m	2023 \$m
Gross interest income from financial assets measured at amortised cost	8,774	10,035
Gross interest income from financial assets measured at fair value through other comprehensive income	1,791	806
Interest rebates to Participants	(5,828)	(6,013)
Net interest income	4,737	4,828
Net losses on disposal of financial assets measured at fair value through other comprehensive income	(54)	-
Net gains/(losses) on financial assets mandatorily measured at fair value through profit or loss and derivative financial instruments:		
- investment funds	447	421
<ul><li>other unlisted investments (note 53(d)(i))</li></ul>	(62)	(253)
- foreign exchange swaps (notes (a) and 26(c))	(121)	(48)
	264	120
Others	(20)	11
Net investment income	4,927	4,959

(a) As part of the Group's investment strategy, the Group enters into foreign exchange swaps for optimising foreign currency cash flows and yield enhancement while hedging the overall foreign exchange exposures.

During the year ended 31 December 2024, there was a net loss on foreign exchange swaps of \$121 million (2023: \$48 million). Such loss was more than offset by higher interest income generated, as well as savings in negative interest on Japanese Yen deposits.

#### 7. Donation Income of HKEX Foundation

#### **Accounting Policy**

HKEX Foundation Limited is a charitable foundation controlled by HKEX (note 28(b)).

Donation income of HKEX Foundation is recognised when the right to receive such donation is established.

	2024 \$m	2023 \$m
Stock Code Balloting Scheme	66	87
Others	1	1
	67	88

(a) The amount excludes \$23 million (2023: \$25 million) donation received from HKEX, which has been eliminated on consolidation.

## 8. Sundry Income

	2024 \$m	2023 \$m
Forfeiture of unclaimed dividends (note (a))	15	19
Others	19	5
	34	24

(a) In accordance with CCASS Rule 1109, the Group exercised its forfeiture right to appropriate cash dividends of \$15 million (2023: \$19 million) held by HKSCC Nominees Limited, which had remained unclaimed for a period of more than seven years and recognised these as sundry income. The Group has, however, undertaken to honour all forfeited claims amounting to \$271 million at 31 December 2024 (31 December 2023: \$257 million) if adequate proof of entitlement is provided by the beneficial owner claiming any dividends forfeited.

## 9. Transaction-related Expenses

#### **Accounting Policy**

Transaction-related expenses comprise of license fees, bank charges and other costs which directly vary with trading and clearing transactions. They are presented below Revenue and other income to reflect the nature of such direct costs. They are expensed in the period in which they are incurred.

## 10. Staff Costs and Related Expenses

	2024 \$m	2023 \$m
Salaries and other short-term employee benefits	3,191	2,923
Employee share-based compensation benefits of Share Award Scheme (note 43)	390	399
Termination benefits	63	21
Retirement benefit costs (note (a)):		
- ORSO Plan	186	171
- MPF Scheme	4	4
- LME Pension Scheme	40	35
- PRC Retirement Schemes	11	10
– Other contribution plans	1	1
	3,886	3,564

#### (a) Retirement Benefit Costs

The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) which is registered under the Occupational Retirement Schemes Ordinance (ORSO) and a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. The Group contributes 12.5 per cent of the employee's basic salary to the ORSO Plan if an employee contributes 5 per cent. If the employee chooses not to contribute, the Group will contribute 10 per cent of the employee's salary to the ORSO Plan. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF Ordinance. Forfeited contributions of the ORSO Plan for employees who leave before the contributions are fully vested are not used to offset existing contributions but are credited to a reserve account of that Plan, and are available for distribution to the members of the Plan at the discretion of the trustees.

For employees of LME and LME Clear, the Group has also sponsored a defined contribution pension scheme (LME Savings Plan). For employees who joined LME and LME Clear before 1 May 2014, the Group contributes 15 per cent to 17 per cent of the employee's basic salary to the LME Savings Plan. For employees who joined the LME and LME Clear on or after 1 May 2014, they are automatically enrolled into the LME Savings Plan on a matched contribution basis and may choose a personal contribution level ranging from 3 per cent to 5 per cent of their basic salaries, which is matched by the Group's contribution ranging from 6 per cent to 10 per cent of their basic salaries. Staff may choose to contribute more than 5 per cent of their basic salaries, but the Group's contribution is capped at 10 per cent, and staff may also opt-out of the LME Savings Plan if they wish. There are no forfeited contributions for the LME Savings Plan as the contributions are fully vested to the employees upon payment to the scheme.

Pursuant to the relevant laws and regulations in the People's Republic of China (PRC), the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and social security authorities (PRC Retirement Schemes). The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and social security authorities are responsible for the payment of the retirement benefits to the retired employees. In addition, the Group has made contributions for employees of other overseas offices subject to the relevant regulations in the countries in which the overseas offices operate.

Assets of the ORSO Plan, MPF Scheme, LME Savings Plan, PRC Retirement Schemes and contribution plans of other overseas subsidiaries are held separately from those of the Group and are independently administered and are not included in the consolidated statement of financial position.

The abolition of the Mandatory Provident Fund (MPF)-Long Service Payment (LSP) offsetting mechanism in Hong Kong does not have any financial impact to the Group as it is the Group's practice of not offsetting any MPF contribution against long service payment or severance payment.

# 11. Information Technology and Computer Maintenance Expenses

	2024 \$m	2023 \$m
Costs of services and goods:		
- consumed by the Group	810	741
– directly consumed by Participants	72	73
	882	814

# 12. Other Operating Expenses

	2024 \$m	2023 \$m
Bank charges	18	17
Communication expenses	6	7
Custodian and fund management related fees	30	33
Financial data subscription fees	59	55
Insurance	20	17
Loss on disposal of fixed assets	9	10
Non-executive directors' fees	24	24
Office demolition and relocation expenses	5	4
Provision for/(write back of provision for) impairment losses of receivables	4	(1)
Repairs and maintenance expenses	68	63
Security expenses	24	21
Travel expenses	44	46
Regulatory fees	27	24
Other miscellaneous expenses	106	91
	444	411

## 13. Operating Profit

	2024 \$m	2023 \$m
Operating profit is stated after charging/(crediting):		
Auditor's remuneration		
– audit fees	20	20
– other non-audit fees	3	4
Loss on disposal of fixed assets	9	10
Provision for/(write back of provision for) impairment losses of receivables	4	(1)
Net foreign exchange losses/(gains) on financial assets (excluding financial assets and financial liabilities measured at fair value through profit or loss)	20	(11)

#### 14. Finance Costs

	2024 \$m	2023 \$m
Interest on borrowings (notes 39 and 47(b))	5	7
Interest on lease liabilities (note 47(b))	55	59
Banking facility commitment fees (note (a))	51	53
Negative interest on Japanese Yen deposits	3	16
	114	135

<sup>(</sup>a) Bank facility commitment fees, that relate to liquidity support provided to the Group's clearing houses, are amortised to the consolidated income statement throughout the commitment periods.

### 15. Directors' Emoluments and Interests of Directors

All Directors, including two Executive Directors (HKEX Chief Executive Officer and ex-HKEX Chief Executive Officer), received emoluments during the years ended 31 December 2024 and 31 December 2023. The aggregate emoluments paid and payable to the Directors during the year were as follows:

	2024 \$'000	2023 \$'000
Executive Directors:		
Salaries and other short-term employee benefits	9,349	10,239
Performance cash incentive	8,000	14,040
Retirement benefit costs	8,027	1,250
	25,376	25,529
Employee share-based compensation benefits (note (a))	51,643	63,766
	77,019	89,295
Non-executive Directors:		
Fees	24,403	24,294
	24,403	24,294
	101,422	113,589

<sup>(</sup>a) Employee share-based compensation benefits represent the fair value of share awards granted under the Share Award Scheme (Awarded Shares) on grant date (note 43) recognised in the consolidated income statement during the year.

## 15. Directors' Emoluments and Interests of Directors (continued)

(b) The emoluments of all Directors, including HKEX Chief Executive Officer and ex-HKEX Chief Executive Officer who are ex-officio members, are set out below. The amounts represent emoluments paid or receivable in respect of their services as a director.

					2024			
Name of Director	Fees \$'000	Salary \$'000	Other benefits (note (i)) \$'000	Performance cash incentive \$'000	Retirement benefit costs (note (ii)) \$'000	Sub-total \$'000	Employee share-based compensation benefits \$'000	Total \$'000
Carlson Tong (note (iii))	3,937	-	-	-	-	3,937	-	3,937
Laura M Cha (note (iv))	1,541	-	-	-	=	1,541	-	1,541
Bonnie Y Chan (note (v))	-	7,544	94	8,000	754	16,392	6,291	22,683
Alejandro N Aguzin (note (vi))	-	1,667	44	-	7,273	8,984	45,352	54,336
Nicholas C Allen	2,926	-	-	-	=	2,926	-	2,926
Apurv Bagri	1,546	-	-	-	-	1,546	-	1,546
K P Chan (note (vii))	945	-	-	-	-	945	-	945
C H Cheah	1,707	-	-	-	-	1,707	_	1,707
Anna M M Cheung	1,620	-	-	-	-	1,620	-	1,620
Herbert P K Chia (note (viii))	191	-	-	-	-	191	-	191
Susan M F Chow Woo	1,955	-	-	-	-	1,955	-	1,955
Benjamin P C Hung (note (iv))	315	-	-	-	-	315	-	315
Nisa B W Y Leung	1,273	-	-	-	-	1,273	-	1,273
Hugo P H Leung	2,825	-	-	-	-	2,825	-	2,825
Joseph C K Yam	1,450	-	-	-	-	1,450	-	1,450
Peter K S Yan (note (ix))	742	-	-	-	-	742	-	742
Y Zhang	1,430	-	-	-	-	1,430	-	1,430
Total	24,403	9,211	138	8,000	8,027	49,779	51,643	101,422

### **15. Directors' Emoluments and Interests of Directors** (continued)

#### (b) (continued)

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					2025			
Name of Director	Fees \$'000	Salary \$'000	Other benefits (note (i)) \$'000	Performance cash incentive \$'000	Retirement benefit costs (note (ii)) \$'000	Sub-total \$'000	Employee share-based compensation benefits \$'000	Total \$'000
Laura M Cha	5,267	-	-	-	-	5,267	-	5,267
Alejandro N Aguzin	-	10,000	239	14,040	1,250	25,529	63,766	89,295
Nicholas C Allen	2,494	-	-	-	-	2,494	_	2,494
Apurv Bagri	1,360	-	-	-	-	1,360	-	1,360
C H Cheah	1,683	-	-	-	-	1,683	-	1,683
Anna M M Cheung	1,620	-	-	-	-	1,620	_	1,620
Susan M F Chow Woo	1,820	-	-	-	-	1,820	_	1,820
Rafael Gil-Tienda	591	-	-	-	-	591	-	591
Benjamin P C Hung	1,260	-	-	-	-	1,260	-	1,260
Nisa B W Y Leung	1,280	-	-	-	-	1,280	-	1,280
Hugo P H Leung	2,400	-	-	-	-	2,400	-	2,400
Carlson Tong	1,080	-	-	-	-	1,080	-	1,080
Joseph C K Yam	1,088	-	-	-	-	1,088	-	1,088
Stephen K W Yiu	921	-	-	-	-	921	-	921
Y Zhang	1,430	-	-	-	-	1,430	-	1,430
Total	24,294	10,000	239	14,040	1,250	49,823	63,766	113,589

#### Notes:

- (i) Other benefits included leave pay, insurance premium and club membership.
- (ii) Retirement benefit costs include a special payment of \$7,065,000 to Mr Aguzin on his retirement, and employer's contributions to provident fund. Employees who retire before normal retirement age are eligible for 18 per cent of the employer's contribution to the provident fund after completion of two years of service. The rate of vested benefit increases at an annual increment of 18 per cent thereafter reaching 100 per cent after completion of seven years of service.
- (iii) Appointment as a director effective from 26 April 2023 and appointment as the Chairman effective from 3 May 2024
- (iv) Retired on 24 April 2024
- (v) Ms Chan was appointed as HKEX Chief Executive Officer and Executive Director from 1 March 2024. The amounts disclosed above represent her remuneration from 1 March 2024 to 31 December 2024. Her total emoluments for 2024 amounted to \$27,121,000, comprising salary of \$9,054,000, other benefits of \$112,000, performance cash incentive of \$9,600,000, retirement benefit costs of \$905,000 and employee share-based compensation benefits of \$7,450,000.
- (vi) Retired on 29 February 2024
- (vii) Appointment effective from 24 April 2024
- (viii) Appointment effective from 29 October 2024
- (ix) Appointment effective from 24 April 2024 and ceased directorship on 28 October 2024
- (c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to HKEX's business to which HKEX was a party and in which a director of HKEX had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 16. Five Top-paid Employees

Two (2023: one) of the five top-paid employees were HKEX Executive Directors (HKEX Chief Executive Officer and ex-HKEX Chief Executive Officer) whose emoluments are disclosed in note 15. Details of the emoluments of the other three (2023: four) top-paid employees were as follows:

	2024 \$'000	2023 \$'000
Salaries and other short-term employee benefits	14,284	16,236
Performance cash incentive	20,592	21,044
Retirement benefit costs	1,256	1,221
	36,132	38,501
Employee share-based compensation benefits (note (a))	35,513	26,988
	71,645	65,489

- (a) Employee share-based compensation benefits represent the fair value of Awarded Shares on grant date (note 43) amortised to the consolidated income statement during the year.
- (b) The emoluments of these three (2023: four) employees, including share-based compensation benefits, were within the following bands:

	2024 Number of Employees	2023 Number of employees
\$14,000,001 - \$14,500,000	-	1
\$14,500,001 – \$15,000,000	1	1
\$16,000,001 – \$16,500,000	-	1
\$20,500,001 – \$21,000,000	-	1
\$24,500,001 – \$25,000,000	1	-
\$32,000,001 – \$32,500,000	1	_
	3	4

The above employees included senior executives who were also Directors of the subsidiaries during the years. No Directors of the subsidiaries waived any emoluments.

#### 17. Taxation

#### **Accounting Policy**

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where HKEX and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

(a) Taxation charge/(credit) in the consolidated income statement represented:

	2024 \$m	2023 \$m
Current tax – Hong Kong Profits Tax		
– Provision for the year	1,370	1,229
- Over provision in respect of prior years	(3)	(4)
	1,367	1,225
Current tax – Overseas Tax		
– Provision for the year	331	163
- Over provision in respect of prior years (note (ii))	(110)	(21)
	221	142
Total current tax (note (i))	1,588	1,367
Deferred tax (note 41(a))		
- Under provision in respect of prior years (note (ii))	118	-
- Origination and reversal of temporary differences	(8)	(16)
	110	(16)
Taxation charge	1,698	1,351

- (i) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2023: 16.5 per cent) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates, with the average corporation tax rate applicable to the subsidiaries in the UK being 25 per cent (2023: 23.5 per cent).
- (ii) The over provision of overseas current tax mainly arose from the full expense relief claim made in respect of certain qualifying intangible assets during the finalisation of tax return by our UK subsidiaries after further analysis has been conducted. As a result of this claim, there was a corresponding deferred tax charge to the consolidated income statement, reflecting the future disallowance for amortisation in future years.

### **17. Taxation** (continued)

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2024 \$m	2023 \$m
Profit before taxation	14,853	13,332
Tax calculated at domestic tax rates applicable to profits in the respective countries (note (i))	2,509	2,187
Income not subject to taxation	(998)	(991)
Expenses not deductible for taxation purposes	113	93
Change in deferred tax arising from unrecognised tax losses and other deferred tax adjustments $% \left( x\right) =\left( x\right) +\left( $	69	87
Under/(over) provision in respect of prior years	5	(25)
Taxation charge	1,698	1,351

- (i) The weighted average applicable tax rate was 16.9 per cent (2023: 16.4 per cent).
- (c) OECD Pillar Two model rules

The Group is within the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), and the Group applies the HKAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two Income Taxes. Under the rules, the Group is liable to pay a top-up tax for the difference between their Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15 per cent minimum rate. Of the various jurisdictions where the Group operates, Pillar Two legislation became applicable to our UK entities and Singapore branches from 1 January 2024 and 1 January 2025 respectively.

The top-up tax for the Group's UK entities was \$Nil in 2024 as they were able to take advantage of the Country-by-Country Reporting Transitional Safe Harbour given that the simplified effective tax rate of the UK entities was higher than 15 per cent during the year ended 31 December 2024.

The top-up tax for the Group's UK entities and Singapore branches is expected to be negligible in 2025 as they will be able to take advantage of the Country-by-Country Reporting Transitional Safe Harbour during the financial year 2025.

At 31 December 2024, Pillar Two legislation has not yet been substantially enacted in Hong Kong and the Mainland China. However, it is expected that Pillar Two legislation will be enacted in Hong Kong during the financial year 2025 with effective date set retrospectively from the financial year beginning on or after 1 January 2025.

The average effective tax rate of the Group's Hong Kong entities based on the accounting profit was approximately 10 per cent during the year ended 31 December 2024. Based on management's assessment, it is expected the weighted average effective tax rate for the Group's Hong Kong entities would increase to approximately 15 per cent when Pillar Two legislation is effective in 2025.

## 18. Earnings Per Share

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	2024	2023
Profit attributable to shareholders (\$m)	13,050	11,862
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,264,482	1,265,463
Basic earnings per share (\$)	10.32	9.37
Diluted earnings per share		
	2024	2023
Profit attributable to shareholders (\$m)	13,050	11,862
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,264,482	1,265,463
Effect of Awarded Shares (in '000)	3,218	2,346
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,267,700	1,267,809
Diluted earnings per share (\$)	10.29	9.36

## 19. Dividends

#### **Accounting Policy**

Interim dividends declared are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the directors.

	2024 \$m	2023 \$m
First interim dividend paid:		
\$4.36 (2023: \$4.50) per share	5,528	5,705
Less: Dividend for shares held by Share Award Scheme (note (a))	(15)	(10)
	5,513	5,695
Second interim dividend declared (note (b)):		
\$4.90 (2023: \$3.91) per share based on issued share capital at 31 Dec	6,212	4,957
Less: Dividend for shares held by Share Award Scheme at 31 Dec (note (a))	(19)	(13)
	6,193	4,944
	11,706	10,639

- (a) The results and net assets of The HKEX Employees' Share Award Scheme (Share Award Scheme) are included in HKEX's financial statements. Therefore, dividends for shares held by the Share Award Scheme were deducted from the total dividends.
- (b) The second interim dividend declared after 31 December was not recognised as a liability at 31 December as it had not been approved by the Board.

#### 20. Financial Assets

#### **Accounting Policy**

The Group classifies its financial assets in the following measurement categories:

- those measured at fair value (either through profit or loss (note 22) or through other comprehensive income (note 23)); and
- those measured at amortised cost (note 24).

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets of Clearing House Funds and Margin Funds are classified as current assets as they will be liquidated whenever liquid funds are required.

Financial assets of Corporate Funds are classified as current assets unless they are expected to mature or be disposed of after twelve months from the end of the reporting period, in which case, they are included in non-current assets. For investment funds which have no maturity date, they are included in current assets unless they cannot be redeemed within twelve months from the end of the reporting period.

## 21. Cash and Cash Equivalents

#### **Accounting Policy**

Cash and cash equivalents comprise cash on hand, bank balances and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value (mainly reverse repurchase investments, time deposits and short-term debt securities), normally with original maturities of three months or less, or with remaining maturities of three months or less from the date of acquisition.

	At 31 Dec 2024				
	Cash for A-shares (notes (a) and (c)) \$m	Corporate Funds (notes (b) and 25) \$m	Margin Funds (notes (c) and 33) \$m	Clearing House Funds (notes (c) and 37) \$m	Total \$m
Cash on hand and balances and deposits with banks	2,175	12,447	41,414	13,689	69,725
Unlisted debt securities	_	-	-	1,472	1,472
Reverse repurchase investments	-	2,598	54,675	5,895	63,168
	2,175	15,045	96,089	21,056	134,365

## 21. Cash and Cash Equivalents (continued)

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	Cash for A-shares (notes (a) and (c)) \$m	Corporate Funds (notes (b) and 25) \$m	Margin Funds (notes (c) and 33) \$m	Clearing House Funds (notes (c) and 37) \$m	Total \$m
Cash on hand and balances and deposits with banks	2,733	7,956	31,614	13,061	55,364
Unlisted debt securities	-	_	_	611	611
Reverse repurchase investments	-	2,330	59,755	7,047	69,132
	2,733	10,286	91,369	20,719	125,107

#### (a) Cash for A-shares includes:

- (i) Renminbi (RMB) cash prepayments received by Hong Kong Securities Clearing Company Limited (HKSCC) from its Clearing Participants for releasing their allocated A-shares on the trade day. Such prepayments will be used to settle HKSCC's Continuous Net Settlement (CNS) obligations payable on the next business day; and
- (ii) Hong Kong Dollar/United States Dollar cash collateral received by HKSCC from its Clearing Participants for releasing their allocated A-shares on the trade day. Such collateral will be refunded to the Clearing Participants when they settle their RMB CNS obligations on the next business day.
- (b) At 31 December 2024, cash and cash equivalents of Corporate Funds of \$1,135 million (31 December 2023: \$1,074 million) (note 25(b)) were solely used to support Skin-in-the-Game and default fund credits of Clearing House Funds.
- (c) The cash and cash equivalents of Margin Funds, Clearing House Funds, Corporate Funds reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds (note (b)), and Cash for A-shares are held for specific purposes and cannot be used by the Group to finance other activities. These balances are not included in cash and cash equivalents of the Group for cash flow purpose in the consolidated statement of cash flows.

## 22. Financial Assets Measured at Fair Value through Profit or Loss

#### **Accounting Policy**

#### Classification

Investments and other financial assets are classified under financial assets measured at fair value through profit or loss if they do not meet the conditions to be measured at fair value through other comprehensive income (note 23) or amortised cost (note 24). On initial recognition, the Group may irrevocably designate a financial asset as at fair value through profit or loss that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in equity instruments that are not held for trading are classified under financial assets measured at fair value through profit or loss unless the Group has made an irrevocable election at the time of initial recognition to account for the investment at fair value through other comprehensive income.

#### Recognition and measurement

Purchases and sales of financial assets measured at fair value through profit or loss are recognised on the trade date. They are initially recognised at fair value with transaction costs recognised as expenses in the consolidated income statement and subsequently carried at fair value. Gains and losses arising from changes in fair value are included in the consolidated income statement in the period in which they arise.

Interest income is included in net fair value gains/(losses) from these financial assets.

Fair values of quoted investments are based on the most representative prices within the bid-ask spreads which are currently considered as the bid-prices. The investment funds are valued based on the latest available transaction price or redemption price for each fund, as determined by the fund administrator. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to recent market transactions, trading multiples and financial data of other comparable companies, and other instruments that are substantially the same and discounted cash flow analysis.

	Corporate Fu	nds (note 25)
	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Mandatorily measured at fair value		
Investment funds:		
– listed outside Hong Kong	2,203	870
- unlisted	5,026	5,698
	7,229	6,568
Unlisted equity securities	329	393
	7,558	6,961
The expected recovery dates of the financial assets are analysed as follows:		
Within twelve months	6,901	6,357
More than twelve months	657	604
	7,558	6,961

# 23. Financial Assets Measured at Fair Value through Other Comprehensive Income

#### **Accounting Policy**

#### Classification

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Other changes in carrying amounts are recognised in other comprehensive income. On derecognition, the cumulative gains and losses previously recognised in other comprehensive income are reclassified to the consolidated income statement.

Fair values of quoted investments or investments with an active market are based on the most representative prices within the bid-ask spreads which are currently considered as the bid-prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions and dealer quotes for similar investments.

#### **Impairment**

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments measured at fair value through other comprehensive income. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For financial assets measured at fair value through other comprehensive income, the Group recognised a provision for impairment losses equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the provision for impairment losses is measured at an amount equal to lifetime expected credit losses.

# 23. Financial Assets Measured at Fair Value through Other Comprehensive Income (continued)

#### **Accounting Policy (continued)**

#### **Impairment** (continued)

Expected credit losses are measured at each reporting date to reflect changes in the financial asset's credit risk since initial recognition.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is past due by 90 days or one or more credit impaired events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial asset's external or internal credit rating (if available);
- · an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Any change in the expected credit loss amount is recognised as an impairment loss or reversal of impairment loss in the consolidated income statement, with a corresponding adjustment to the other comprehensive income.

# 23. Financial Assets Measured at Fair Value through Other Comprehensive Income (continued)

		At 31 Dec	2024	
	Corporate Funds (notes (b) and 25) \$m	Margin Funds (note 33) \$m	Clearing House Funds (note 37) \$m	Total \$m
Listed debt securities	1,983	5,414	-	7,397
Unlisted debt securities	3,915	31,721	7,671	43,307
-	5,898	37,135	7,671	50,704
The expected recovery dates of the financial assets are analysed as follows:				
Within twelve months (note (c))	2,756	37,135	7,671	47,562
More than twelve months	3,142	-	-	3,142
	5,898	37,135	7,671	50,704
		At 31 Dec	2023	
-	Corporate Funds (notes (b) and 25) \$m	Margin Funds (note 33) \$m	Clearing House Funds (note 37) \$m	Total \$m
Listed debt securities	-	6,057	_	6,057
Unlisted debt securities	-	9,790	2,403	12,193
-	-	15,847	2,403	18,250
The expected recovery dates of the financial assets are analysed as follows:				
Within twelve months (note (c))	-	15,847	2,403	18,250

- (a) No provision for impairment loss was made on the financial assets held at 31 December 2024 and 31 December 2023 as they were considered to be of low credit risk and the expected credit loss was minimal. Debt securities held were of investment grade and had a weighted average credit rating of Aa2 (Moody's) (31 December 2023: Aa1 (Moody's)) with no history of default and there were no unfavourable current conditions and forecast of future economic conditions at the reporting dates.
- (b) At 31 December 2024, debt securities of Corporate Funds of \$945 million (31 December 2023: \$Nil) (note 25(b)) were solely used to support Skin-in-the-Game and default fund credits of Clearing House Funds.
- (c) Includes financial assets maturing after twelve months of \$13,220 million (31 December 2023: \$9,573 million) attributable to Margin Funds and \$1,558 million (31 December 2023: \$239 million) attributable to Clearing House Funds that could readily be liquidated to meet liquidity requirements of the Funds (note 53(b)).

#### 24. Financial Assets Measured at Amortised Cost

#### **Accounting Policy**

#### Classification

Investments are classified under financial assets measured at amortised cost if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accounts receivable and other deposits are also classified under this category (note 27).

#### Recognition and measurement

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. The amortised cost is reduced by loss allowance for expected credit losses.

Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Any gains and losses on derecognition is recognised in the consolidated income statement.

#### **Impairment**

The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets measured at amortised cost.

For accounts receivable due from customers, the Group applies the simplified approach permitted by HKFRS 9: Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected credit losses of receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets measured at amortised cost (including time deposits, debt instruments and other deposits), the Group recognises a provision for impairment losses equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the provision for impairment losses is measured at an amount equal to lifetime expected credit losses.

Expected credit losses are remeasured at each reporting date to reflect changes in the financial asset's credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment loss or reversal of impairment loss in the consolidated income statement, with a corresponding adjustment to the carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that has previously been written off are recognised as a reversal of impairment in the consolidated income statement in the period in which the recovery occurs.

## 24. Financial Assets Measured at Amortised Cost (continued)

		At 31 Dec 2024	
	Corporate Funds (notes (b) and 25) \$m	Margin Funds (note 33) \$m	Total \$m
Debt securities	3,929	3,290	7,219
Time deposits with original maturities over three months	4,361	31,941	36,302
Other financial assets	89	-	89
	8,379	35,231	43,610
The expected recovery dates of the financial assets are analysed as follows:			
Within twelve months	6,851	35,231	42,082
More than twelve months	1,528	-	1,528
	8,379	35,231	43,610
	,	At 31 Dec 2023	
	Corporate Funds (notes (b) and 25)	Margin Funds (note 33)	Total
	\$m	\$m	\$m
Debt securities	\$m 2,067	\$m -	\$m 2,067
Debt securities Time deposits with original maturities over three months	<u>.</u>	\$m - 59,084	
	2,067		2,067
Time deposits with original maturities over three months	2,067 15,403		2,067 74,487
Time deposits with original maturities over three months	2,067 15,403 95	- 59,084 -	2,067 74,487 95
Time deposits with original maturities over three months Other financial assets The expected recovery dates of the financial assets	2,067 15,403 95	- 59,084 -	2,067 74,487 95
Time deposits with original maturities over three months Other financial assets  The expected recovery dates of the financial assets are analysed as follows:	2,067 15,403 95 17,565	59,084 - 59,084	2,067 74,487 95 76,649

- (a) No provision for impairment loss was made on the financial assets held at 31 December 2024 and 31 December 2023 as they were considered to be of low credit risk and the expected credit loss was minimal. Debt securities held were of investment grade and had a weighted average credit rating of Aa3 (Moody's) (31 December 2023: A1 (Moody's)). Deposits were placed with the investment grade banks, licensed banks and restricted licence banks regulated by the Hong Kong Monetary Authority, and banks regulated by local banking regulators in the countries where the Group's subsidiaries operate. All these financial assets had no history of default and there were no unfavourable current conditions and forecast of future economic conditions at the reporting dates.
- (b) At 31 December 2024, no debt securities of Corporate Funds (31 December 2023: \$497 million) (note 25(b)) were solely used to support Skin-in-the-Game and default fund credits of HKSCC Guarantee Fund.
- (c) The fair values of financial assets maturing after twelve months are disclosed in note 53(d)(ii).

## 25. Corporate Funds

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Corporate Funds comprised the following instruments:		
Cash and cash equivalents (notes (b) and 21)	15,045	10,286
Financial assets measured at fair value through profit or loss (note 22)	7,558	6,961
Financial assets measured at fair value through other comprehensive income (notes (b) and 23)	5,898	-
Financial assets measured at amortised cost (notes (b) and 24)	8,379	17,565
	36,880	34,812

- (a) Financial assets held by the Group which are funded by share capital and funds generated from operations are classified as Corporate Funds (i.e., other than financial assets of Margin Funds, Clearing House Funds, Cash for A-shares, and derivative financial instruments).
- (b) At 31 December 2024, cash and cash equivalents of Corporate Funds of \$1,135 million (31 December 2023: \$1,074 million) and debt securities of Corporate Funds of \$945 million (31 December 2023: \$497 million) were solely used to support Skin-in-the-Game and default fund credits of Clearing House Funds (note 37(a)).

#### 26. Derivative Financial Instruments

#### **Accounting Policy**

Derivative financial instruments include outstanding derivatives contracts of LME Clear, which acts as a central counterparty to the base and ferrous metals futures and options contracts traded on the LME, forward foreign exchange contracts and foreign exchange swaps. Derivatives are initially recognised at fair value on trade date and subsequently remeasured at their fair values. Except where outstanding derivatives contracts are held in the capacity as a central counterparty and derivatives which relate to qualifying cash flow hedges (note 44(a)), derivatives are categorised as held for trading with changes in fair value recognised in the consolidated income statement.

Derivative financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## **26. Derivative Financial Instruments** (continued)

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Mandatorily measured at fair value		
Derivative financial assets:		
<ul> <li>base and ferrous metals futures and options contracts cleared through LME Clear (note (a))</li> </ul>	67,629	58,097
<ul> <li>forward foreign exchange contracts held as cash flow hedging instruments (note (b))</li> </ul>	_	4
– foreign exchange swaps (note (c))	118	26
	67,747	58,127
Mandatorily measured at fair value		
Derivative financial liabilities:		
<ul> <li>base and ferrous metals futures and options contracts</li> <li>cleared through LME Clear (note (a))</li> </ul>	67,629	58,097
<ul> <li>forward foreign exchange contracts held as cash flow hedging instruments (note (b))</li> </ul>	60	-
– foreign exchange swaps (note (c))	174	3
	67,863	58,100

- (a) The amounts represent the fair value of the outstanding base and ferrous metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32 Financial Instruments: Presentation, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME.
- (b) Forward foreign exchange contracts have been designated as cash flow hedges for hedging foreign exchange risk of certain expenditure of LME and LME Clear. Details of such contracts are set out in note 44(a).
- (c) As part of the Group's investment strategy, the Group has entered into foreign exchange swaps for optimising foreign currency cash flows and yield enhancement while hedging the overall foreign exchange exposures of the Group. Net losses on foreign exchange swaps were recognised in the consolidated income statement under net investment income (note 6).
  - At 31 December 2024, total notional amount for outstanding foreign exchange swaps was \$77,302 million (31 December 2023: \$10,722 million).
- (d) The Group has also entered into certain forward foreign exchange contracts which have not been designated as cash flow hedges. At 31 December 2024, the fair value of such outstanding contracts was less than \$1 million (31 December 2023: \$Nil) and the notional amount of the outstanding contracts amounted to \$310 million (31 December 2023: \$Nil).

## 27. Accounts Receivable, Prepayments and Deposits

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Receivable from ChinaClear, SHCH and Exchange and Clearing Participants:		
– CNS money obligations receivable (note (a))	31,813	21,430
– transaction levy, stamp duty and fees receivable	1,083	664
<ul> <li>Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear (note 33)</li> </ul>	19,814	9,734
– Inter-CCP margin held by SHCH (note (b)):		
<ul> <li>- satisfied by margin deposits collected from OTC Clear Clearing Participants (note 33)</li> </ul>	571	130
– satisfied by Corporate Funds	257	113
	828	243
- others	25	5
Receivables for investment funds sold before 31 Dec	_	205
Other receivables, prepayments and deposits	982	1,095
Less: Provision for impairment losses of receivables (notes (c) and (d))	(48)	(44)
	54,497	33,332

- (a) Upon acceptance of Stock Exchange trades for settlement in CCASS under the CNS basis, HKSCC interposes itself between the HKSCC Clearing Participants as the settlement counterparty to the trades through novation. The CNS money obligations due by/to HKSCC Clearing Participants on the Stock Exchange trades are recognised as receivables and payables (note 34) when they are confirmed and accepted on the day after the trade day.
  - For a trade in A-shares transacted for Stock Exchange Participants, the rights and obligations of the parties to the trade will be transferred to ChinaClear, and a market contract between HKSCC and the relevant HKSCC Clearing Participants is created through novation. The CNS money obligations due by/to HKSCC Clearing Participants and ChinaClear are recognised as receivables and payables (note 34) when the trades are confirmed on the trade day.
- (b) Under Swap Connect, OTC Clear and Shanghai Clearing House (SHCH) are required to provide inter-central counterparties (inter-CCP) margin to each other to cover the potential loss arising from the default of the other party (note 33). Part of the inter-CCP margin provided by OTC Clear to SHCH is satisfied by margin deposits collected from OTC Clear Clearing Participants and the remaining balance is satisfied by Corporate Funds of OTC Clear.

## 27. Accounts Receivable, Prepayments and Deposits (continued)

#### (c) Expected credit losses

For accounts receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of debtors and the corresponding historical credit losses experienced during the year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance for accounts receivable as at 31 December 2024 and 31 December 2023 was determined as follows:

		At 31 Dec 2024			
	Current or within 30 days past due	31 to 180 days past due	More than 180 days past due	Total	
Expected loss rate	5%	12%	100%		
Gross carrying amount – accounts receivable subject to expected credit loss provision (\$m)	500	33	21	554	
Loss allowance (\$m)	23	4	21	48	
		At 31 Dec	2023		
	Current or within 30 days past due	31 to 180 days past due	More than 180 days past due	Total	
Expected loss rate	4%	12%	100%		
Gross carrying amount – accounts receivable subject to expected credit loss provision (\$m)	672	20	18	710	
Loss allowance (\$m)	24	2	18	44	

For the remaining receivables and other deposits (excluding prepayments) amounting to \$53,714 million as of 31 December 2024 (31 December 2023: \$32,451 million), the expected credit loss was minimal as these receivables were mainly due from Participants which are subject to the Group's stringent financial requirements and admission criteria, compliance monitoring and risk management measures, these receivables had no recent history of default, part of the receivables were subsequently settled, and there was no unfavourable current conditions and forecast future economic conditions at the reporting dates.

## 27. Accounts Receivable, Prepayments and Deposits (continued)

(d) The movements in provision for impairment losses of receivables were as follows:

	2024 \$m	2023 \$m
At 1 Jan	44	45
Provision for/(write back of provision for) loss allowance for receivables under other operating expenses	4	(1)
At 31 Dec	48	44

(e) CNS money obligations receivable mature within two days after the trade date. The balance of Settlement Reserve Fund and Settlement Guarantee Fund with ChinaClear is rebalanced on a monthly basis, and the balance of inter-CCP margin held by SHCH is rebalanced on a daily basis. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

## 28. Principal Subsidiaries and Controlled Structured Entities

#### **Accounting Policy**

Subsidiaries are entities (including structured entities (note (b))) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

## 28. Principal Subsidiaries and Controlled Structured Entities (continued)

## (a) Principal subsidiaries

HKEX had direct or indirect interests in the following principal subsidiaries:

Issued and fully Place of paid up			st held Group		
Company	incorporation and operation	share/registered capital	Principal activities	At 31 Dec 2024	At 31 Dec 2023
Direct principal subsidiaries:					
The Stock Exchange of Hong Kong Limited	Hong Kong	929 ordinary shares (\$929)	Operates the only Stock Exchange in Hong Kong	100%	100%
Hong Kong Futures Exchange Limited	Hong Kong	230 ordinary shares (\$28,750,000)	Operates a futures and options exchange in Hong Kong	100%	100%
Hong Kong Securities Clearing Company Limited	Hong Kong	4 ordinary shares (\$1,060,000,002)	Operates a clearing house for securities traded on the Stock Exchange and those traded through Stock Connect, and the central securities depository, and provides custody and nominee services for eligible securities listed in Hong Kong and Mainland China	100%	100%
OTC Clearing Hong Kong Limited (OTC Clear) (note (i))	Hong Kong	24,459 ordinary shares (\$1,636,301,781) 5,117 non-voting ordinary shares (\$518,206,540)	Operates a clearing house for over-the-counter derivatives	84%	84%
HKFE Clearing Corporation Limited (HKCC)	Hong Kong	3,766,700 ordinary shares (\$831,010,000)	Operates a clearing house for derivatives contracts traded on the Futures Exchange	100%	100%
The SEHK Options Clearing House Limited (SEOCH)	Hong Kong	4,000,000 ordinary shares (\$271,000,000)	Operates a clearing house for stock options contracts traded on the Stock Exchange in Hong Kong	100%	100%
Indirect principal subsidiaries	:				
The London Metal Exchange	United Kingdom	100 ordinary shares of £1 each	Operates an exchange for the trading of base and ferrous metals futures and options contracts	100%	100%
LME Clear Limited	United Kingdom	107,500,001 ordinary shares of £1 each	Operates a clearing house for base and ferrous metals futures and options contracts	100%	100%
Qianhai Mercantile Exchange Co., Ltd. (QME) (note (i))	Mainland China	RMB400,000,000	Operates a commodity trading platform in Mainland China	90%	90%

The above table lists the subsidiaries of the Group which, in the opinion of its directors, principally affect the results or financial position of the Group.

## 28. Principal Subsidiaries and Controlled Structured Entities (continued)

#### (a) Principal subsidiaries (continued)

#### (i) Subsidiaries with non-controlling interests

At 31 December 2024, the Group held 84 per cent (31 December 2023: 84 per cent) interest in OTC Clear, while the remaining 16 per cent (31 December 2023: 16 per cent) interest was held by non-controlling interests. The non-controlling interests do not have voting rights at general meetings of OTC Clear.

QME is a limited company established in Mainland China. At 31 December 2024, the Group held 90 per cent (31 December 2023: 90 per cent) interest in QME, while the remaining 10 per cent (31 December 2023: 10 per cent) interest was held by non-controlling interests.

BayConnect is a limited company established in Mainland China. At 31 December 2024, the Group held 51 per cent (31 December 2023: 51 per cent) interest in BayConnect, while the remaining 49 per cent (31 December 2023: 49 per cent) interest was held by non-controlling interests.

Set out below is the financial information related to the non-controlling interests of each subsidiary:

	OTC Clear		QME		BayConnect	
	2024 \$m	2023 \$m	2024 \$m	2023 \$m	2024 \$m	2023 \$m
Amounts allocated to non-controlling interests:						
Profit/(loss) for the year	120	134	(13)	(16)	(2)	1
Other comprehensive income/(loss)	-	-	3	1	(5)	(4)
Total comprehensive income/(loss)	120	134	(10)	(15)	(7)	(3)
	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Accumulated non-controlling interests	511	391	(81)	(71)	125	132

No summarised financial information of OTC Clear, QME and BayConnect is presented as the non-controlling interests are not material to the Group.

#### (ii) Significant restrictions

Cash and savings deposits are held by subsidiaries in Mainland China and are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated statement of financial position at 31 December 2024 was \$168 million (31 December 2023: \$228 million).

#### (b) Controlled structured entities

HKEX controls two structured entities which operate in Hong Kong, particulars of which are as follows:

Structured entity	Principal activities
The HKEX Employees' Share Award Scheme (HKEX Employee Share Trust)	Purchases, administers and holds HKEX shares for the Share Award Scheme for the benefit of eligible HKEX employees (note 43)
HKEX Foundation Limited	Charitable foundation

HKEX has the power to direct the relevant activities of the HKEX Employee Share Trust and HKEX Foundation Limited and it has the ability to use its power over the entities to affect its exposure to returns. Therefore, they are considered as controlled structured entities of the Group.

#### 29. Interests in Joint Ventures

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Share of net assets of joint ventures	415	352

#### (a) Details of the joint ventures were as follows:

	Place of business		% of ownership interest		
Name	and country of incorporation	Principal activities	At 31 Dec 2024	At 31 Dec 2023	
China Exchanges Services Company Limited (CESC)	Hong Kong	Development of index-linked and equity derivatives products	33%	33%	
Bond Connect Company Limited (BCCL)	Hong Kong	Provision of support services related to Bond Connect	40%	40%	

CESC is a joint venture established by HKEX, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, with an aim of developing financial products and related services. CESC is a strategic investment for the Group, it is expected to enhance the competitiveness of Hong Kong, and it aims to promote the development of Mainland China's capital markets and the internationalisation of the Group.

BCCL is a joint venture established by HKEX and China Foreign Exchange Trade System (CFETS), and provides support services related to Bond Connect. BCCL is a strategic investment of the Group as it provides services to facilitate the trading of Bond Connect, which enhances HKEX's position in the fixed income market and expands the mutual market programme from equity into bonds.

Set out below is the measurement method and the carrying amounts of the two joint ventures:

		Carrying amount		
Name	Measurement method	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m	
CESC	Equity	42	40	
BCCL	Equity	373	312	
		415	352	

The two joint ventures are private companies and no quoted market prices are available for their shares.

No summarised financial information of CESC and BCCL is presented as the joint ventures are not material to the Group.

## 30. Goodwill and Other Intangible Assets

#### **Accounting Policy**

#### Goodwill

Goodwill arising on the acquisition of subsidiaries is carried at cost as established at the date of acquisition less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or group of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes (i.e., operating segment level).

Goodwill is not amortised but impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

The Group's accounting policy for impairment is described in note 2(c).

#### **Tradenames**

Tradenames acquired in a business combination are recognised at fair value at the acquisition date. The fair value is based on the discounted estimated royalty payments that are expected to be avoided as a result of the tradenames being owned.

Tradenames arising from the acquisition of LME entities have indefinite useful lives and are carried at cost less accumulated impairment losses, if any.

Tradenames are reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment.

#### **Customer relationships**

Customer relationships acquired in a business combination are recognised initially at fair value at the acquisition date. The fair value is determined using the multi-period excess earnings method, whereby the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. Subsequently, the customer relationships are carried at cost (i.e., the initial fair value) less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straightline method over the expected lives of the customer relationships, which are determined to be 8 to 25 years.

## **30. Goodwill and Other Intangible Assets** (continued)

#### **Accounting Policy** (continued)

#### Computer software systems

Development costs that are directly attributable to the design, building and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets if the related software does not form an integral part of the hardware on which it operates (i.e., system software without which the related hardware can still operate) and when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use it;
- There is an ability to use the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised in the consolidated income statement as incurred. Development costs previously recognised in the consolidated income statement are not recognised as an asset in a subsequent period.

Qualifying software system development expenditure and related directly attributable costs capitalised as intangible assets are amortised when they are available for use. They are amortised at rates sufficient to write off their costs net of residual values over their estimated useful lives of three to ten years on a straight-line basis. The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. From 1 January 2024, the estimated useful lives of trading and clearing software systems were revised from "three to five years" to "three to ten years" to better reflect the useful lives of the assets. The financial impact of such change in accounting estimate was insignificant for the year ended 31 December 2024.

Costs incurred in configuring or customising software in a cloud computing arrangement can only be recognised as intangible assets if the activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed when service is delivered, unless they are incurred for customising the cloud-based software which the promises are not distinct to the cloud computing arrangement, where such costs are amortised over the contract terms of the cloud computing arrangement.

The Group's accounting policy for impairment is described in note 2(c).

## 30. Goodwill and Other Intangible Assets (continued)

		Other Intangible Assets			
	Goodwill \$m	Tradenames \$m	Customer relationships \$m	Software systems \$m	Total \$m
Cost:					
At 1 Jan 2023	13,367	897	3,150	6,587	24,001
Exchange differences	4	-	-	(7)	(3)
Additions	-	-	-	1,123	1,123
Disposals	_	_	-	(36)	(36)
At 31 Dec 2023	13,371	897	3,150	7,667	25,085
At 1 Jan 2024	13,371	897	3,150	7,667	25,085
Exchange differences	(74)	(5)	(16)	(27)	(122)
Additions	-	-	-	1,272	1,272
Disposals	-	_	-	(35)	(35)
At 31 Dec 2024	13,297	892	3,134	8,877	26,200
Accumulated amortisation:					
At 1 Jan 2023	-	-	1,317	3,716	5,033
Exchange differences	-	-	-	(4)	(4)
Amortisation	-	-	132	681	813
Disposals		_	_	(36)	(36)
At 31 Dec 2023	_	-	1,449	4,357	5,806
At 1 Jan 2024	-	_	1,449	4,357	5,806
Exchange differences	-	-	(8)	(15)	(23)
Amortisation	-	-	137	710	847
Disposals	-	-	-	(35)	(35)
At 31 Dec 2024	-	-	1,578	5,017	6,595
Net book value:					
At 31 Dec 2024	13,297	892	1,556	3,860	19,605
At 31 Dec 2023	13,371	897	1,701	3,310	19,279
Cost of software systems under development included above:					
At 31 Dec 2024	-	-	-	2,210	2,210
At 31 Dec 2023	-	_	-	1,933	1,933

Amortisation of \$847 million (2023: \$813 million) is included in "depreciation and amortisation" in the consolidated income statement.

Tradenames are regarded as having indefinite useful lives and there is no foreseeable limit to the period over which they are expected to generate cash flows for the Group as it is expected that their values will not be reduced through usage and there are no legal or similar limits on the period for their use.

# **30. Goodwill and Other Intangible Assets** (continued)

Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives

Goodwill and tradenames that arose on the acquisition of subsidiaries are allocated to and monitored by management at the operating segment level, which comprises CGUs, or groups of CGUs that are expected to benefit from synergies of combination with the acquired businesses. A summary of the allocation of goodwill and tradenames to these operating segments is as follows:

	At 31 Dec 2024		At 31 De	ec 2023
	Goodwill \$m	Tradenames \$m	Goodwill \$m	Tradenames \$m
Commodities segment	13,192	892	13,262	897
Data and Connectivity segment	105	-	109	_
	13,297	892	13,371	897

The Commodities segment comprises the operations of the LME for the trading of base and ferrous metals futures and options contracts in the UK and the operations of its clearing house, LME Clear (UK commodities CGU), and the operations of QME in Mainland China (China commodities CGU). As the China commodities CGU is still considered at development stage, its valuation has not been taken into account in determining the recoverable amount of the Commodities segment at 31 December 2024.

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The key assumptions, EBITDA margins, growth rates and discount rates used for value-in-use calculations are as follows:

	At 31 Dec 2024		At 31 De	c 2023
	Commodities segment	Data and Connectivity segment	Commodities segment	Data and Connectivity segment
EBITDA margin (average of next five years)	56%	28%	55%	28%
Growth rate	3%	3%	3%	3%
Discount rate	8%	13%	8%	13%

Management determined the EBITDA margins based on past performance, expectations regarding market development, and the business model the entity undertakes. The growth rates do not exceed the long-term average growth rate for the business in the markets in which each of the CGUs currently operates. The discount rates reflect specific risks relating to each CGU.

The recoverable amounts of the operating segments based on the estimated value-in-use calculations were higher than their carrying amounts (including goodwill and tradenames) at 31 December 2024 and 31 December 2023. Accordingly, no provision for impairment loss for goodwill or tradenames is considered necessary.

If the LME trading and clearing fees in the forecast period were 23 per cent lower than forecast, or the discount rate adopted was increased to 11 per cent, the recoverable amount of the Commodities segment would be lower than its carrying amount. Except for this, any reasonably possible changes in the key assumptions used in the value-in-use assessment would not affect management's view on impairment at 31 December 2024.

#### 31. Fixed Assets

#### **Accounting Policy**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Tangible fixed assets are depreciated when they are available for use. They are depreciated at rates sufficient to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The residual values and useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives of major categories of fixed assets are as follows:

Leasehold buildings Up to 35 years or remaining lives of the leases if

shorter

Leasehold improvements Over the remaining lives of the leases but not

exceeding 10 years

Computer trading and clearing systems

- hardware and software
 Other computer hardware and software
 Furniture, equipment and motor vehicles
 Data centre facilities and equipment
 3 to 10 years
 3 to 5 years
 3 to 20 years

From 1 January 2024, the estimated useful lives of computer trading and clearing software were revised from "three to five years" to "three to ten years" to better reflect the useful lives of the assets. The financial impact of such change in accounting estimate was insignificant for the year ended 31 December 2024.

Qualifying software expenditure and related directly attributable costs are capitalised and recognised as a fixed asset if the software forms an integral part of the hardware on which it operates (i.e., operating system software without which the related hardware cannot operate).

Subsequent costs and qualifying development expenditure incurred after the completion of a system are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with that item will flow to the Group and the cost of the item can be measured reliably.

The Group's accounting policy for impairment is described in note 2(c).

# **31. Fixed Assets** (continued)

	Leasehold buildings \$m	Computer trading and clearing systems \$m	Other computer hardware and software \$m	Data centre facilities and equipment \$m	Leasehold improvements, furniture, equipment and motor vehicles \$m	Total \$m
Cost:						
At 1 Jan 2023	708	1,161	756	660	1,235	4,520
Exchange differences	-	(2)	-	-	(1)	(3)
Additions	-	69	143	15	31	258
Disposals	-	(8)	(3)	(2)	(137)	(150)
At 31 Dec 2023	708	1,220	896	673	1,128	4,625
At 1 Jan 2024	708	1,220	896	673	1,128	4,625
Exchange differences	_	(2)	(2)	-	(2)	(6)
Additions	-	48	114	15	68	245
Disposals	-	(33)	(162)	-	(42)	(237)
At 31 Dec 2024	708	1,233	846	688	1,152	4,627
Accumulated depreciation:						
At 1 Jan 2023	288	951	477	287	877	2,880
Exchange differences	-	(2)	-	-	(1)	(3)
Depreciation	23	71	77	44	120	335
Disposals	_	(8)	(3)	(2)	(127)	(140)
At 31 Dec 2023	311	1,012	551	329	869	3,072
At 1 Jan 2024	311	1,012	551	329	869	3,072
Exchange differences	-	(2)	(1)	-	(2)	(5)
Depreciation	23	57	91	44	69	284
Disposals	-	(33)	(161)	-	(34)	(228)
At 31 Dec 2024	334	1,034	480	373	902	3,123
Net book value:						
At 31 Dec 2024	374	199	366	315	250	1,504
At 31 Dec 2023	397	208	345	344	259	1,553
Cost of fixed assets in the course of construction included above:						
At 31 Dec 2024	-	112	135	-	66	313
At 31 Dec 2023	-	69	109	1	81	260

Depreciation of \$284 million (2023: \$335 million) is included in "depreciation and amortisation" in the consolidated income statement.

# 32. Right-of-use Assets

#### **Accounting Policy**

For an asset leased by the Group, the right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has applied judgement to determine the lease term of some lease contracts which includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

	Lease premium for land \$m	Properties \$m	Information technology facilities \$m	Equipment and motor vehicles \$m	Total \$m
At 1 Jan 2023	16	1,532	55	1	1,604
Additions of leases	-	171	-	5	176
Modification of leases	_	(1)	_	_	(1)
Depreciation	-	(282)	(12)	(1)	(295)
At 31 Dec 2023	16	1,420	43	5	1,484
At 1 Jan 2024	16	1,420	43	5	1,484
Exchange differences	-	(1)	-	-	(1)
Additions of leases	-	143	-	-	143
Reassessment of leases	_	(181)	-	-	(181)
Depreciation	(1)	(257)	(12)	(1)	(271)
At 31 Dec 2024	15	1,124	31	4	1,174

- (a) Lease premium for land represents prepaid lease payment for a medium-term lease in Hong Kong. In addition, the Group leases various properties, information technology facilities, office equipment and motor vehicles through lease contracts. These contracts are expected to expire within 6 years.
- (b) Depreciation of \$271 million (2023: \$295 million) is included in "depreciation and amortisation" in the consolidated income statement.

# 33. Margin Deposits, Mainland Security and Settlement Deposits, and Cash Collateral from Participants

#### **Accounting Policy**

The obligation to refund the Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants is disclosed under current liabilities. Non-cash collateral received from Participants is not recognised on the consolidated statement of financial position.

Margin Funds are established by cash received or receivable from Participants in respect of margin deposits, Mainland security and settlement deposits, and cash collateral of the five clearing houses to cover their open positions. Part of the Mainland security and settlement deposits is used by HKSCC to satisfy its obligations as a clearing participant of ChinaClear in respect of trades transacted through Stock Connect. Under Swap Connect, OTC Clear and SHCH are required to provide inter-CCP margin to each other to cover the potential loss arising from the default of the other party, and OTC Clear satisfies such obligations by using part of margin deposits collected from its Participants. These funds are held in segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants comprised:		
HKCC Clearing Participants' margin deposits	60,030	62,513
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	29,679	18,227
LME Clear Clearing Participants' margin deposits	65,788	67,905
OTC Clear Clearing Participants' margin deposits	15,699	14,914
OTC Clear inter-CCP margin from SHCH	755	237
SEOCH Clearing Participants' margin deposits	16,906	12,369
	188,857	176,165
The margin deposits, Mainland security and settlement deposits, and cash collateral were invested in the following instruments for managing the obligations of the Margin Funds (note 20):		
Cash and cash equivalents (note 21)	96,089	91,369
Financial assets measured at fair value through other comprehensive income (note 23)	37,135	15,847
Financial assets measured at amortised cost (note 24)	35,231	59,084
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear (note 27)	19,814	9,734
Inter-CCP margin held by SHCH (note 27)	571	130
Margin receivable from Participants	17	1
	188,857	176,165

# 34. Accounts Payable, Accruals and Other Liabilities

#### **Accounting Policy**

Financial liabilities (other than derivative financial instruments (note 26) and financial guarantee contracts (note 36)) are initially recognised at fair value, which is then treated as their cost after initial recognition, and subsequently carried at amortised cost using the effective interest method.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Payable to ChinaClear and Exchange and Clearing Participants:		
– CNS money obligations payable (note 27(a))	33,988	24,137
- HKD/USD cash collateral for A-shares (note 21(a)(ii))	-	26
- others	587	604
Transaction levy payable to the SFC	154	110
Levies payable to the Accounting and Financial Reporting Council	40	37
Unclaimed dividends (note (a))	539	487
Stamp duty payable to the Collector of Stamp Revenue	742	523
Cash collateral received for reverse repurchase investments	-	464
Other payables, accruals and deposits received	1,534	1,461
	37,584	27,849

- (a) Unclaimed dividends represent dividends declared by listed companies, including HKEX, but not yet claimed by their shareholders. During the year, cash dividends of listed companies other than HKEX held by HKSCC Nominees Limited which had remained unclaimed for a period of more than seven years amounting to \$15 million (2023: \$19 million) were forfeited and recognised as sundry income (note 8) and dividends declared by HKEX which were unclaimed over a period of six years amounting to \$32 million (2023: \$23 million) were forfeited and transferred to retained earnings in accordance with HKEX's Articles of Association (note 46).
- (b) CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

# 35. Deferred Revenue

## **Accounting Policy**

Deferred revenue, or "contract liability" under HKFRS 15, is recognised when the Group receives consideration (or the amount is due) from the customers before the Group transfers goods or services to the customers.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Deferred revenue arising from unsatisfied performance obligations	1,356	1,367
Analysed as:		
Non-current liabilities	319	307
Current liabilities	1,037	1,060
	1,356	1,367

# 36. Other Financial Liabilities

#### **Accounting Policy**

Financial guarantee contracts are initially recognised at fair value, and subsequently at the higher of the amount determined in accordance with the expected credit loss model and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15: Revenue from Contracts with Customers.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Financial liabilities of Clearing House Funds (note 37)	13	9
Financial liabilities of Corporate Funds:		
Financial guarantee contract (note (a))	20	20
	33	29

<sup>(</sup>a) The amount represents the carrying value of a financial guarantee provided by the Group to the Collector of Stamp Revenue, details of which are disclosed in note 49(b).

# 37. Clearing House Funds

#### **Accounting Policy**

Clearing Participants' cash contributions to Clearing House Funds are included under current liabilities. Non-cash collateral received from Clearing Participants is not recognised on the consolidated statement of financial position.

Clearing House Funds, or default funds, are established under the Clearing House Rules. Assets contributed by the Clearing Participants and the Group are held by the respective clearing houses (together with the accumulated income less related expenses for the clearing houses in Hong Kong) expressly for the purpose of ensuring that the respective clearing houses are able to fulfil their counterparty obligations in the event that one or more of the Clearing Participants fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge its liabilities and obligations if defaulting Clearing Participants deposit defective securities into CCASS. The amounts earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear and its accumulated investment income was also included in Clearing House Funds for presentation purpose. These funds are held in segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities. Contributions by the clearing houses to their respective default funds (Skin-in-the-Game), together with default fund credits granted to HKSCC and HKCC Participants, are included in Corporate Funds.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions	27,124	21,955
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Clearing House Funds reserves (note 45)	1,434	1,002
	28,714	23,113
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds (note 20):		
Cash and cash equivalents (note 21)	21,056	20,719
Financial assets measured at fair value through other comprehensive income (note 23)	7,671	2,403
Less: Other financial liabilities of Clearing House Funds (note 36)	(13)	(9)
	28,714	23,113
The Clearing House Funds comprised the following Funds:		
HKCC Reserve Fund	6,074	4,779
HKSCC Guarantee Fund	6,382	3,262
LME Clear Default Fund	8,728	7,814
OTC Clear Rates and FX Guarantee Fund	6,056	5,588
OTC Clear Rates and FX Guarantee Resources	191	183
SEOCH Reserve Fund	1,283	1,487
	28,714	23,113

<sup>(</sup>a) At 31 December 2024, the Skin-in-the-Game, together with default fund credits granted to HKSCC and HKCC Participants (note 53(c)), amounted to \$2,080 million (31 December 2023: \$1,571 million), and were included in Corporate Funds (note 25(b)).

## 38. Lease Liabilities

#### **Accounting Policy**

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The lease liability subsequently increases by the interest cost on the lease liability and is reduced by lease payments made. Each lease payment is allocated between the principal and interest.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Total lease liabilities	1,294	1,604
Analysed as:		
Non-current liabilities	1,034	1,334
Current liabilities	260	270
	1,294	1,604

Some lease contracts include an option to renew for an additional period after the end of the initial contract term. The Group assesses at the lease commencement date the likelihood of exercising the extension options, and only include those reasonably certain to be exercised in the measurement of lease liabilities.

# 39. Borrowings

#### **Accounting Policy**

The potential cash payments related to put options issued by HKEX for the non-voting ordinary shares of a subsidiary held by non-controlling interests are accounted for as financial liabilities under borrowings, which are initially recognised at present value of amount payable by HKEX to acquire the shares held by non-controlling interests with a corresponding charge directly to equity under "reserve relating to written put options to non-controlling interests".

The written put option financial liabilities are subsequently measured at amortised cost. The interest charge arising is recorded under finance costs in the consolidated income statement.

When written put options are exercised by the non-controlling interests, the amount of non-controlling interests allocated to HKEX is credited directly to equity under "reserve relating to written put options to non-controlling interests".

When dividends are paid by the subsidiary, the amount of written put options financial liabilities is reduced by the amount of dividends received by non-controlling interests, with a corresponding credit to equity under "reserve relating to written put options to non-controlling interests".

The written put option liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

# **39.** Borrowings (continued)

Written	put	op	tions	to
non-conti	rolli	ng	inter	est

	2024 \$m	2023 \$m
At 1 Jan	447	491
Redemption of written put options exercised by non-controlling interests	-	(51)
Interest expenses (note 14)	5	7
At 31 Dec	452	447
Analysed as:		
Non-current liabilities	70	65
Current liabilities	382	382
	452	447

The amounts were repayable as follows:

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Within one year	382	382
After two years but within five years	70	65
	452	447

At 31 December 2024 and 31 December 2023, 5,117 non-voting ordinary shares had been issued by OTC Clear at a total consideration of \$518 million. As part of the arrangement, put options were written by HKEX to the non-controlling interests to sell part or all of their non-voting ordinary shares in OTC Clear to HKEX at the initial subscription prices less accumulated dividends received by the non-controlling interests. The put options are exercisable by the non-controlling interests at any time following the date falling five years after the shares were issued if the non-controlling interests can demonstrate to HKEX that they have used reasonable endeavours for at least three months to find a suitable purchaser for their shares at a price equal to or more than their fair market values. The carrying amount of written put options represents the present value of the amount payable by HKEX to acquire the shares held by non-controlling interests at the date at which the written put options first become exercisable.

During 2023, HKEX purchased 427 non-voting ordinary shares at a consideration of \$51 million upon exercise of the written put options by the non-controlling interests.

At 31 December 2024, \$382 million of the written put options were exercisable (31 December 2023: \$382 million) and the remaining \$70 million of the options will become exercisable (31 December 2023: \$65 million) in December 2027.

## 40. Provisions

#### **Accounting Policy**

Provisions are recognised when 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 to settle the obligation, and a reliable estimate of the amount can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

	Reinstatement costs \$m	Employee benefit costs \$m	Total \$m
At 1 Jan 2024	113	62	175
Provision for the year	14	170	184
Over provision for prior years	(4)	-	(4)
Amount used during the year	-	(159)	(159)
Amount paid during the year	-	(9)	(9)
At 31 Dec 2024	123	64	187
Analysed as:			
Non-current liabilities	123	-	123
Current liabilities	-	64	64
	123	64	187

- (a) The provision for reinstatement costs represents the estimated costs of restoring the leased office premises to their original state upon the expiry of the leases. The leases are expected to expire within 6 years.
- (b) The provision for employee benefit costs represents unused annual leave that has been accumulated at the end of the reporting period. It is expected to be fully utilised in the coming twelve months.

## 41. Deferred Taxation

#### **Accounting Policy**

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred tax assets and liabilities related to Pillar Two income taxes are not recognised.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or the current tax losses can be utilised.

# 41. Deferred Taxation (continued)

(a) The movements on the net deferred tax liabilities/(assets) were as follows:

	Accele ta depred	X	Intan asse	_	Tax lo	osses	Empl bene	-	Lea	ses	Fina:		To	tal
	2024 \$m	2023 \$m	2024 \$m	2023 \$m	2024 \$m	2023 \$m	2024 \$m	2023 \$m	2024 \$m	2023 \$m	2024 \$m	2023 \$m	2024 \$m	2023 \$m
At 1 Jan	432	395	649	680	(10)	(11)	(14)	(15)	-	(1)	(25)	(29)	1,032	1,019
Exchange differences	-	-	(5)	-	-	-	-	-	-	-	-	(1)	(5)	(1)
Charged/(credited) to the consolidated income statement (note 17(a))	147	37	(33)	(31)	_	1	(6)	1	(4)	1	6	(25)	110	(16)
Charged to other comprehensive income	-	-	-	-	-	-	-	-	-	-	5	30	5	30
At 31 Dec	579	432	611	649	(10)	(10)	(20)	(14)	(4)	-	(14)	(25)	1,142	1,032

<sup>1</sup> Intangible assets comprise customer relationships and tradenames.

- (b) The Group had unrecognised tax losses of \$1,987 million at 31 December 2024 (31 December 2023: \$1,968 million) that may be carried forward for offsetting against future taxable income. Tax losses of Mainland entities amounting to \$692 million (31 December 2023: \$752 million) will expire 5 years after the losses were incurred, and the remaining tax losses have no expiry date and can be carried forward indefinitely.
- (c) Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to tax levied by the same taxation authority on the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Deferred tax assets	(9)	(21)
Deferred tax liabilities	1,151	1,053
	1,142	1,032

(d) The analysis of deferred tax (assets)/liabilities is as follows:

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Deferred tax assets		
Amounts to be recovered after more than 12 months	(4)	(3)
Amounts to be recovered within 12 months	(5)	(18)
	(9)	(21)
Deferred tax liabilities		
Amounts to be settled after more than 12 months	1,127	1,033
Amounts to be settled within 12 months	24	20
	1,151	1,053
Net deferred tax liabilities	1,142	1,032

# 42. Share Capital and Shares Held for Share Award Scheme

#### **Accounting Policy**

Where HKEX shares are acquired by the Share Award Scheme from the market, the total consideration of shares paid (including any directly attributable incremental costs) is presented as Shares held for Share Award Scheme and deducted from total equity.

Upon vesting, the related costs of the vested Awarded Shares and shares acquired from reinvesting dividends (dividend shares) are credited to Shares held for Share Award Scheme, with a corresponding decrease in employee share-based compensation reserve for Awarded Shares, and decrease in retained earnings for dividend shares.

Issued and fully paid – ordinary shares with no par:

	Number of shares '000	Number of shares held for Share Award Scheme <sup>1</sup> '000	Share capital \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2023	1,267,837	(2,406)	31,918	(918)	31,000
Shares purchased for Share Award Scheme (note (a))	-	(1,764)	-	(448)	(448)
Vesting of shares of Share Award Scheme (note (b))	-	878	28	357	385
At 31 Dec 2023	1,267,837	(3,292)	31,946	(1,009)	30,937
At 1 Jan 2024	1,267,837	(3,292)	31,946	(1,009)	30,937
Shares purchased for Share Award Scheme (note (a))	-	(1,627)	_	(481)	(481)
Vesting of shares of Share Award Scheme (note (b))	-	980	9	365	374
At 31 Dec 2024	1,267,837	(3,939)	31,955	(1,125)	30,830

- 1 Excluding shares vested but not yet transferred to awardees of 56,483 shares at 31 December 2024 (31 December 2023: 61,896 shares)
- (a) During the year, the Share Award Scheme (note 43) acquired 1,627,461 HKEX shares (2023: 1,763,793 shares) through purchases on the open market. The total amount paid to acquire the shares during the year was \$481 million (2023: \$448 million).
- (b) During the year, a total of 979,877 HKEX shares (2023: 878,256 shares) were vested. The total cost of the vested shares was \$365 million (2023: \$357 million). In 2024, \$9 million (2023: \$28 million) was credited to share capital in respect of vesting of certain shares whose fair values were higher than the costs.

# 43. Employee Share-based Arrangements

#### **Accounting Policy**

The Group operates the Share Award Scheme (the Scheme), which is an equity-settled share-based compensation plan under which Awarded Shares are granted to employees of the Group (including the Executive Director) as part of their remuneration package.

The fair value of the Awarded Shares is determined by reference to the cost of purchase of the Awarded Shares, or the market value of the shares on grant date. The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the Awarded Shares granted. The total expense is recognised over the relevant vesting periods, with a corresponding credit to an employee share-based compensation reserve under equity.

The Group revises its estimates of the number of Awarded Shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative amount recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to the employee share-based compensation reserve.

The movements of employee share-based compensation reserve were as follows:

	2024 \$m	2023 \$m
At 1 Jan	373	346
Employee share-based compensation benefits (note 10)	390	399
Vesting of shares of Share Award Scheme	(349)	(372)
At 31 Dec	414	373

The Scheme allows shares to be granted to employees of the Group, including the Executive Director (Employee Share Awards).

The amounts of shares awarded to eligible employees and/or selected senior executives (Awarded Sum) are approved by the Board. Pursuant to the Scheme, the Scheme's trustee, based on the Board's recommendation, applies forfeited or unallocated HKEX Shares held under the Scheme and HKEX shares that have been purchased from the market to satisfy the Awarded Shares for allocation to the selected employees. Before vesting, the Awarded Shares are held by the trust set up by the Scheme.

Further shares are derived from dividends payable on the Awarded Shares held in the Scheme from reinvesting dividends (dividend shares), and are allocated to the awardees on a pro rata basis and have the same vesting periods as the related Awarded Shares.

# **43.** Employee Share-based Arrangements (continued)

#### (a) Employee Share Awards

Employee Share Awards vest progressively over the vesting period after the awards are granted, provided that the relevant awardee (i) remains employed by the Group (ii) is made redundant or (iii) is deemed to be a "good leaver", and Employee Share Awards vest immediately if the relevant awardee dies or suffers from permanent disability. Share Awards granted prior to 1 January 2023 are vested immediately on the date of retirement of the awardees, while Share Awards granted on or after 1 January 2023 are vested in accordance with the original vesting schedule. Unless otherwise determined by the Board, the Remuneration Committee or the Chief Executive Officer, the vesting period of Employee Share Awards granted is three years, and the shares will be vested in two equal tranches from the second to the third year after the shares are granted.

For awardees who do not meet the vesting criteria, the unvested shares are forfeited. The forfeited shares are held by the trust set up by the Scheme.

Details of Awarded Shares awarded during 2023 and 2024

Date of award	Number of Awarded Shares awarded	Average fair value per share \$	Vesting period ends
27 Feb 2023	1,032,050 <sup>1,2</sup>	328.89	8 Dec 2024 – 8 Dec 2025
9 Mar 2023	274	341.08	8 Dec 2024 – 8 Dec 2025
22 Mar 2023	1,693	332.73	1 Sep 2023 – 1 Sep 2026
17 Nov 2023	163	287.07	2 Feb 2024 – 2 Feb 2026
17 Nov 2023	586	287.07	17 Nov 2023 – 4 Sep 2024
17 Nov 2023	2,058	287.07	17 Nov 2023 – 15 Nov 2026
17 Nov 2023	14,095	287.07	31 Dec 2023 – 31 Dec 2026
30 Nov 2023	2,498	279.02	1 Mar 2024 - 1 Mar 2026
4 Mar 2024	1,681,512 <sup>2,3</sup>	251.39	8 Dec 2025 – 8 Dec 2026
8 Mar 2024	4,731	236.60	15 Jan 2026 – 15 Jan 2027
21 May 2024	1,576	284.65	21 May 2024 - 10 Mar 2027
30 May 2024	60,215 <sup>2</sup>	274.93	24 May 2026 - 24 May 2027
18 Jul 2024	2,889	242.29	30 Sep 2025 – 30 Sep 2026
18 Jul 2024	2,850	242.29	15 Feb 2025 – 15 Mar 2028

<sup>1 170,171</sup> shares were awarded by re-granting the forfeited or unallocated shares held by the Scheme on 27 February 2023.

In addition to above, total Awarded Shares amounting to \$433 million were also granted to selected employees in December 2024. At 31 December 2024, the shares had not been awarded to the employees.

#### Details of Awarded Shares (excluding dividend shares) vested during 2023 and 2024

During the year, 916,692 HKEX shares (2023: 837,299 shares) were vested at an aggregate fair value of \$349 million (2023: \$372 million), of which 15,479 shares were for the HKEX Chief Executive Officer and 86,322 shares were for ex-HKEX Chief Executive Officer (2023: 148,179 shares for ex-HKEX Chief Executive Officer).

The total cost of these vested shares was \$348 million (2023: \$344 million). In 2024, \$9 million (2023: \$28 million) was credited to share capital in respect of vesting of certain shares whose fair values were higher than the costs, and \$8 million (2023: \$Nil) was charged to retained earnings in respect of vesting of certain shares whose fair values were lower than the costs.

<sup>2 88,041, 130,744</sup> and 60,215 shares were awarded to ex-HKEX Chief Executive Officer on 27 February 2023, 4 March 2024 and 30 May 2024 respectively.

<sup>3</sup> 34,023 shares were awarded to HKEX Chief Executive Officer on 4 March 2024.

# 43. Employee Share-based Arrangements (continued)

(b) Summary of Awarded Shares awarded and dividend shares

Movements in number of Awarded Shares awarded and dividend shares

	2024	2023
Number of Awarded Shares and dividend shares:		
Outstanding at 1 Jan	1,544,797	1,367,905
Awarded <sup>1</sup>	1,753,773	1,053,417
Forfeited	(90,240)	(55,425)
Vested	(916,692)	(837,299)
Dividend shares:		
– allocated to awardees	110,095	58,739
- allocated to awardees but subsequently forfeited	(2,945)	(1,583)
– vested²	(63,185)	(40,957)
Outstanding at 31 Dec	2,335,603	1,544,797

<sup>1</sup> Weighted average fair value per share was \$252.16 (2023: \$328.11).

Remaining vesting periods of Awarded Shares awarded and dividend shares outstanding at 31 December

	At 31 Dec	2024	At 31 Dec 2023		
	Remaining vesting period	Number of Awarded Shares and dividend shares outstanding	Remaining vesting period	Number of Awarded Shares and dividend shares outstanding	
Shares awarded in:					
2020	-	-	0.11 year	5,100	
2021	-	-	0.04 year to 0.92 year	12,948	
2022	0.03 year to 1.00 year	65,835	0.03 year to 2.00 years	455,949	
2023	0.09 year to 2.00 years	470,898	0.09 year to 3.00 years	1,021,485	
2024	0.04 year to 3.20 years	1,705,590	-	-	
Dividend shares	0.03 year to 3.20 years	93,280	0.03 year to 2.67 years	49,315	
		2,335,603		1,544,797	

## (c) Total number of shares held by Share Award Scheme

	At 31 Dec 2024	At 31 Dec 2023
Number of Awarded Shares and dividend shares (note (b))	2,335,603	1,544,797
Forfeited or unallocated shares <sup>1</sup>	1,603,701	1,746,923
Number of shares held by Share Award Scheme <sup>2</sup> (note 42)	3,939,304	3,291,720

<sup>1</sup> The shares will be granted to eligible employees in future.

<sup>2</sup> In 2024, 63,185 dividend shares (2023: 40,957 shares), of which 1,116 shares were for the HKEX Chief Executive Officer and 6,440 shares were for the ex-HKEX Chief Executive Officer (2023: 6,677 shares for the ex-HKEX Chief Executive Officer), at a cost of \$17 million (2023: \$13 million) were vested.

<sup>2</sup> Excluding shares vested but not yet transferred to awardees of 56,483 shares at 31 December 2024 (31 December 2023: 61,896 shares).

# 44. Hedging and Revaluation Reserves

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Hedging reserve (note (a))	(45)	3
Revaluation reserve (note (b))	(20)	(147)
	(65)	(144)

#### (a) Hedging reserve

#### **Accounting Policy**

The Group may designate bank balances and forward foreign exchange contracts as hedges of foreign exchange risks associated with the cash flows of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The changes in the fair value relating to the effective portion of hedging instruments that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gains or losses relating to the ineffective portion are recognised immediately in the consolidated income statement.

Amounts accumulated in hedging reserve are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement. Where the hedged item subsequently results in the recognition of a non-financial asset, the amounts accumulated in hedging reserve are included within the initial measurement of the cost of the asset.

# **44.** Hedging and Revaluation Reserves (continued)

(a) Hedging reserve (continued)

The movements of hedging reserve were as follows:

	2024 \$m	2023 \$m
At 1 Jan	3	10
Cash flow hedges:		
<ul> <li>net fair value (losses)/gains of hedging instruments recognised in other comprehensive income</li> </ul>	(57)	27
- reclassified from other comprehensive income to operating expenses	(7)	(36)
- deferred tax credited to other comprehensive income	16	2
	(48)	(7)
At 31 Dec	(45)	3

(i) The functional currencies of LME and LME Clear are United States Dollars (USD). To hedge the foreign currency exposure of their expenditures payable in Pound sterling (GBP), these entities have designated forward foreign exchange contracts as cash flow hedges for hedging the foreign exchange risk of their staff costs and related expenses and information technology and computer maintenance expenses.

Further details of the forward foreign exchange contracts that have been designated as cash flow hedge of the Group's highly probable forecast transactions at the end of the reporting period are as follows:

	At 31 Dec 2024	At 31 Dec 2023
Carrying amount – (liability)/asset (\$m)	(60)	4
Notional amount	GBP131m	GBP113m
Maturity date	0-12 months	0-12 months
Hedge ratio	1:1	1:1
Change in value of outstanding hedging instruments since inception of the hedge – (loss)/gain (\$m)	(60)	4
Change in value of hedged item used to determine hedge ineffectiveness (\$m)	60	(4)
Weighted average hedged rate for outstanding hedging instruments (GBP vs USD)	1.31	1.27

(ii) The total amounts arising from ineffective cash flow hedges recognised in the consolidated income statement of the Group during the year were less than \$1 million (2023: less than \$1 million).

#### (b) Revaluation reserve

	2024 \$m	2023 \$m
At 1 Jan	(147)	(276)
Changes in fair value of financial assets measured at fair value through other comprehensive income	94	161
Loss on disposal of financial assets measured at fair value through other comprehensive income	54	-
Deferred tax on financial assets measured at fair value through other comprehensive income	(21)	(32)
At 31 Dec	(20)	(147)

# 45. Designated Reserves

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Clearing House Funds reserves (notes (a) and 37)	1,434	1,002
PRC statutory reserve (note (b))	17	16
	1,451	1,018

## (a) Clearing House Funds reserves

	HKCC Reserve Fund reserve \$m	HKSCC Guarantee Fund reserve \$m	OTC Clear Rates and FX Guarantee Fund reserve \$m	OTC Clear Rates and FX Guarantee Resources reserve \$m	SEOCH Reserve Fund reserve \$m	Total \$m
At 1 Jan 2023	251	175	110	18	117	671
Surplus of net investment income net of expenses of Clearing House Funds transfer from retained earnings (note 46)	22	93	194	9	13	331
At 31 Dec 2023	273	268	304	27	130	1,002
At 1 Jan 2024	273	268	304	27	130	1,002
Surplus of net investment income net of expenses of Clearing House Funds transfer from retained earnings (note 46)	25	137	247	8	15	432
At 31 Dec 2024	298	405	551	35	145	1,434

# (b) PRC statutory reserve

	2024 \$m	2023 \$m
At 1 Jan	16	15
Transfer from retained earnings (note 46)	1	1
At 31 Dec	17	16

Pursuant to relevant PRC laws, each of the subsidiaries in Mainland China is required to appropriate 10 per cent of its net profit to a non-distributable statutory reserve until such reserve reaches 50 per cent of the subsidiary's registered capital. The statutory reserve can be utilised, upon approval by the shareholders of the subsidiary, to offset accumulated losses or to increase the paid-in capital of the subsidiary, provided that the balance of the reserve after transfer to paid-up capital is not less than 25 per cent of the subsidiary's registered capital.

# 46. Retained Earnings

	2024 \$m	2023 \$m
At 1 Jan	19,723	18,547
Profit attributable to shareholders	13,050	11,862
Transfer to Clearing House Funds reserves (note 45(a))	(432)	(331)
Transfer to PRC statutory reserve (note 45(b))	(1)	(1)
Dividends:		
2023/2022 second interim dividend	(4,944)	(4,669)
2024/2023 first interim dividend	(5,513)	(5,695)
Unclaimed HKEX dividends forfeited (note 34(a))	32	23
Vesting of shares of Share Award Scheme	(25)	(13)
At 31 Dec	21,890	19,723

# 47. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of profit before taxation to net cash inflow from principal operating activities

	2024 \$m	2023 \$m
Profit before taxation	14,853	13,332
Adjustments for:		
Net interest income	(4,737)	(4,828)
Net fair value gains on financial assets mandatorily measured at fair value through profit or loss and derivative financial instruments	(264)	(120)
Finance costs	114	135
Depreciation and amortisation	1,402	1,443
Employee share-based compensation benefits	390	399
Share of profits of joint ventures	(88)	(82)
Other non-cash adjustments	(2)	(5)
Net (increase)/decrease in financial assets of Margin Funds	(12,557)	51,898
Net increase/(decrease) in financial liabilities of Margin Funds	12,692	(51,737)
Net increase in Clearing House Fund financial assets	(5,605)	(1,070)
Net increase in Clearing House Fund financial liabilities	5,173	739
Decrease in cash prepayments and collateral for A-shares	558	77
Increase in Corporate Funds used for supporting Skin-in-the-Game and default fund credits	(509)	(273)
Increase in Corporate Funds transferred to SHCH as inter-CCP margin	(144)	(113)
Net increase in foreign exchange derivative contracts	-	(62)
Increase in accounts receivable, prepayments and deposits	(10,687)	(8,231)
Increase in other liabilities	9,824	8,754
Net cash inflow from principal operations	10,413	10,256
Interest received from short-term debt securities, time deposits and cash and cash		
equivalents	9,523	9,998
Interest paid to Participants	(5,828)	(6,013)
Cash paid for foreign exchange swaps	(42)	_
Income tax paid	(1,283)	(2,947)
Net cash inflow from principal operating activities (non-HKFRS measure)	12,783	11,294

# 47. Notes to the Consolidated Statement of Cash Flows (continued)

# (b) Reconciliation of liabilities arising from financing activities

	Borrowings \$m	Lease liabilities \$m
At 1 Jan 2023	491	1,745
Additions of leases	-	159
Modification of leases	-	(1)
Interest on borrowings (note 14)	7	-
Interest on lease liabilities (note 14)	-	59
Cash flows		
- Payments of capital elements of lease liabilities	-	(307)
- Payments of interest elements of lease liabilities	-	(59)
<ul> <li>Payment for written put options exercised by non-controlling interests (note 39)</li> </ul>	(51)	-
Exchange differences	-	8
At 31 Dec 2023	447	1,604
At 1 Jan 2024	447	1,604
Additions of leases	-	129
Reassessment of leases	-	(181)
Interest on borrowings (note 14)	5	-
Interest on lease liabilities (note 14)	-	55
Cash flows		
- Payments of capital elements of lease liabilities	-	(255)
- Payments of interest elements of lease liabilities	-	(55)
Exchange differences	-	(3)
At 31 Dec 2024	452	1,294

#### (c) Cash outflow for leases

Amounts for leases included in the consolidated statement of cash flow comprise the following:

	2024 \$m	2023 \$m
Within financing cash flows	(310)	(366)
Total lease rental paid	(310)	(366)

# 48. Commitments

Commitments in respect of capital expenditures

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Contracted but not provided for:		
- fixed assets	26	14
– intangible assets	196	157
Authorised but not contracted for:		
- fixed assets	662	505
– intangible assets	818	879
	1,702	1,555

# 49. Contingent Liabilities and Contingent Assets

#### **Accounting Policy**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable or when the amount of obligation becomes reliably measurable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It is not recognised but is disclosed in the consolidated financial statements where an inflow of economic benefits is probable. It is recognised when the realisation of income is virtually certain.

At 31 December 2024, the Group's material contingent liabilities and contingent assets were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2023: \$71 million). Up to 31 December 2024, no calls had been made by the SFC in this connection.
- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant (note 36(a)). In the unlikely event that all of its 536 trading Participants (31 December 2023: 574) covered by the indemnity at 31 December 2024 defaulted, the maximum liability of the Group under the indemnity would amount to \$107 million (31 December 2023: \$115 million).
- (c) HKEX had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.

# 49. Contingent Liabilities and Contingent Assets (continued)

#### (d) Material litigation

The LME and LME Clear were named as defendants in two judicial review claims filed in the English High Court (the Court) in 2022 (the Proceedings) and three related claims filed in the Court in 2023. The total claims amount to approximately US\$600 million.

The Proceedings sought to challenge the LME's decision to cancel the claimants' alleged trades in nickel contracts executed on or after 00:00 UK time on 8 March 2022. The claimants have alleged that this was unlawful on public law grounds and/or constituted a violation of their human rights.

On 29 November 2023, the Court gave judgment in the LME and LME Clear's favour on all grounds, and ordered the claimants to pay the LME and LME Clear's costs of the Proceedings, which are to be assessed by the Court if not agreed with the claimants.

One of the claimants, Elliott Associates L.P. and Elliott International L.P. (Elliott), sought and was granted permission to appeal to the Court of Appeal (the Appeal). The Appeal was heard by the Court of Appeal in July 2024. Judgment in respect of the Appeal was handed down by the Court of Appeal in October 2024, in which the Court of Appeal found in the LME and LME Clear's favour and dismissed the Appeal. The Supreme Court has refused permission for Elliott to appeal the Appeal outcome further. This effectively brings an end to the Proceedings.

The three related claims issued in March 2023 were stayed, pending the final determination of the Proceedings. Following the Supreme Court's decision refusing to give Elliott permission to appeal, the stays of the Human Rights Act (HRA) claims were released on 11 February 2025, and the HRA claimants now have the option of proceeding or discontinuing their claims. The limitation period for similar damages claims under the HRA has now expired.

In light of the judgments of the Court and the Court of Appeal, all rights of appeal against which have now been exhausted following the decision of the Supreme Court, no provision is required in the consolidated financial statements of the Group.

The claimants made an interim payment of GBP5 million to the LME and LME Clear to cover part of their costs of the Proceedings in April 2024, and Elliott has made an interim payment of GBP1.06 million in respect of the LME and LME Clear's costs of the Appeal in October 2024. The final amount with respect to recovery of costs of the Proceedings and the Appeal will be assessed by the Court if not agreed with the claimants in respect of the Proceedings and Elliott in respect of the Appeal. As a consequence, the Group has not recognised any further recovery of costs as receivables in the consolidated financial statements as at 31 December 2024.

# 50. Connected Transactions and Material Related Party Transactions

(a) Connected transactions and related party transactions

Certain Directors of HKEX may be directors and/or shareholders of (i) Exchange Participants of the Stock Exchange, Futures Exchange, the LME and QME (Exchange Participants) and Clearing Participants of HKSCC, HKCC, SEOCH, LME Clear and OTC Clear (Clearing Participants); (ii) companies listed on the Stock Exchange; and (iii) Exchange Participants for buying shares on behalf of HKSCC. Securities and derivatives contracts traded by, and fees levied on, these Exchange Participants and Clearing Participants, fees levied on these listed companies, fees paid to these Exchange Participants for buying shares on behalf of HKSCC and interest rebates payable to Clearing Participants on their collateral are all undertaken in the ordinary course of business of the Group on the standard terms and conditions applicable to all other Exchange Participants, Clearing Participants, listed companies and Exchange Participants for buying shares on behalf of HKSCC.

(b) Material related party transactions

In addition to the above and those disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions:

(i) Key management personnel compensation

	2024 \$m	2023 \$m
Salaries and other short-term employee benefits	229	211
Employee share-based compensation benefits	159	143
Retirement benefit costs	17	9
	405	363

- (ii) Post-retirement benefit plans
  - The Group has sponsored an ORSO Plan and the LME Pension Scheme as its post-retirement benefit plans (note 10(a)).
- (iii) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies that are related parties but the amounts were immaterial.

# 51. Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its Clearing Participants. The total fair value of this non-cash collateral was US\$2,522 million (HK\$19,591 million) at 31 December 2024 (31 December 2023: US\$3,748 million (HK\$29,266 million)). LME Clear is obliged to return this non-cash collateral upon request when the Clearing Participants' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a Clearing Participant. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$7,928 million (HK\$61,584 million) at 31 December 2024 (31 December 2023: US\$9,095 million (HK\$71,019 million)). Such non-cash collateral, together with certain financial assets amounting to US\$1,774 million (HK\$13,783 million) at 31 December 2024 (31 December 2023: US\$1,102 million (HK\$8,604 million)), have been pledged to LME Clear's investment agents and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

Non-cash collateral is not recorded on the consolidated statement of financial position of the Group.

# 52. Capital Management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To provide capital for the purpose of strengthening the Group's risk management capability; and
- To ensure that the Group's regulated entities comply with their respective regulatory capital requirements.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns. The Group takes into consideration the expected capital requirements and capital efficiency, regulatory capital requirements of its regulated entities, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group has a number of regulated entities that are subject to regulatory capital requirements set by the respective regulators. The regulatory capital requirements of the Group's subsidiaries at 31 December 2024 are summarised as follows:

Subsidiaries	Regulatory authority	Regulatory capital requirements
Stock Exchange, Futures Exchange	SFC, Hong Kong	Maintain at all times net current assets funded by equity sufficient to cover each subsidiary's projected total operating expenses for at least the following six months of \$2,016 million (31 December 2023: \$1,896 million), and net current assets funded by equity or long-term loans from HKEX sufficient to cover its projected total operating expenses for at least the following twelve months of \$4,032 million (31 December 2023: \$3,792 million).
HKSCC, HKCC, SEOCH, OTC Clear	SFC, Hong Kong	Maintain at all times liquid net assets funded by equity (i.e., liquid assets of Corporate Funds (excluding those solely used to support Skin-in-the-Game and default fund credits of Clearing House Funds) minus non-current liabilities) sufficient to cover each subsidiary's projected total operating expenses for at least the following six months of \$876 million (31 December 2023: \$916 million), and net current assets funded by equity or long-term loans from HKEX (excluding those solely used to support Skin-in-the-Game and default fund credits of Clearing House Funds) sufficient to cover its projected total operating expenses for at least the following twelve months of \$1,752 million (31 December 2023: \$1,833 million).
LME	The Financial Conduct Authority, UK	Maintain at all times net capital and liquid financial resources of at least the costs of orderly closure plus a risk based capital charge, amounting to US\$99 million (HK\$765 million) (31 December 2023: HK\$829 million).
LME Clear	Bank of England, UK	Maintain cash or highly liquid financial instruments with minimal market and credit risk, amounting to US\$115 million (HK\$893 million) (31 December 2023: HK\$857 million), plus 10 per cent minimum reporting threshold of US\$12 million (HK\$89 million) (31 December 2023: HK\$86 million) and US\$29 million (HK\$223 million) (31 December 2023: HK\$215 million) financial resources available to set off losses in the event of default (Skin-in-the-Game). Capital resources must be in the form of share capital, retained earnings and reserves, reduced by intangible assets and retained losses.

At 31 December 2024, the Group had set aside \$4,000 million (31 December 2023: \$4,000 million) of shareholders' funds for the purpose of supporting the risk management regime of the clearing houses in their roles as central counterparties, of which \$2,160 million (31 December 2023: \$2,160 million) had been injected into HKSCC, HKCC and SEOCH as share capital.

# 52. Capital Management (continued)

All regulated entities of the Group had adequate capital to meet their regulatory requirements at 31 December 2024 and 31 December 2023.

The Group adopts a dividend policy of providing shareholders with regular dividends with a normal target payout ratio of 90 per cent of the Group's profit of the year (excluding the financial results of HKEX Foundation Limited) and it may also offer a scrip dividend alternative to shareholders if considered appropriate. The consideration of share capital issued under the scrip dividend scheme (if any), together with the 10 per cent of the profit not declared as dividends, are retained as capital of the Group for future use.

The Group monitors capital on the basis of its gross gearing ratio (i.e., gross debt divided by adjusted capital) and net gearing ratio (i.e., net debt divided by adjusted capital). For this purpose, the Group defines gross debt as the total borrowings (excluding lease liabilities), net debt as gross debt less cash and cash equivalents of Corporate Funds (excluding those reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds), and adjusted capital as all components of equity attributable to shareholders of HKEX other than designated reserves. The Group's strategy is to maintain the ratios at less than 50 per cent.

	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Borrowings (note 39)	452	447
Less:		
Cash and cash equivalents of Corporate Funds (note 21)	15,045	10,286
Less: Amounts reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds (note 21(b))	(1,135)	(1,074)
	13,910	9,212
Net debt (note (a))	-	_
Equity attributable to shareholders of HKEX	53,852	51,344
Less: Designated reserves (note 45)	(1,451)	(1,018)
Adjusted capital	52,401	50,326
Gross gearing ratio	1%	1%
Net gearing ratio	0%	0%

<sup>(</sup>a) Net debt is zero when the amount of cash and cash equivalents of Corporate Funds (excluding those reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds) is higher than gross debt.

# 53. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme seeks to manage against the unpredictability of financial markets and to minimise potential adverse effects on the Group's performance.

#### (a) Market risk

#### Nature of risk

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity prices and interest rates. The Group is exposed to market risk primarily through its financial assets and financial liabilities (including borrowings and lease liabilities). The Group is also exposed to credit-contingent market risk arising from the default of Clearing Participants, which is further elaborated under credit risk (note (c)).

#### Risk management

The Group's investment policy is to prudently invest all funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments within regulatory constraints and within the risk appetite and risk control framework approved by the Board.

Investment and fund management by HKEX and the Group's subsidiaries is governed by the HKEX Group Investment Policies, which are approved by the Board and reviewed regularly. Investment restrictions and guidelines set out in the Investment Policies form an integral part of risk control. Fund-specific restrictions and guidelines are set according to the investment objectives of each fund (i.e., Corporate Funds, Clearing House Funds, Margin Funds and Cash for A-shares). Specific limits are set to control risks where applicable (e.g., permissible asset type, asset allocation, liquidity, credit requirement, counterparty concentration, tenor, foreign exchange exposures, interest rate risks and stress loss limits under extreme but plausible conditions) of the investments.

A portion of the Corporate Funds is invested in externally-managed investment funds (External Portfolio) under the Externally-Managed Investment Policy, which sets out the investment objectives, principles, governance processes and approach for managing investment activities of the External Portfolio. The policy includes an asset allocation policy which aims to preserve and enhance the return of the External Portfolio by investing in a diverse mix of asset classes whose returns are not highly correlated to each other over time to mitigate portfolio volatility and asset class concentration risk. The policy also defines the risk-return parameters for the External Portfolio and restrictions to be observed, and the governance structure on selection and monitoring of fund managers. The fund managers of the investment funds are selected based on their performance track records and areas of expertise, and each should be financially strong and stable. Specific risk management framework is set for the External Portfolio, including permissible asset type, asset allocation, expected annualised volatility, expected risk-adjusted returns and liquidity requirements.

The Investment Committee, comprised of Non-executive Directors of HKEX, assists the Board on portfolio management and monitors the risk and performance of HKEX's investments. A Treasury team in the Finance Division is dedicated to the day-to-day management and investment of the internally-managed funds, and monitor the performance of the External Portfolio.

- (a) Market risk (continued)
  - (i) Foreign exchange risk

#### Nature of risk

Foreign exchange risk is the risk that the value or cash flows of an asset, liability or forecast transaction denominated in foreign currency (i.e., a currency other than the functional currency of the entity to which the transactions relate) will fluctuate because of changes in foreign exchange rates. The functional currency of the Hong Kong and the Mainland entities are either HKD or Renminbi (RMB) and the functional currency of the LME entities is USD. Foreign exchange risks arise mainly from the Group's investments and bank deposits in currencies other than HKD and USD and its GBP expenditure for the LME entities.

#### Risk management

The Group manages its foreign exchange rate risks by setting limits of net long or short unhedged positions of each individual foreign currency.

Forward foreign exchange contracts and foreign currency bank deposits may be used to hedge the currency exposure of the Group's non-HKD and non-USD assets and liabilities and highly probable forecast transactions to mitigate risks arising from fluctuations in exchange rates. In particular, the LME entities may designate forward foreign exchange contracts as cash flow hedges for hedging the foreign exchange risk of certain operating expenses and intangible assets.

Foreign exchange swaps are used for optimising foreign currency cash flows and yield enhancement while hedging the overall foreign exchange exposures of the Group.

Under the Investment Policies, investment in non-HKD financial instruments is subject to the following restrictions:

For internally-managed Corporate Funds, Clearing House Funds, Margin Funds and Cash for A-shares, the net long or short position of each individual foreign currency (i.e., the net open position (NOP)) is monitored. Except for the Group's strategic investment in minority stakes of unlisted companies, the NOP exposures of USD, RMB and other foreign currencies should generally be kept within the limits as stipulated in the Investment Policies.

For LME Clear, investments of the Margin Fund and Default Fund will generally be in the currency in which cash was received.

- (a) Market risk (continued)
  - (i) Foreign exchange risk (continued)

#### Exposure

The following table details the Group's financial assets and financial liabilities denominated in a currency other than the functional currency of the entity to which they relate and the net open foreign currency positions (i.e., gross positions less forward foreign exchange contracts, foreign exchange swaps and other offsetting exposures (hedges)) at 31 December presented in HKD equivalents.

		At	31 Dec 2024		At 31 Dec 2023			
	Foreign currency	Gross open position \$m	Hedges³ \$m	Net open position \$m	Gross open position \$m	Hedges³ \$m	Net open position \$m	
Financial assets <sup>1</sup>	EUR	6,227	(6,193)	34	2,455	(2,431)	24	
	GBP	4,753	(4,380)	373	3,078	(2,699)	379	
	JPY	14,847	(14,843)	4	1,593	(1,588)	5	
	RMB	37,122	(37,060)	62	26,351	(26,040)	311	
	USD	16,811	(15,261)	1,550	8,191	(7,810)	381	
	Others	3	(1)	2	2	(1)	1	
Financial liabilities <sup>2</sup>	EUR	(3,475)	3,475	_	(2,586)	2,586	_	
	GBP	(4,728)	4,383	(345)	(3,067)	2,699	(368)	
	JPY	(13,508)	13,508	-	(5,798)	5,798	-	
	RMB	(38,661)	38,646	(15)	(20,328)	20,324	(4)	
	USD	(4,617)	4,531	(86)	(6,126)	6,018	(108)	
	Others	(2)	1	(1)	(2)	1	(1)	
Total net open	EUR			34			24	
positions for the Group	GBP			28			11	
Group	JPY			4			5	
	RMB			47			307	
	USD			1,464			273	
	Others			1			-	
				1,578			620	

<sup>1</sup> Financial assets comprised cash and cash equivalents, base metals derivatives contracts, financial assets measured at fair value through other comprehensive income, financial assets measured at amortised cost, and accounts receivable and deposits.

In addition, at 31 December 2024, the LME entities have entered into certain forward foreign exchange contracts amounting to GBP131 million (31 December 2023: GBP113 million) and designated as cash flow hedges for hedging the foreign currency risk of their operating expenses (note 44(a)).

Financial liabilities comprised margin deposits, Mainland security and settlement deposits, and cash collateral from Participants, Participants' contributions to Clearing House Funds, base metals derivatives contracts, borrowings, lease liabilities, and accounts payable and other liabilities.

<sup>3</sup> The amounts include foreign exchange swaps for optimising foreign currency cash flows and yield enhancement while hedging the overall foreign exposure of the Group (note 26(c)).

- (a) Market risk (continued)
  - (ii) Equity and commodity price risk

#### Nature of risk

The Group is exposed to equity price risk from equity investments in investment funds held as part of the External Portfolio. The Group is also exposed to equity price risk on the investments in minority stakes in unlisted companies (note 53(d)(i)).

The movements of fair value of base and ferrous metals futures and options contracts cleared through LME Clear would not have any financial impact on the Group's results as the assets and liabilities will move by the same amount and fully offset each other.

#### Risk management

The Group sets a strategic asset allocation for the External Portfolio, which defines and controls the allocation to equity investments. The Group selects fund managers after an extensive assessment of the underlying funds, their strategy and the overall quality of the fund managers, and the performance of the funds is monitored on a monthly basis, or on an ad hoc basis during adverse market conditions.

#### (iii) Interest rate risk

#### Nature of risk

There are two types of interest rate risk:

- Fair value interest rate risk the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- Cash flow interest rate risk the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to both fair value and cash flow interest rate risks as the Group has significant assets and liabilities (including borrowings) which are interest-bearing.

#### Risk management

The Group manages its interest rate risks by monitoring the interest rate impact on quarterly earnings per share. Limits are also set for tenor of the investments under the internally managed funds.

#### **Exposure**

The following tables present the carrying value and highest and lowest contractual interest rates of the financial assets held by the Group (excluding investments in investment funds, zero-coupon Exchange Fund Bills, and bank deposits held at savings and current accounts) at 31 December:

	Fixed rate fin	ancial assets	Floating rate financial assets		
	At 31 Dec 2024	At 31 Dec 2023	At 31 Dec 2024	At 31 Dec 2023	
Carrying value (\$m)	96,135	103,713	76,898	81,028	
Highest contractual interest rates	5.03%	5.93%	5.90%	6.79%	
Lowest contractual interest rates	1.25%	1.72%	2.40%	3.54%	

#### (a) Market risk (continued)

#### (iv) Sensitivity analysis

#### Investments other than investment funds

The Group performs sensitivity analysis to identify and measure foreign exchange risk and interest rate risks of the Group's investments other than investment funds.

#### Foreign exchange risk

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would only move within the limits undertaken by the Hong Kong Monetary Authority.

	At 31 Dec 2024			At 31 Dec 2023			
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings \$m	Effect on other components of equity \$m	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings \$m	Effect on other components of equity \$m	
GBP	5%	1	48	5%	<1	43	
	(5%)	(1)	(48)	(5%)	<(1)	(43)	
RMB	5%	2	-	5%	15	-	
	(5%)	(2)	-	(5%)	(15)	-	
USD	1%	15	-	1%	3	-	
	(1%)	(15)	-	(1%)	(3)	-	

The analysis above represents an aggregation of the instantaneous effects on each of the group entities' profit after tax and other comprehensive income measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

#### Interest rate risk

At 31 December 2024, it is estimated that a general increase/decrease of 50 basis points (31 December 2023: 75 basis points) in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained earnings by approximately \$149 million (31 December 2023: \$242 million). Other components of equity would have decreased/increased by approximately \$111 million (31 December 2023: \$85 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of the equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained earnings) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

- (a) Market risk (continued)
  - (iv) Sensitivity analysis (continued)

#### Investment funds

At 31 December, the fair value of the Group's External Portfolio by strategy employed was as follows:

Strategy	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Public Equities	92	1,071
Diversifiers <sup>1</sup>	4,337	4,096
Government Bonds and Mortgage-backed Securities <sup>2</sup>	2,800	1,401
Total	7,229	6,568
Number of investment funds	31	34

- 1 Diversifiers comprise Absolute Return and Multi-Sector Fixed Income asset classes.
- 2 Include money market funds.

The Group monitors market risk exposures of the External Portfolio through a stress testing limit framework to control the potential market risk loss of the portfolio under stressed market conditions over a quarter's earnings cycle. The stress testing applied by the Group estimates potential extreme losses through a set of stress scenarios derived from historical stress events (such as the Asian Financial Crisis in 1997, the Great Financial Crisis in 2008, etc.). The Group monitors the External Portfolio's limit utilisation monthly, and there was no limit breach during 2024 and 2023.

To illustrate the sensitivity of the External Portfolio's market value as a result of potential market moves, the Group also calculates a 1-year Value at Risk (VaR) estimation for the External Portfolio at a 95 per cent confidence interval. The VaR calculation is a statistical estimation of the potential changes in the market value of the External Portfolio over a 1-year period based on returns and volatilities observed historically. The 95 per cent confidence interval implies that the 1-year loss for the External Portfolio could be equal to or larger than the VaR estimation once in every 20 years on average. As of 31 December 2024, the estimated 1-year VaR was 0.3 per cent (31 December 2023: 4.9 per cent), implying the market value of the External Portfolio could potentially change by approximately \$22 million (2023: \$322 million) in the next year.

The 1-year VaR is a statistical measure of the historical risks and has limitations associated with the assumptions employed. Historical simulation assumes that actual observed historical changes in the respective investment fund's monthly performance reflect possible future changes. This implies that the approach is vulnerable to sudden changes in market behaviour. In addition, it does not cover stressed market events, nor does it represent the Group's forecast of the External Portfolio's future returns.

#### (b) Liquidity risk

#### Nature of risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, and it results from amount and maturity mismatches of assets and liabilities.

#### Risk management

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

Investments are kept sufficiently liquid to meet operational needs and regulatory requirements, and possible liquidity requirements of the Clearing House Funds and Margin Funds. The Group sets liquidity metrics for Corporate Funds, Clearing House Funds and Margin Funds. In particular, Clearing House Funds and Corporate Funds solely used for supporting the Skin-in-the Game and default fund credits of Clearing House Funds are invested in overnight deposits, reverse repurchase investments or Exchange Fund Bills issued by the Hong Kong Monetary Authority and should be available on a daily basis.

As recognized clearing houses, the Group's clearing houses have to observe the liquidity requirements laid down in Principles for Financial Market Infrastructures (PFMI requirements) issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). In particular, the clearing houses conduct daily liquidity stress testing that covers a number of potential stress scenarios, and sufficient liquidity has to be set aside to cover such stress testing.

Banking facilities have been put in place for contingency purposes. At 31 December 2024, the Group's total available banking facilities for its daily operations amounted to \$25,771 million (31 December 2023: \$25,912 million), which included \$18,847 million (31 December 2023: \$18,972 million) of committed banking facilities and \$6,500 million (31 December 2023: \$6,500 million) of repurchase facilities. In addition, the Group has arranged a new committed banking facility of \$5,000 million in 2024 for certain periods of the year which needs higher liquidity requirements to cover operational needs and stress testing, and committed banking facilities totalling \$2,500 million were put in place to provide support to qualifying market participants during the initial implementation of Severe Weather Trading arrangement from September 2024 to December 2024.

The Group also put in place foreign exchange facilities for its daily clearing operations and for the RMB Equity Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 31 December 2024, the total amount of such facilities was \$32,378 million (31 December 2023: \$33,852 million).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (HK\$13,755 million) (31 December 2023: RMB13,000 million (HK\$14,256 million)) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect.

#### (b) Liquidity risk (continued)

#### Exposure

The Group is not exposed to liquidity risk on the outstanding base and ferrous metals futures and options contracts cleared through LME Clear. Accordingly, they are not included in the analyses for financial assets and financial liabilities in the tables below.

The tables below analyse the Group's non-derivative financial assets into the relevant maturity buckets based on the following criteria:

- investments held under the investment funds are allocated taking into account the redemption notice periods, lock-up periods and redemption restrictions;
- the expected amounts, subject to costs to liquidate that are expected to be immaterial, that could be realised from debt securities, bank deposits and cash and cash equivalents within one month to meet cash outflows on financial liabilities if required are allocated to the up to 1-month bucket;
- investments in minority stakes in unlisted companies are allocated to the >5 years bucket;
- accounts receivable are allocated based on their due dates; and
- other financial assets are allocated based on their contractual maturity dates or the expected dates of disposal.

	At 31 Dec 2024					
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year to 5 years \$m	>5 years \$m	Total \$m
Cash and cash equivalents	134,365	-	-	-	-	134,365
Financial assets measured at fair value through profit or loss	3,842	1,809	1,250	328	329	7,558
Financial assets measured at fair value through other comprehensive income	50,704	-	_	_	_	50,704
Financial assets measured at amortised cost	43,521	_	_	81	8	43,610
Accounts receivable and deposits <sup>1</sup>	54,195	25	-	-	-	54,220
Total non-derivative financial assets	286,627	1,834	1,250	409	337	290,457

	At 31 Dec 2023					
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year to 5 years \$m	>5 years \$m	Total \$m
Cash and cash equivalents	125,107	-	-	-	-	125,107
Financial assets measured at fair value through profit or loss	3,270	2,016	1,071	211	393	6,961
Financial assets measured at fair value through other comprehensive income	18,250	-	_	-	_	18,250
Financial assets measured at amortised cost	76,554	-	-	88	7	76,649
Accounts receivable and deposits <sup>1</sup>	33,090	27	-	_	-	33,117
Total non-derivative financial assets	256,271	2,043	1,071	299	400	260,084

<sup>1</sup> Amounts exclude prepayments of \$277 million (31 December 2023: \$215 million).

## (b) Liquidity risk (continued)

Exposure (continued)

The table below analyses the Group's non-derivative financial liabilities at 31 December into relevant maturity buckets based on their contractual maturity dates. The amounts disclosed in the tables are the contractual undiscounted cash flows and represent the earliest date the Group can be required to pay.

	At 31 Dec 2024					
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year to 5 years \$m	>5 years \$m	Total \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	188,857	-	-	-	-	188,857
Accounts payable, accruals and other liabilities	37,448	14	120	2	_	37,584
Other financial liabilities:						
Other financial liabilities of Clearing House Funds	10	3	_	_	_	13
Other financial liabilities of Corporate Funds:						
Financial guarantee contract (maximum amount guaranteed) (note 49(b))	107	_	-	-	-	107
Participants' contributions to Clearing House Funds	26,672	407	45	_	_	27,124
Borrowings:						
Written put options to non-controlling interests	-	_	382	85	_	467
Lease liabilities	30	47	233	1,030	90	1,430
Total non-derivative financial liabilities	253,124	471	780	1,117	90	255,582

	At 31 Dec 2023					
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year to 5 years \$m	>5 years \$m	Total \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	176,165	-	-	-	-	176,165
Accounts payable, accruals and other liabilities	27,713	16	118	2	-	27,849
Other financial liabilities:						
Other financial liabilities of Clearing House Funds	9	-	_	_	-	9
Other financial liabilities of Corporate Funds:						
Financial guarantee contract (maximum amount guaranteed) (note 49(b))	115	-	-	-	-	115
Participants' contributions to Clearing House Funds	21,486	422	47	_	-	21,955
Borrowings:						
Written put options to non-controlling interests	_	-	382	85	-	467
Lease liabilities	33	52	243	1,120	341	1,789
Total non-derivative financial liabilities	225,521	490	790	1,207	341	228,349

#### (b) Liquidity risk (continued)

#### Exposure (continued)

As at 31 December 2024, the maximum gross nominal values of outstanding forward foreign exchange contracts and foreign exchange swaps held by the Group were \$1,643 million (31 December 2023: \$1,120 million) and \$77,302 million (31 December 2023: \$10,722 million) respectively. The table below analyses the Group's outstanding foreign exchange derivative contracts as at 31 December (which include all contracts regardless of whether they had gains or losses at the end of reporting period) that would be settled on a gross basis into relevant maturity buckets based on their remaining contractual maturity dates. The amounts disclosed in the table are contractual undiscounted cash flows, which are different from the carrying amount (i.e., market value) in the consolidated statement of financial position.

	At 31 Dec 2024						
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	Total \$m			
Forward foreign exchange contracts							
– outflows	105	215	1,323	1,643			
- inflows	100	206	1,277	1,583			
Foreign exchange swaps							
– outflows	35,763	25,740	15,799	77,302			
- inflows	35,779	25,686	15,781	77,246			

		At 31 Dec 2023				
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	Total \$m		
Forward foreign exchange contracts						
– outflows	89	184	843	1,116		
- inflows	89	184	847	1,120		
Foreign exchange swaps						
– outflows	10,699	-	-	10,699		
– inflows	10,722	_	_	10,722		

#### (c) Credit risk

#### Nature of risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's investments and accounts receivable. Impairment provisions are made against the Group's investments and accounts receivable based on the accounting policy set out in notes 23 and 24.

The Group is also exposed to clearing and settlement risk, as the clearing houses of the Group act as the counterparties to eligible trades concluded on the Stock Exchange, the Futures Exchange, the over-the-counter market, and the LME through the novation of the obligations of the buyers and sellers. HKSCC is also responsible for the good title to the securities deposited and accepted in the CCASS depository. As a result, the Group has considerable market risk and credit risk since the Participants' ability to honour their obligations in respect of their trades and securities deposited may be adversely impacted by economic conditions. If the Participants default on their obligations on settlement or there are defects in the title of securities deposited and accepted in the CCASS depository, the Group could be exposed to potential risks not otherwise accounted for in these consolidated financial statements.

### (c) Credit risk (continued)

### Risk management - Investment and accounts receivable risk

The Group limits its exposure to credit risk by rigorously selecting the counterparties (i.e., deposit-takers, bond issuers, debtors and fund managers) and by diversification. All investments (excluding those held by the investment funds under the External Portfolio) were governed by the Group Credit Limit for Settlement and Investments framework. Under the framework, specific limits are set on an investment portfolio level, on a single counterparty level and on a geographical level. The investment portfolio is subject to a maximum portfolio expected loss limit, each investment counterparty is subject to a minimum investment grade rating, each investment is subject to maximum concentration limit per counterparty and the total investment in each country is subject to maximum concentration limit per country. Fund managers of investment funds under the External Portfolio are financially strong and stable, and their selections are approved by the Investment Manager Approved Framework under the External-Managed Investment Policy.

At 31 December 2024, the investments in debt securities held by the Group (excluding those held by the investment funds) were of investment grade and had a weighted average credit rating of Aa3 (Moody's) (31 December 2023: Aa2 (Moody's)). Deposits are placed only with the investment grade banks, licensed banks and restricted licence banks regulated by the Hong Kong Monetary Authority, and banks regulated by local banking regulators in the countries where the Group's subsidiaries operate. LME entities invest a significant portion of cash in reverse repurchase investments, where high quality assets are held against such investments as collateral.

The Group mitigates its exposure to risks relating to accounts receivable from its Participants by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants.

### Risk management – Clearing and settlement risk

The Group mitigates its exposure to clearing and settlement-related risks by requiring its Participants to meet the Group's established financial requirements and criteria for admission as Participants, monitoring compliance with risk management measures such as imposing position limits and requiring Clearing Participants and other clearing house participants to deposit margins, Mainland security and settlement deposits, and cash collateral and contribute to the Clearing House Funds set up by the Group's five clearing houses. HKSCC also retains recourse against those Participants whose securities are deposited and accepted in the CCASS depository.

Under the Margin Fund and Guarantee Fund arrangements, generally, each HKSCC Clearing Participant is granted by HKSCC a Margin Credit of \$5 million and a Dynamic Contribution Credit of \$1 million, and each HKCC Clearing Participant is granted a Dynamic Contribution Credit of HKCC Reserve Fund of \$1 million. If a HKSCC or HKCC Clearing Participant defaults and any loss arises, HKSCC will absorb the default loss up to the Margin Credit and Dynamic Contribution Credit utilised by the defaulting HKSCC Clearing Participant, after deducting its collateral and Guarantee Fund contribution maintained with HKSCC, and HKCC will absorb the default loss up to the Dynamic Contribution Credit utilised by the defaulting HKCC Clearing Participant, after deducting its collateral and Reserve Fund contribution maintained with HKCC. After the initial losses, HKSCC is required to absorb further losses after the HKSCC Guarantee Fund reserve and the Guarantee Fund contribution (excluding the Dynamic Contribution portion) of non-defaulting HKSCC Clearing Participants are depleted, and HKCC is required to absorb further losses after the HKCC Reserve Fund reserve and the Reserve Fund contribution (excluding the Dynamic Contribution portion) of non-defaulting HKCC Clearing Participants are depleted. The amount of losses borne by HKSCC and HKCC will be calculated on a pro rata basis with reference to the non-defaulting HKSCC and HKCC Clearing Participants' Dynamic Contributions and Dynamic Contribution Credits granted by HKSCC and HKCC respectively.

### (c) Credit risk (continued)

Risk management - Clearing and settlement risk (continued)

At 31 December 2024, HKSCC had 558 Clearing Participants (31 December 2023: 587) and the total amounts of Margin Credit and Dynamic Contribution Credit utilised by HKSCC Clearing Participants amounted to \$847 million (31 December 2023: \$763 million), while HKCC had 133 Clearing Participants (31 December 2023:139) and the total amount of Dynamic Contribution Credit utilised by HKCC Clearing Participants amounted to \$81 million (31 December 2023: \$79 million).

The HKSCC Margin Credit and Dynamic Contribution Credit and the HKCC Dynamic Contribution Credit are supported by the \$4,000 million of shareholders' funds set aside by the HKEX Group for risk management purpose, of which \$1,060 million and \$830 million were injected into HKSCC and HKCC respectively.

#### Exposure

At 31 December, the maximum exposure to credit risk of the financial assets of the Group was equal to their carrying amounts. The maximum exposure to credit risk of the financial guarantee contract issued by the Group was as follows:

	At 31 De	ec 2024	At 31 Dec 2023	
	Carrying amount in consolidated statement of financial position \$m	Maximum exposure to credit risk \$m	Carrying amount in consolidated statement of financial position \$m	Maximum exposure to credit risk \$m
Financial guarantee contract				
Undertaking to indemnify the Collector of Stamp Revenue (note 49(b))	(20)	107	(20)	115

### Collateral held for mitigating credit risk

Certain securities, cash deposits and non-cash collateral are being held by the Group to mitigate the Group's exposure to credit risk. The financial effect of the collateral, which is capped by the amount receivable from each counterparty, was as follows:

	At 31 De	c 2024	At 31 Dec 2023		
	Carrying amount in consolidated statement of financial position \$m	Collateral held for mitigating credit risk \$m	Carrying amount in consolidated statement of financial position \$m	Collateral held for mitigating credit risk \$m	
Accounts receivable and deposits <sup>1</sup>	54,220	7,163	33,117	7,444	
Fair value of base and ferrous metals futures and options contracts cleared through LME Clear Reverse repurchase investments	67,629 63,168	67,629 63,168	58,097 69,132	58,097 69,132	

<sup>1</sup> Amounts exclude prepayments of \$277 million (31 December 2023: \$215 million).

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- (d) Fair values of financial assets and financial liabilities
  - (i) Financial assets and financial liabilities carried at fair value

At 31 December 2024 and 31 December 2023, no non-financial assets or liabilities were carried at fair values.

The following tables present the carrying value of financial assets and financial liabilities measured at fair value according to the levels of the fair value hierarchy defined in HKFRS 13: Fair Value Measurement, with the fair value of each financial asset and financial liability categorised based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

		At 31 D	ec 2024			At 31 D	ec 2023	
Recurring fair value measurements:	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets								
Financial assets measured at fair value through profit or loss:								
– investment funds	2,203	5,026	-	7,229	870	5,698	-	6,568
<ul> <li>equity securities</li> </ul>	-	-	329	329	-	-	393	393
Financial assets measured at fair value through other comprehensive income:								
<ul> <li>debt securities</li> </ul>	26,964	23,740	-	50,704	16,296	1,954	-	18,250
Derivative financial instruments:								
<ul> <li>base and ferrous metals futures and options contracts cleared through LME Clear</li> </ul>	_	67,629	_	67,629	_	58,097	<u>-</u>	58,097
– forward foreign exchange								
contracts	-	-	-	-	-	4	-	4
– foreign exchange swaps	-	118	-	118	_	26	_	26
	29,167	96,513	329	126,009	17,166	65,779	393	83,338
Financial liabilities								
Derivative financial instruments:								
<ul> <li>base and ferrous metals futures and options contracts cleared through LME Clear</li> </ul>	_	67,629	_	67,629	_	58,097	_	58,097
– forward foreign exchange								
contracts	-	60	-	60	-	-	-	-
– foreign exchange swaps	_	174	_	174	_	3		3
	-	67,863	-	67,863	-	58,100	_	58,100

- (d) Fair values of financial assets and financial liabilities (continued)
  - (i) Financial assets and financial liabilities carried at fair value (continued)

During 2024 and 2023, there were no transfers of instruments between Level 1 and Level 2 or transfer into or out of Level 3.

Level 2 fair values of investment funds, debt securities, base and ferrous metals futures and options contracts, and foreign exchange derivative contracts have been determined based on quotes from market makers, funds administrators or alternative pricing sources supported by observable inputs. The most significant input are market interest rates, market prices of metals, market foreign exchange rates, net asset values and latest redemption prices or transaction prices of the respective investment funds.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Fair value measurements using significant unobservable inputs (Level 3)

	2024 \$m	2023 \$m
At 1 Jan	393	654
Losses recognised in consolidated income statement under net investment income (note 6)	(62)	(253)
Losses recognised in other comprehensive income	(2)	(8)
At 31 Dec	329	393
Total losses recognised in the consolidated income statement for assets held at 31 Dec	(62)	(253)

At 31 December 2024, the Group held minority stakes in three unlisted investments – Fusion Bank Limited, Huakong TsingJiao Information Science (Beijing) Limited, and Guangzhou Futures Exchange.

Fusion Bank Limited is a virtual bank in Hong Kong with a license granted by the Hong Kong Monetary Authority. The company offers a variety of banking services including savings, time deposits, loans, local fund transfers and foreign exchange.

Huakong TsingJiao Information Science (Beijing) Limited is a data technology company, which specialises in the research and development of multi-party computation technologies, allowing collaborative data analysis without revealing private data during the computation and analysis process.

Guangzhou Futures Exchange is an exchange in the Greater Bay Area focusing on serving the real economy and green development initiatives. Since its set up in 2021, the exchange has successfully launched its three products, industrial silicon, lithium carbonate and polycrystalline silicon futures and options, and will continue to work with market participants to contribute to green and low carbon transformation and development.

As these investments are not traded in an active market, these investments are classified as Level 3 investments. Valuations are prepared on bi-annually basis, at each interim and annual reporting date. The assumptions and inputs to the valuation model, valuation techniques and valuation results are reviewed and approved by management.

At 31 December 2024, the total fair value of the three investments was \$329 million (31 December 2023: \$393 million). Market-based approach has been adopted to determine their fair values, which are estimated based on the analysis of the investments' financial position, operating results and prospects, and by reference to trading multiples and financial data of other comparable companies.

- (d) Fair values of financial assets and financial liabilities (continued)
  - Fair values of financial assets and financial liabilities not reported at fair values

    Summarised in the following table are the carrying amounts and fair values of long-term financial assets and financial liabilities not presented in the consolidated statement of financial position at their fair values, except for lease liabilities where disclosure of fair values is not required. These assets and liabilities were classified under Level 2 in the fair value hierarchy.

	At 31 De	ec 2024	At 31 Dec 2023	
	Carrying amount in consolidated statement of financial position \$m	Fair value \$m	Carrying amount in consolidated statement of financial position \$m	Fair value \$m
Assets				
Financial assets measured at amortised cost:				
– debt securities maturing over one year <sup>1</sup>	1,439	1,443	1,570	1,593
<ul> <li>other financial assets maturing over one year<sup>2</sup></li> </ul>	89	67	95	74
Liabilities				
Borrowings:				
<ul> <li>written put options to non-controlling interests<sup>3</sup></li> </ul>	452	455	447	452
Financial guarantee to the Collector of Stamp Revenue <sup>4</sup>	20	35	20	30

- 1 The fair values are provided by a reputable independent financial institution.
- 2 The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets, adjusted by an estimated credit spread. The discount rates used ranged from 3.96 per cent to 5.21 per cent at 31 December 2024 (31 December 2023: 3.61 per cent to 4.61 per cent).
- 3 The fair values are based on cash flows discounted using the prevailing market interest rates for loans with similar credit rating and similar tenor of the respective loans. The discount rates used was 4.58 per cent at 31 December 2024 (31 December 2023: 4.26 per cent).
- 4 The fair values are based on the fees charged by financial institutions for granting such guarantees discounted to perpetuity using a ten-year Hong Kong Government bond rate, adjusted by an estimated credit spread, but capped at the maximum exposure of the financial guarantee. The discount rate used was 4.06 per cent at 31 December 2024 (31 December 2023: 4.80 per cent).

The carrying amounts of short-term financial assets and receivables (e.g., accounts receivable, financial assets measured at amortised cost and cash and cash equivalents) and short-term payables (e.g., accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

(e) Offsetting financial assets and financial liabilities

### **Accounting Policy**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

For base and ferrous metals futures and options contracts cleared through LME Clear, the asset and liability positions of LME Clear arising through its activities as a central counterparty are matched. Therefore, the same amounts are recorded for both assets and liabilities with the fair value gains and losses recognised, but offset, in the consolidated income statement.

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.
- (i) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 Dec 2024					
		Gross amounts	OI III ai icial		ted statement	
Type of financial instruments	Gross amounts \$m	set off in the consolidated statement of financial position \$m	in the consolidated statement of financial	Amounts subject to master netting arrangements \$m	Cash collateral \$m	Net amounts \$m
Financial assets:						
CNS money obligations receivable <sup>1</sup>	536,824	(505,011)	31,813	(4,384)	(2,277)	25,152
Base and ferrous metals futures and options contracts cleared through LME Clear <sup>2</sup>	1,487,638	(1,420,009)	67,629	(46,000)	(21,629)	-
Other accounts receivable from Participants, ChinaClear, information vendors and hosting services customers, net of provision for impairment losses	21,345	_	21,345	_	(878)	20,467
Total	2,045,807	(1,925,020)	120,787	(50,384)	(24,784)	45,619
Financial liabilities:						
CNS money obligations payable <sup>1</sup>	538,999	(505,011)	33,988	(4,327)	-	29,661
Base and ferrous metals futures and options contracts cleared through LME Clear <sup>2</sup>	1,487,638	(1,420,009)	67,629	(46,000)	_	21,629
Other payable to ChinaClear	57	-	57	(57)	-	-
Total	2,026,694	(1,925,020)	101,674	(50,384)	_	51,290

- (e) Offsetting financial assets and financial liabilities (continued)
  - (i) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

	At 31 Dec 2023					
		Gross amounts	Net amounts presented	Related amou in the consolida of financia	ted statement	
Type of financial instruments	Gross amounts \$m	set off in the consolidated	in the consolidated statement of financial	Amounts subject to master netting arrangements \$m	Cash collateral \$m	Net amounts \$m
Financial assets:						
CNS money obligations receivable <sup>1</sup>	259,093	(237,663)	21,430	(3,727)	(5,264)	12,439
Base and ferrous metals futures and options contracts cleared through LME Clear <sup>2</sup>	1,189,427	(1,131,330)	58,097	(44,730)	(13,367)	-
Other accounts receivable from Participants, ChinaClear, information vendors and hosting services customers, net of provision for impairment losses	10,415	-	10,415	(1,657)	(339)	8,419
Total	1,458,935	(1,368,993)	89,942	(50,114)	(18,970)	20,858
Financial liabilities:						
CNS money obligations payable <sup>1</sup>	261,800	(237,663)	24,137	(5,369)	-	18,768
Base and ferrous metals futures and options contracts cleared through LME Clear <sup>2</sup>	1,189,427	(1,131,330)	58,097	(44,730)	_	13,367
Other payable to ChinaClear	15	-	15	(15)	-	-
Total	1,451,242	(1,368,993)	82,249	(50,114)	-	32,135

<sup>1</sup> HKSCC currently has a legally enforceable right to set off certain CNS money obligations receivable and payable relating to the same Clearing Participant and it intends to settle on a net basis.

<sup>2</sup> LME Clear has a legally enforceable right to set off open positions of certain contracts within an individual member's account for those contracts settling on the same date and it intends to settle on a net basis.

<sup>3</sup> For the net amounts of CNS money obligations receivable or payable and net fair value of base and ferrous metals futures and options contracts (i.e., after set-off), other accounts receivable and other payable due from/to customers, they do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default of the customers. In addition, the Group does not intend to settle the balances on a net basis.

- (e) Offsetting financial assets and financial liabilities (continued)
  - (ii) The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the "accounts receivable, prepayments and deposits", "accounts payable, accruals and other liabilities" and "derivative financial instruments" presented in the consolidated statement of financial position.

	Accounts r prepayments	,	Derivative instrumen	
	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m
Net amount of financial assets after offsetting as stated above:				
- CNS money obligations receivable	31,813	21,430	_	-
<ul> <li>Other accounts receivable from Participants, ChinaClear, information vendors and hosting services customers, net of provision for impairment losses</li> </ul>	21,345	10,415	_	-
<ul> <li>Base and ferrous metals futures and options contracts cleared through LME Clear</li> </ul>	_	_	67,629	58,097
Financial assets not in scope of offsetting disclosures	1,062	1,272	118	30
Prepayments	277	215	-	-
Amounts presented in the consolidated statement				
of financial position	54,497	33,332	67,747	58,127
	Accounts payable, accruals and other liabilities		Derivative instruments	e financial s (liabilities)
	At 31 Dec 2024	At 31 Dec 2023	At 31 Dec 2024	At 31 Dec 2023

	Accounts accruals and o		instruments (liabilities)		
	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m	At 31 Dec 2024 \$m	At 31 Dec 2023 \$m	
Net amount of financial liabilities after offsetting as stated above:					
- CNS money obligations payable	33,988	24,137	-	-	
- Other payable to ChinaClear	57	15	-	-	
<ul> <li>Base and ferrous metals futures and options contracts cleared through LME Clear</li> </ul>	-	-	67,629	58,097	
Financial liabilities not in scope of offsetting disclosures	3,539	3,697	234	3	
Amounts presented in the consolidated statement of financial position	37,584	27,849	67,863	58,100	

### 54. Statement of Financial Position and Reserve Movements of HKEX

### **Accounting Policy**

In HKEX's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if necessary. The results of subsidiaries are accounted for by HKEX on the basis of dividends received and receivable.

Investment in a subsidiary is tested for impairment upon receiving a dividend from that subsidiary if the dividend exceeds the total comprehensive income of the subsidiary concerned in the period the dividend is declared or if the carrying amount of the subsidiary in HKEX's statement of financial position exceeds the carrying amount of the subsidiary's net assets.

The financial statements of the controlled special purpose entity, The HKEX Employees' Share Award Scheme, are included in HKEX's financial statements.

Written put options to non-controlling interests initially recognised at fair value are accounted for as an increase in investments in subsidiaries with a corresponding credit to financial liabilities at fair value through profit or loss. Subsequent changes in fair value of the financial liabilities are recognised in HKEX's income statement. Upon exercise of written put options by the non-controlling interests, the investments in subsidiaries are adjusted for the consideration payable to the non-controlling interests and the decrease in the financial liabilities at fair value at profit or loss. Written put options to non-controlling interests are included under financial liabilities at fair value through profit or loss on the statement of financial position.

### 54. Statement of Financial Position and Reserve Movements of HKEX (continued)

Statement of Financial Position of HKEX

	At 31 Dec 2024			At 31 Dec 2023			
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m	
Assets							
Cash and cash equivalents	1,615	-	1,615	1,232	_	1,232	
Financial assets measured at fair value through profit or loss	6,901	593	7,494	6,357	441	6,798	
Financial assets measured at fair value through other comprehensive income	1,809	3,143	4,952	-	-	_	
Financial assets measured at amortised cost	3,508	1,516	5,024	6,504	1,653	8,157	
Derivative financial instruments	210	-	210	10	-	10	
Accounts receivable, prepayments and deposits	127	19	146	307	19	326	
Amounts due from subsidiaries	1,518	3,923	5,441	1,231	11,817	13,048	
Interests in joint ventures	-	114	114	-	114	114	
Intangible assets	-	501	501	_	435	435	
Fixed assets	-	345	345	-	333	333	
Right-of-use assets	-	1,072	1,072	-	1,370	1,370	
Investments in subsidiaries	-	23,694	23,694	-	16,931	16,931	
Total assets	15,688	34,920	50,608	15,641	33,113	48,754	
Liabilities and equity							
Liabilities							
Financial liabilities at fair value through profit or loss	229	_	229	267	-	267	
Derivative financial instruments	232	-	232	10	_	10	
Accounts payable, accruals and other liabilities	824	_	824	704	-	704	
Amounts due to subsidiaries	1,652	-	1,652	642	_	642	
Taxation payable	362	-	362	358	_	358	
Other financial liabilities	11	-	11	11	_	11	
Lease liabilities	233	936	1,169	238	1,215	1,453	
Provisions	53	101	154	52	97	149	
Deferred tax liabilities	-	95	95	_	80	80	
Total liabilities	3,596	1,132	4,728	2,282	1,392	3,674	
Equity							
Share capital			31,955			31,946	
Shares held for Share Award Scheme			(1,125)			(1,009)	
Employee share-based compensation reserve			414			373	
Revaluation reserve			13			-	
Merger reserve			694			694	
Retained earnings			13,929			13,076	
Equity attributable to shareholders of HKEX			45,880			45,080	
Total liabilities and equity			50,608			48,754	
Net current assets			12,092			13,359	

Approved by the Board of Directors on 27 February 2025

## 54. Statement of Financial Position and Reserve Movements of HKEX (continued)

### (a) Reserve movements of HKEX

	Employee share-based compensation reserve \$m	Revaluation reserve \$m	Merger reserve \$m	Retained earnings \$m
At 1 Jan 2023	346	_	694	12,637
Profit attributable to shareholders	-	-	-	10,793
2022 second interim dividend at \$3.69 per share	-	-	-	(4,669)
2023 first interim dividend at \$4.50 per share	-	_	_	(5,695)
Unclaimed HKEX dividends forfeited	-	_	_	23
Vesting of shares of Share Award Scheme	(372)	_	_	(13)
Employee share-based compensation benefits	399	-	_	-
At 31 Dec 2023	373	-	694	13,076
At 1 Jan 2024	373	-	694	13,076
Profit attributable to shareholders	-	-	-	11,303
Other comprehensive income	-	13	-	-
2023 second interim dividend at \$3.91 per share	-	-	-	(4,944)
2024 first interim dividend at \$4.36 per share	-	-	-	(5,513)
Unclaimed HKEX dividends forfeited	-	-	-	32
Vesting of shares of Share Award Scheme	(349)	-	-	(25)
Employee share-based compensation benefits	390	-	-	-
At 31 Dec 2024	414	13	694	13,929

### **APPENDIX II**

# RISK FACTORS RELATING TO THE OPERATING ENVIRONMENT AND STRATEGY OF UBS AG

This section supersedes in its entirety Appendix 2 of the Base Listing Document.

### Risks relating to UBS

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

### Strategy, management and operational risks

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

UBS Group AG 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 the UBS Group. 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.

The UBS AG Group has incurred substantial transaction fees and costs in connection with the transaction and will continue to incur substantial integration and restructuring costs. In addition, the UBS AG Group may not realize all of the expected cost reductions and other benefits of the transaction. The UBS AG Group may not be able to successfully execute its 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.

The ability of the UBS AG Group to successfully integrate Credit Suisse will depend on a number of factors, some of which are outside of its control, including its ability to:

- combine the operations of the two firms in a manner that preserves client service, simplifies infrastructure and results in operating cost savings;
- achieve cost reductions at the levels and in the time frame it plans;
- 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;
- successfully execute the wind-down of the assets and liabilities in its 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 AG 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 the UBS AG Group does not currently consider to be material, or of which it is not currently aware, could also adversely affect it.

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. 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.

### The reputation of UBS AG Group is critical to its success

The reputation of the UBS AG Group is critical to the success of its strategic plans, business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. In the past, the reputation of the UBS AG Group has been adversely affected by its losses during the 2008 financial crisis, investigations into its cross-border private banking services, criminal resolutions of LIBOR-related and foreign

exchange matters, as well as other matters. The UBS AG Group believes that reputational damage as a result of these events was an important factor in its loss of clients and client assets across its 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 the UBS AG Group's results of operation and financial condition, as well as its ability to achieve its strategic goals and financial targets.

### Operational risks affect the business of the UBS AG Group

The businesses of the UBS AG Group depend on its 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 it is subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. It also relies 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 its or third-party systems could have an adverse effect on the UBS AG Group. These risks may be greater as the UBS AG Group deploys newer technologies, such as blockchain, or processes, platforms or products that rely on these technologies. The operational risk management and control systems and processes of the UBS AG Group are designed to help ensure that the risks associated with its 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 the UBS AG Group's internal controls fail or prove ineffective in identifying and remedying these risks, it could suffer operational failures that might result in material losses, such as the substantial loss it 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 the UBS AG Group's staff have been and will continue working from outside the office, it has 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 it has taken measures to manage these risks, these measures could prove not to be effective.

The UBS AG Group uses automation as part of its efforts to improve efficiency, reduce the risk of error and improve its client experience. It intends 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 the locations of the UBS AG Group 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 the UBS AG Group's 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 the UBS AG Group's 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 the UBS AG Group's systems and networks and the confidentiality and integrity of its data. During the first quarter of 2023, a third-party vendor, ION XTP, suffered a ransomware attack, which resulted in some disruption to the UBS AG Group's exchange-traded derivatives clearing activities, although UBS AG Group restored its services within 36 hours, using an available alternative solution. In addition to external attacks, the UBS AG Group has experienced loss of client data from failure by employees and others to follow internal policies and procedures and from misappropriation of its data by employees and others.

The UBS AG Group may not be able to anticipate, detect or recognize threats to its systems or data and its preventative measures may not be effective to prevent an attack or a security breach. In the event of a security breach, notwithstanding its preventative measures, the UBS AG Group 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 the UBS AG Group has recently experienced,

the UBS AG Group 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 its systems or data or those of a service provider could have significant negative consequences for the UBS AG Group, including disruption of its operations, misappropriation of confidential information concerning it or its clients, damage to its systems, financial losses for it or its clients, violations of data privacy and similar laws, litigation exposure and damage to its reputation. The UBS AG Group 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.

The UBS AG Group is 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 the UBS AG Group complies with applicable laws and regulations when it collects, uses and transfers personal information requires substantial resources and may affect the ways in which it conducts its business. In the event that it fails to comply with applicable laws, the UBS AG Group may be exposed to regulatory fines and penalties and other sanctions. It may also incur such penalties if its 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 its reputation and adversely affect its 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. The UBS AG Group is required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of its clients under the laws of many of the countries in which it operates. It is 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. The UBS AG Group has 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 the UBS AG Group's US operations. The UBS AG Group has undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for its programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of the UBS AG Group's programs in these areas, could have serious consequences both from legal enforcement action and from damage to its 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 the UBS AG Group's cost of monitoring and complying with sanctions requirements and increase the risk that it 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 the UBS AG Group has made in its legal structure, the volume, frequency and complexity of its regulatory and other reporting has remained elevated. Regulators have also significantly increased expectations regarding the UBS AG Group's internal reporting and data aggregation, as well as management reporting. The UBS AG Group has incurred, and continues 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 the UBS AG Group.

In addition, despite the contingency plans that the UBS AG Group has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its businesses and the communities in which it operates. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services that the UBS AG Group uses or that are used by third parties with whom it conducts business.

## The UBS AG Group depends on its risk management and control processes to avoid or limit potential losses in its 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, the UBS AG Group must balance the risks it takes against the returns generated. Therefore, it must diligently identify, assess, manage and control its 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.

The UBS AG Group has not always been able to prevent serious losses arising from risk management failures and extreme or sudden market events. It recorded substantial losses on fixed-income trading positions in the 2008 financial crisis, in the unauthorized trading incident in 2011. 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.

The UBS AG Group regularly revises and strengthens its risk management and control frameworks to seek to address identified shortcomings. Nonetheless, it could suffer further losses in the future if, for example:

- it does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;
- its assessment of the risks identified, or its response to negative trends, proves to be untimely, inadequate,

- insufficient or incorrect;
- its risk models prove insufficient to predict the scale of financial risks the bank faces;
- markets move in ways that the UBS AG Group does not expect in terms of their speed, direction, severity or correlation and its ability to manage risks in the resulting environment is, therefore, affected;
- third parties to whom the UBS AG Group has credit exposure or whose securities it holds are severely affected by
  events and it suffers defaults and impairments beyond the level implied by its risk assessment; or
- collateral or other security provided by the UBS AG Group's counterparties and clients proves inadequate to cover their obligations at the time of default.

The UBS AG Group also holds 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, and the integration of UBS AG with Credit Suisse AG, is increasing, materially, the portfolio of business that are outside of the UBS AG Group's risk appetite and subject to exit that will be managed in the Non-core and Legacy segment.

The UBS AG Group also manages risk on behalf of its clients. The performance of assets it holds for its clients may be adversely affected by the same aforementioned factors. If clients suffer losses or the performance of their assets held with the UBS AG Group is not in line with relevant benchmarks against which clients assess investment performance, the UBS AG Group 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 the UBS AG Group manages, 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 the UBS AG Group's earnings.

# The UBS AG Group 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. The UBS AG Group faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to it 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. The UBS AG Group expects these trends to continue and competition to increase. The UBS AG Group's competitive strength and market position could be eroded if it is unable to identify market trends and developments, does not respond to such trends and developments by devising and implementing adequate business strategies, does not adequately develop or update its technology, including its digital channels and tools, or is unable to attract or retain the qualified people needed.

The amount and structure of the UBS AG Group's employee compensation is affected not only by its 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 its staff with other stakeholders, the UBS AG Group has 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. It has also introduced individual caps on the proportion of fixed to variable pay for the Executive Board ("EB") members, as well as certain other employees. The UBS AG Group will also be required to introduce and enforce provisions requiring it to recover from EB 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 the UBS AG Group's ability to retain and attract key employees, particularly where it competes with companies that are not subject to these constraints. The loss of key staff and the inability to attract qualified replacements could seriously compromise the UBS AG Group's ability to execute its strategy and to successfully improve its operating and control environment, and could affect its 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 UBS Group AG Board of Directors (the "Group Board") and the UBS Group AG Group Executive Board ("GEB") each year. If UBS Group AG's shareholders fail to approve the compensation for the GEB or the Group Board, this could have an adverse effect on the UBS AG Group's ability to retain experienced directors and its senior management.

# UBS AG operating results, financial condition and ability to pay its obligations in the future may be affected by funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions

UBS AG's ability to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS Switzerland AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS 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 AG's direct and indirect subsidiaries, including UBS Switzerland AG, UBS Americas Holding LLC, UBS Europe SE, and Credit Suisse International are subject to laws and regulations requiring the entities to maintain minimum levels of capital and liquidity, that restrict dividend payments, authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS AG, or could affect their ability to repay any loans made to, or other investments in, such subsidiary by UBS AG or another member of the UBS AG 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 AG may need to meet its obligations. In addition, UBS 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.

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

### Market, credit and macroeconomic risks

Performance in the financial services industry is affected by market conditions and the macroeconomic climate. The UBS AG Group's 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 the UBS AG Group's earnings and ultimately its 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 the UBS AG Group's business or financial results.

As a result of significant volatility in the market, the UBS AG Group's businesses may experience a decrease in client activity levels and market volumes, which would adversely affect its 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 the UBS AG Group manages 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 the UBS AG Group owns and accounts 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 the UBS AG Group's 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 the UBS AG Group 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 the UBS AG Group's products and services, increased utilization of lending commitments, significantly increased client defaults, continued and increasing credit and valuation losses in the UBS AG Group's 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 the UBS AG Group's Global Wealth Management and Asset Management businesses, as the UBS AG Group experienced in the second quarter of 2022. These factors and other consequences of a health emergency may negatively affect the UBS AG Group's financial condition, including possible constraints on capital and liquidity, as well as resulting in a higher cost of capital, and possible downgrades to its credit ratings.

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), the UBS AG Group could suffer adverse effects on its business, losses from enforced default by counterparties, be unable to access its own assets or be unable to effectively manage its risks.

The UBS AG Group 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, the UBS AG Group's strategic plans have become more heavily dependent on its ability to generate growth and revenue in emerging markets, including China, causing it 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 the UBS AG Group's peers, while its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. The UBS AG Group's performance and businesses may therefore be more affected by political, economic and market developments in these regions than some other financial service providers.

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

## The UBS AG Group's 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 the UBS AG Group's 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 its prime brokerage, securities finance and Lombard lending businesses, the UBS AG Group extends 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 the UBS AG Group's ability to settle existing transactions or to realize on collateral, which may result in unexpected increases in exposures. The UBS AG Group's Swiss mortgage and corporate lending portfolios are a large part of its overall lending. It is 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, 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 EEA, which represent Switzerland's largest export market. The UBS AG Group has exposures related to real estate in various countries, including a substantial Swiss mortgage portfolio. Although it believes this portfolio is prudently managed, the UBS AG Group could nevertheless be exposed to losses if a substantial deterioration in the Swiss real estate market were to occur.

As the UBS AG Group experienced in 2020, under 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 the UBS AG Group's common equity tier 1 ("CET1") capital and regulatory capital ratios.

### Interest rate trends and changes could negatively affect the UBS AG Group's financial results

The UBS AG Group'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 the UBS AG Group's Personal & Corporate Banking and Global Wealth Management businesses prior to 2022. Actions that the UBS AG Group 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 the UBS AG Group), 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 the UBS AG Group's net interest income. However, as returns on alternatives to deposits increase with rising interest rates, such as returns on money market funds, the UBS AG Group's 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 the UBS AG Group's credit counterparties. Customer deposit outflows could require the UBS AG Group to obtain alternative funding, which would likely be more costly than customer deposits.

# Currency fluctuation may have an adverse effect on the UBS AG Group's profits, balance sheet and regulatory capital

The UBS AG Group is subject to currency fluctuation risks as a substantial portion of its assets and liabilities are

denominated in currencies other than the UBS AG Group presentation currency, the US dollar. In order to hedge its CET1 capital ratio, the UBS AG Group's 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 the UBS AG Group's profits, balance sheet, and capital, leverage and liquidity coverage ratios.

### Regulatory and legal risks

### Material legal and regulatory risks arise in the conduct of the UBS AG Group's business

As a global financial services firm operating in more than 50 countries, the UBS AG Group is subject to many different legal, tax and regulatory regimes, including extensive regulatory oversight, and is exposed to significant liability risk. It is subject to a large number of claims, disputes, legal proceedings and government investigations, and it expects that its ongoing business activities will continue to give rise to such matters in the future. In addition, as noted above, the UBS Group 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. The extent of the UBS AG Group's financial exposure to these and other matters is material and could substantially exceed the level of provisions that it has established. The UBS AG Group is not able to predict the financial and non-financial consequences these matters may have when resolved.

The UBS AG Group may be subject to adverse preliminary determinations or court decisions that may negatively affect public perception and its reputation, result in prudential actions from regulators, and cause it to record additional provisions for such matters even when it believes it has substantial defenses and expects 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 the UBS AG Group.

Resolution of regulatory proceedings has required the UBS AG Group 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 the UBS AG Group's 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 the UBS AG Group.

The UBS AG Group's settlements with governmental authorities in connection with foreign exchange, London Interbank Offered Rates ("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 the UBS AG Group, and the UBS AG Group was required to enter guilty pleas despite its full cooperation with the authorities in the investigations, and despite its 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, the UBS AG Group has been, and continues to be, subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain it strategic flexibility. The UBS AG Group believes it has remediated the deficiencies that led to significant losses in the past and made substantial changes in its controls and conduct risk frameworks to address the issues highlighted by the LIBOR-related, foreign exchange and precious metals regulatory resolutions. It has 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.

The UBS AG Group continues to be in active dialogue with regulators concerning the actions it is taking to improve its operational risk management, risk control, anti-money laundering, data management and other frameworks, and otherwise seeks to meet supervisory expectations, but there can be no assurance that its efforts will have the desired effects. As a result of this history, the UBS AG Group's level of risk with respect to regulatory enforcement may be greater than that of some of its peers.

# Substantial changes in regulation may adversely affect the UBS AG Group's businesses and its ability to execute its strategic plans

Since the financial crisis of 2008, the UBS AG Group has 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 the acquisition of Credit Suisse by the UBS Group 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 AG. 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 AG, at a disadvantage when competing with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

The UBS AG Group's implementation of additional regulatory requirements and changes in supervisory standards, as well as its compliance with existing laws and regulations, continue to receive heightened scrutiny from supervisors. If the UBS AG Group does not meet supervisory expectations in relation to these or other matters, or if additional supervisory or regulatory issues arise, the UBS AG Group would likely be subject to further regulatory scrutiny, as well as measures that may further constrain its strategic flexibility.

Resolvability and resolution and recovery planning: The UBS AG Group has moved significant operations into subsidiaries to improve resolvability and meet other regulatory requirements, and this has resulted in substantial implementation costs, increased its capital and funding costs and reduced operational flexibility. For example, the UBS AG Group has transferred all of its US subsidiaries under a US intermediate holding company to meet US regulatory requirements and has 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. The UBS AG Group's 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 its operational flexibility and negatively affect its ability to benefit from synergies between business units and to distribute earnings to the Group.

Under the Swiss too-big-to-fail ("**TBTF**") framework, the UBS AG Group is 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 it operates, the UBS AG Group is 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 the UBS AG Group produces 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 the UBS AG Group's business in that jurisdiction, or oblige the UBS AG Group to hold higher amounts of capital or liquidity or to change its legal structure or business in order to remove the relevant impediments to resolution.

The authorities in Switzerland and internationally have promulgated lessons learned from the Credit Suisse Group and the US regional bank failures, which may result in additional requirements regarding capital, liquidity, resolution planning and early intervention tools for authorities. In connection with these reviews, FINMA has announced that it will not provide an assessment of the UBS resolution plans in 2024 as it expects to make adjustments to resolution plan requirements based on lessons learned reviews as well as potential changes in its recovery and resolution authority under amendments that are expected to be proposed to Swiss law.

Capital and prudential standards: As an internationally active Swiss systemically relevant bank (an "SRB"), the UBS AG Group is subject to capital and total loss-absorbing capacity ("TLAC") requirements that are among the most stringent in the world. Moreover, many of its 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.

The UBS AG Group expects its 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 systemically relevant banks, 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 the UBS AG Group's overall capital requirements upon the merger with Credit Suisse AG, which increase may be substantial. In addition, the report of the Swiss Federal Council on the failure of Credit Suisse includes recommendation of changes to Swiss capital regulation that, if adopted, may have the effect of substantially increasing the capital requirements of the UBS AG Group. The Swiss Federal Council has indicated that it will publish proposed amendments to law and revisions to banking ordinances for public comment in early 2025.

Increases in capital and liquidity standards could significantly curtail the UBS AG Group's ability to pursue strategic opportunities.

Market regulation and fiduciary standards: The UBS AG Group's 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, the UBS AG Group has made material changes to its business processes, policies and the terms on which it interacts with these clients in order to comply with SEC Regulation Best Interest, which is intended to enhance and clarify the duties of brokers and investment advisers to retail customers, the Volcker Rule, which limits the UBS AG Group's ability to engage in proprietary trading, as well as changes in European and Swiss market conduct regulation. Future changes in the regulation of its duties to customers may require the UBS AG Group to make further changes to its businesses, which would result in additional expense and may adversely affect its business. The UBS AG Group may also become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations.

In many instances, the UBS AG Group provides services on a cross-border basis, and it is 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 the UBS AG Group's 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 the UBS AG Group's access to the market in those jurisdictions and may negatively influence its 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.

The UBS AG Group 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 the UBS AG Group 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 the UBS AG Group's clients' ability or willingness to do business with it and could result in additional cross-border outflows.

# If UBS experiences 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 UBS AG's 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 and UBS Switzerland AG, if there is justified concern that the 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 or UBS Switzerland AG from paying dividends or making payments on debt obligations.

The UBS AG Group 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 or UBS Switzerland 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 the UBS AG Group's business and impact its ability to fully realise its goals

The UBS AG Group has set ambitious goals for ESG matters. These goals include the UBS AG Group's ambitions for environmental sustainability in its operations, including carbon emissions, in the business it does with clients and in products that it offers. They also include goals or aspirations for diversity in its 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 the UBS AG Group, governments and others to achieve the goals it has set, and many of those 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 the UBS AG Group's climate and other goals. Although it has defined and disclosed its 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 it operates will not come into conflict with one another, (ii) that the current standards will not be interpreted differently than the understanding of the UBS AG Group or change in a manner that substantially increases the cost or effort for it to achieve such goals or (iii) that additional data or methods, whether voluntary or required by regulation, may substantially change the UBS AG Group's calculation of its 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 the UBS AG Group to substantially change the stated goals and ambitions. If the UBS AG Group is not able to achieve the goals it has set, or can only do so at significant expense to its business, it may fail to meet regulatory expectations, incur damage to its 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. The businesses of the UBS AG Group may be adversely affected if it is 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

The Credit Suisse Group delayed its reporting for the year ending 2022 stating that it had identified material weaknesses in its internal controls over financial reporting as a result of which the Credit Suisse Group management had concluded that, as of 31 December 2022, its internal controls over financial reporting were not effective, and for the same reasons, it 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. There is a risk that a material error may not be detected by UBS Group AG's internal control structure that could result in a material misstatement to Credit Suisse's reported financial results, which are consolidated with UBS Group AG's results. Since the acquisition, UBS Group AG has undertaken a review of the processes and systems giving rise to the material weaknesses and the remediation program undertaken. This review is ongoing, and UBS expects to adopt and implement further controls and procedures following the completion of such review and discussions with regulators. Based on this assessment, management believes that, as of 31 December 2023, the UBS AG Group's internal control over financial reporting was effective. Management has excluded Credit Suisse, which UBS Group AG acquired in 2023, from the scope of its assessment of internal control over financial reporting, as permitted by SEC guidance for acquired businesses. Following the merger of Credit Suisse AG and UBS AG, UBS AG's assessment of its internal control over financial reporting for 2024 will include the acquired business of Credit Suisse AG, including the effectiveness of remediation measures.

# The UBS AG Group's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards

The UBS AG prepares its 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 the UBS AG Group's 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, the UBS AG Group's 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 the UBS AG Group's 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 the UBS AG Group 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 the UBS AG Group's CET1 capital and regulatory capital ratios.

### The UBS AG Group may be unable to maintain its capital strength

Capital strength enables the UBS AG Group to grow its businesses and absorb increases in regulatory and capital requirements. Its ability to maintain its capital ratios is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards, methodologies and interpretations that may adversely affect the calculation of its capital ratios, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. The UBS AG Group's 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 its control. The results of its 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.

The UBS AG Group's 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, 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 the UBS AG Group's net defined benefit obligation recognized in other comprehensive income.

RWA are driven by the UBS AG Group's business activities, by changes in the risk profile of its exposures, by changes in its 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, are expected to increase the UBS AG Group's 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 the UBS AG Group's business even if it satisfies other risk-based capital requirements. Its 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 its control.

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

The UBS AG Group's effective tax rate is highly sensitive to its performance, its 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, the UBS AG Group has recognized DTAs reflecting the probable recoverable level based on future taxable profit as informed by its business plans. If its performance is expected to produce diminished taxable profit in future years, particularly in the US, the UBS AG Group 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 its effective tax rate in the year in which any write-downs are taken. Conversely, if it expects the performance of entities in which it has unrecognized tax losses to improve, particularly in the US or the UK, the UBS AG Group could potentially recognize additional DTAs. The effect of doing so would be to reduce the UBS AG Group's effective tax rate in years in which additional DTAs are recognized and to increase its effective tax rate in future years. The UBS AG Group's 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 UBS AG Group's DTAs.

The UBS AG Group generally revalues its DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account its updated business plans. It considers the performance of its businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of its DTAs, including the remaining tax loss carry-forward period and its 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.

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

The UBS AG Group's 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 the UBS AG Group 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 the UBS AG Group's effective tax rate. In addition, tax laws or the tax authorities in countries where the UBS AG Group has 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 the UBS AG Group's 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 the UBS AG Group is 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 the UBS AG Group's assessment of uncertain tax positions, could cause the amount of taxes it ultimately pays to materially differ from the amount accrued.

# The UBS AG Group 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 certain participations held by Credit Suisse Group AG and its subsidiaries have been or will be transferred to or within the UBS AG Group as a result of company mergers and restructurings. UBS 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 the UBS AG Group's ongoing performance

The viability of the UBS AG Group's business depends on the availability of funding sources, and its success depends on its ability to obtain funding at times, in amounts, for tenors and at rates that enable it to efficiently support its asset base in all market conditions. Its 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 the UBS AG Group's 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 further increase of the UBS AG Group'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 the UBS AG Group's credit ratings may adversely affect the market value of the securities and other obligations and increase its 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 Moody's Investors Service Ltd. downgrade of UBS AG's long-term debt rating in June 2012, rating downgrades can require the UBS AG Group to post additional collateral or make additional cash payments under trading agreements. The

UBS AG Group's credit ratings, together with its 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 the UBS AG Group's businesses. The acquisition of the Credit Suisse Group has elevated these risks and may cause these risks to intensify. Upon the close the acquisition in June 2023, Fitch Ratings Ireland Limited downgraded the Long-Term Issuer Default Ratings (IDRs) of UBS AG to "A+" from "AA-".

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 the UBS AG Group to maintain high levels of overall liquidity, limit its ability to optimize interest income and expense, make certain lines of business less attractive and reduce its overall ability to generate profits. The liquidity coverage ratio and net stable funding ratio requirements are intended to ensure that the UBS AG Group is not overly reliant on short-term funding and that it has 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, the UBS AG Group's funding outflows could exceed the assumed amounts. Further, UBS AG is subject to increased liquidity requirements related to TBTF measures under the direction of FINMA, which became effective on 1 January 2024.

### **APPENDIX III**

### RECENT DEVELOPMENTS IN THE ISSUER'S BUSINESS

This section supersedes in its entirety the section in the Base Listing Document entitled "Information Relating to UBS AG".

### 1. Overview

UBS AG ("Issuer") with its subsidiaries (together, "UBS AG consolidated", or "UBS AG Group"; and UBS Group AG (which is the holding company of the Issuer) and its subsidiaries (including the Issuer and its subsidiaries) is referred to herein as "UBS", the "UBS Group" or the "Group") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The UBS AG Group operates through five business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank and Non-core and Legacy. Group functions are support and control functions that provide services to the UBS AG Group.

On 30 September 2024, the UBS AG consolidated CET1 capital ratio was 16.4%, the CET1 leverage ratio was 5.2%, and the total loss-absorbing capacity ratio was 38.2%. On the same date, invested assets stood at USD 6,199 billion and equity attributable to UBS AG shareholders was USD 96,943 million. As of 30 September 2024, UBS AG Group employed 69,185 people.

The rating agencies S&P Global Ratings Europe Limited ("S&P"), Moody's Investors Service Ltd. ("Moody's"), and Fitch Ratings Ireland Limited ("Fitch") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch and S&P may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ from S&P, long-term senior debt rating of Aa2 from Moody's, and long-term issuer default rating of A+ from Fitch.

An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its securities. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Moody's is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK CRA Regulation") and currently appears on the list of credit rating agencies registered or certified with the Financial Conduct Authority published on its website www.fca.org.uk/firms/creditrating-agencies. Ratings given by Moody's are endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "EU CRA Regulation") and currently appears on the list of credit ratings agencies published by ESMA on its website www.esma.europa.eu in accordance with the EU CRA Regulation. S&P and Fitch are established in the European Union and registered under the EU CRA Regulation and currently appear on the list of credit ratings agencies published by ESMA on its website in accordance with the EU CRA Regulation. Ratings given by S&P and Fitch are endorsed by Standard & Poor's Global Ratings UK Limited and Fitch Ratings Ltd, respectively, which are established in the UK and registered under

<sup>&</sup>lt;sup>1</sup> All figures based on the Swiss systemically relevant bank framework. Refer to the "Capital management" section of the Annual Report 2023 and of the UBS AG Third Quarter 2024 Report for more information.

<sup>&</sup>lt;sup>2</sup> Full-time equivalents.

the UK CRA Regulation and currently appear on the list of credit rating agencies registered or certified with the FCA published on its website.

No profit forecasts or estimates are included in this document.

No recent events particular to the Issuer have occurred which are to a material extent relevant to the evaluation of the Issuer's solvency.

### 2. Information about the Issuer

### 2.1 Corporate Information

The legal and commercial name of the Issuer is UBS AG.

The Issuer was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. The Issuer in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561. On 31 May 2024, Credit Suisse AG merged with and into UBS AG.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCEMIK50.

According to article 2 of the articles of association of UBS AG dated as of 23 April 2024 ("Articles of Association"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, 8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, 4051 Basel, Switzerland, telephone +41 61 288 2020.

### 2.2 UBS's borrowing and funding structure and financing of UBS's activities

For information on UBS's expected financing of its business activities, please refer to "Liquidity and funding management" in the "Capital, liquidity and funding, and balance sheet" section of the UBS AG Annual Report 2023 published on 28 March 2024 ("Annual Report 2023"), and in the "Risk, capital, liquidity and funding, and balance sheet" section of the UBS AG Third Quarter Report 2024.

### 3. Business Overview

### 3.1 Organisational Structure of the Issuer

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS AG operates as a group with five business divisions and in addition, UBS AG has Group functions as support and control functions that provide services to UBS.

In 2014, UBS began adapting its legal entity structure in response to too-big-to-fail requirements and other regulatory initiatives. First, UBS Group AG was established as the ultimate parent holding company for the Group. In 2015, UBS AG transferred its personal & corporate banking and Swiss-

booked wealth management businesses to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. That same year, UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established and acts as the Group service company. In 2016, UBS Americas Holding LLC became the intermediate holding company for UBS's US subsidiaries and UBS's wealth management subsidiaries across Europe were merged into UBS Europe SE, UBS's German-headquartered European subsidiary. In 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE.

On 12 June 2023, Credit Suisse Group AG merged with and into UBS Group AG (Absorptionsfusion), with UBS Group AG becoming the holding company of Credit Suisse AG. UBS merged UBS AG with Credit Suisse AG on 31 May 2024, transitioned to a single US intermediate holding company on 7 June 2024, and merged UBS Switzerland AG with Credit Suisse Schweiz AG on 1 July 2024.

UBS AG is the parent company of, and conducts a significant portion of its operations through, its subsidiaries. UBS AG has contributed a significant portion of its capital and provides substantial liquidity to subsidiaries. In addition, UBS Business Solutions AG provides substantial services to group companies including UBS AG and its subsidiaries. To this extent, UBS AG is dependent on certain of the entities of the UBS AG Group and of the UBS Group.

UBS AG's interests in subsidiaries and other entities as of 31 December 2023, including interests in significant subsidiaries, are discussed in "Note 28 Interests in subsidiaries and other entities" to UBS AG's consolidated financial statements included in the Annual Report 2023. As a result of the merger of UBS AG with Credit Suisse AG on 31 May 2024, the subsidiaries of Credit Suisse AG have become subsidiaries of UBS AG.

### 3.2 Principal activities

UBS AG businesses are organised globally into five business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management, the Investment Bank, and Non-core and Legacy. UBS Group functions are support and control functions that provide services to the Group. Each of the business divisions and Group functions are described below. A description of their businesses, organisational structures, products and services and targeted markets can be found under "Our businesses" in the "Our business model and environment" section of the Annual Report 2023 and under "Our businesses" in the "Business divisions and Group Items" section of the Third Quarter 2024 Report.

- 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 UBS's strategy and policies. Those consist of the assets and liabilities that prior to the acquisition were reported as part of the former Capital Release Unit (Credit Suisse) and certain assets and liabilities of the former Investment Bank (Credit Suisse), the former Corporate Center (Credit Suisse) and other former Credit Suisse business divisions. Non-core and legacy also includes the remaining assets and liabilities of UBS's Non-core and Legacy Portfolio previously reported in Group Functions (which has been renamed 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.
- 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, mainly related to certain Group funding and hedging items, that UBS AG refers to as Group Items in its 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.

### 3.3 Competition

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS AG faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS AG 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. UBS expects these trends to continue and competition to increase.

Any statements regarding the competitive position of UBS AG, UBS AG Group or the Group contained in this document are made on the basis of the opinion of UBS AG or the Group.

### 3.4 Recent Developments

### 3.4.1 UBS AG consolidated key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2023 and 2022 from the Annual Report 2023. The selected consolidated financial information included in the table below for the nine months ended 30 September 2024 and 30 September 2023 was derived from the UBS AG Third Quarter 2024 Report.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Information for the years ended 31 December 2023 and 2022 which is indicated as being unaudited in the table below was included in the Annual Report 2023 but has not been audited on the basis that the respective disclosures are not required under IFRS Accounting Standards, and therefore are not part of the audited financial statements. Prospective investors should read the whole of this document, the Annual Report 2023 and the UBS AG Third Quarter 2024 Report and should not rely solely on the summarized information set out below.

	As of or for the nine m	As of or for the year ended		
USD million, except where indicated	30.9.24	30.9.23	31.12.23	31.12.22
	Unaudited	1	audited, except where indicated	
Results	i		•	
Income statement**				
Total revenues	31,006	25,661	33,675	34,915
Net interest income	3,088	3,678	4,566	6,517
Other net income from financial instruments measured at fair value through profit or loss	9,809	7,476	9,934	7,493
Net fee and commission income	17,084	13,883	18,610	19,023
Other income	1,025	624	566	1,882
Credit loss expense / (release)	303	80	143	29
Operating expenses	28,329	21,393	29,011	25,927
Operating profit / (loss) before tax	2,374	4,188	4,521	8,960
Net profit / (loss) attributable to shareholders	1,738	3,055	3,290	7,084
Balance sheet***				
Total assets	1,626,893	1,097,536	1,156,01 6	1,105,436
of which: Loans and advances to customers	625,249	386,315	405,633	390,027
Total financial liabilities measured at	1,101,933	716,283	762,840	705,442
amortized cost of which: customer deposits	779,604	521,540	555,673	527,171
of which: debt issued measured at amortized cost	109,460	65,285	69,784	59,499
of which: subordinated debt	720	2,988	3,008	2,968
Total financial liabilities measured at fair value through profit or loss	410.875	319,962	328,401	333,382
of which: debt issued designated at fair value	106,527	83,601	86,341	71,842
Total liabilities	1,529,071	1,044,355	1,100,44 8	1,048,496
Total equity	97,822	53,181	55,569	56,940
of which: Equity attributable to shareholders	96,943	52,836	55,234	56,598
Profitability and growth	·		r	
Return on equity (%) <sup>1</sup>	3.1	7.4	6.0*	12.6*
Return on tangible equity (%) <sup>2</sup>	3.4	8.3	6.7*	14.2*
Return on common equity tier 1 capital (%) <sup>3</sup>	3.6	9.5	7.6*	16.8*
Return on leverage ratio denominator, gross (%) 4	3.1	3.3	3.2*	3.4*
Cost / income ratio (%) <sup>5</sup>	91.4	83.4	86.2*	74.3*
Net profit growth (%) <sup>6</sup>	(43.1)	(45.1)	(53.6)*	0.7*
Resources				
Common equity tier 1 capital <sup>7</sup>	84,423	43,378	44,130	42,929
Risk-weighted assets <sup>7</sup>	515,520	321,134		317,823*

			333,979*	
Common equity tier 1 capital ratio (%)	16.4	13.5	13.2*	13.5*
Going concern capital ratio (%) <sup>7</sup>	19.5	17.1	17.0*	17.2*
Total loss-absorbing capacity ratio (%) <sup>7</sup>	38.2	33.8	33.3*	32.0*
Leverage ratio denominator <sup>7</sup>	1,611,151	1,042,106	1,104,40 8*	1,029,561*
Common equity tier 1 leverage ratio (%) <sup>7</sup>	5.2	4.2	4.0*	4.2*
Liquidity coverage ratio (%) <sup>8,</sup>	196.3	176.6	189.7*	
Net stable funding ratio (%)	126.8	121.7	119.6*	
Other				
Invested assets (USD billion) <sup>9</sup>	6,199	4,227	4,505	3,981
Personnel (full-time equivalents)	69,185	48,015	47,590*	47,628*

<sup>\*</sup> unaudited

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> 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.
- <sup>4</sup> 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.
- <sup>5</sup> 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.
- <sup>6</sup> 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.
- <sup>7</sup>Based on the applicable Swiss systemically relevant bank framework as of 1 January 2020.
- <sup>8</sup> The disclosed ratios represent quarterly averages for the quarters presented and are calculated based on an average of 65 data points in the third quarter of 2024, 61 data points in the second quarter of 2024, of which 40 data points were before the merger of UBS AG and Credit Suisse AG (i.e., from 2 April 2024 until 30 May 2024), and 21 data points were after the merger (i.e., from 31 May 2024 until 30 June 2024), 61 data points in the first quarter of 2024, 63 data points in the fourth quarter of 2023 and 63 data points in the third quarter of 2023.
- <sup>9</sup> Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. 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. 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 for the year ended 31 December 2022 have been restated to reflect this change.

<sup>\*\*</sup> Income statement information for the nine months ended 30 September 2024 includes nine months of data for UBS AG and four months (following the parent bank merger on 31 May 2024) for Credit Suisse AG. Comparative year-to-date information for 2023 includes pre-merger UBS AG data only.

<sup>\*\*\* .</sup> Balance sheet dates prior to 30 June 2024 reflect pre-merger UBS AG information only.

### 3.4.2 Regulatory, legal and other developments

Refer to "Recent developments" in the UBS AG Third Quarter 2024 Report, as well as to "Our environment" and "Regulatory and legal developments" in the Annual Report 2023, for information on key regulatory, legal and other developments.

### 3.5 Trend Information

For information on trends, refer to the sections "Recent developments" and "Outlook" in the Third Quarter 2024 Report as well as to "Our environment", to "Top and emerging risks" in the "Risk management and control" section and to "Regulatory and legal developments" of the Annual Report 2023. In addition, please refer to the section "Risk factors" in the Annual Report 2023 for more information.

### 4. Administrative, Management and Supervisory Bodies of the Issuer

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a non-US company with debt securities listed on the New York Stock Exchange ("NYSE"), UBS AG also complies with the relevant NYSE corporate governance standards applicable to foreign private issuers.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors of UBS AG ("BoD") exercises ultimate supervision over management, whereas the Executive Board of UBS AG ("EB"), headed by the President of the Executive Board ("President of the EB"), has executive management responsibility for UBS AG and its business. The functions of Chairman of the BoD and President of the EB are assigned to two different people, leading to a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the executive management of UBS AG Group, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

Supervision and control of the EB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations of UBS AG.

### 4.1 Board of Directors

The BoD consists of between 5 and 12 members. All the members of the BoD are elected individually by the shareholders at the Annual General Meeting ("**AGM**") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

The BoD meets as often as business requires, and at least six times a year.

#### 4.1.1 Members of the Board of Directors

The current members of the BoD are listed below.

Member	Title	Term of office	Current principal activities outside UBS AG
Colm Kelleher	Chairman	2025	Chairman of the Board of Directors of UBS Group AG; member of the Board of Norfolk Southern Corporation (Chair of the finance and risk management committee); member of the Board of Directors of the Bretton Woods Committee; member of the Board of the Swiss Finance Council; member of the Board 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	2025	Vice Chairman of the Board of Directors of UBS Group AG; 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	Member	2025	Senior Independent Director of the Board of Directors of UBS Group AG; member of the Board of Prudential plc (Chair of the Risk Committee); Chairman of Lamb's Passage Holding Ltd; member of the Board of Directors of Credit Suisse International; Trustee of the UK's Productivity Leadership Group.
Claudia Böckstiegel	Member	2025	Member of the Board of Directors of UBS Group AG; General Counsel; member of the Enlarged Executive Committee of Roche Holding AG; Member of the Chairman's Committee of the Board of the Chamber of Commerce Germany-Switzerland.
William C. Dudley	Member	2025	Member of the Board of Directors of UBS Group AG; member of the Advisory Board of Suade Labs; Senior Advisor to the Griswold Center for Economic Policy Studies at 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	2025	Member of the Board of Directors of UBS Group AG; Vice Chairman of the Board of dsm-firmenich (Chair of the Governance and Nomination Committee); member of the Board of INSEAD and INSEAD World Foundation; member of the Advisory Council of the Swiss Board Institute.
Fred Hu	Member	2025	Member of the Board of Directors of UBS Group AG; founder, Chairman and CEO of Primavera Capital Group; Non-Executive Chairman of the Board of Yum China Holdings (Chair of the Nomination and Governance Committee); Board Member of Industrial and Commercial Bank of China (ICBC), Chairman 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 of the Institute for Advanced Study;
Mark Hughes	Member	2025	Member of the Board of Directors of UBS Group AG; Chair of the Board of Directors of the Global Risk Institute; Senior Advisor to McKinsey & Company.
Gail Kelly	Member	2025	Member of the Board of Directors of UBS Group AG; member of the Board of Singtel Communications

			(Chairperson of the Executive Resource and Compensation); member of the Group of Thirty; member of the Board of Directors of the Bretton Woods Committee; member of the Board of Directors of the Australia Philanthropic Services; member of the Australian American Leadership Dialogue Advisory Board; senior advisor to McKinsey & Company.
Nathalie Rachou	Member	2025	Member of the Board of Directors of UBS Group AG; member of the Board of Euronext N.V. (Chair of the Remuneration Committee); member of the Board of the African Financial Institutions Investment Platform; member of the Board of Directors of Fondation Leopold Bellan.
Julie G. Richardson	Member	2025	Member of the Board of Directors of UBS Group AG; 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.
Jeanette Wong	Member	2025	Member of the Board of Directors of UBS Group AG; member of the Board of Prudential plc; member of the Board of Singapore Airlines Limited; member of the Board of GIC Pte Ltd; 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.

### 4.2 Executive Board ("EB")

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

### 4.2.1 Members of the Executive Board

The current members of the EB are listed below.

Member and business address	Function	Current principal activities outside UBS AG
Sergio P. Ermotti  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; 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 – 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
George Athanasopoulos	Co-President Investment Bank	Commerce.  Member of the Group Executive Board and Co- President Investment Bank of UBS Group AG

UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland		
Michelle Bereaux  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Integration Officer	Member of the Group Executive Board and Group Integration Officer of UBS Group AG
Mike Dargan  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Chief Operations and Technology Officer	Member of the Group Executive Board and Group Chief Operations and Technology Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of Directors and President of the Executive Board of Credit Suisse Services AG; member of the Board of UBS Optimus Foundation; Member of the Advisory Board of SCION Association.
Aleksandar Ivanovic UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	President Asset Management	Member of the Group Executive Board and President Asset Management of UBS Group AG; Chairman of UBS Asset Management AG; Chairman of UBS Asset Management Switzerland AG.
Robert Karofsky  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	President UBS Americas and Co-President Global Wealth Management	Member of the Group Executive Board and President UBS Americas and Co-President Global Wealth Management; member of the board of UBS Americas Holding LLC; member of the board of UBS Optimus Foundation.
Iqbal Khan  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Co-President Global Wealth Management and President UBS Asia Pacific	Member of the Group Executive Board and Co- President Global Wealth Management of UBS Group AG, President UBS Asia Pacific of UBS Group AG; member of the Board of UBS Optimus Foundation.
Barbara Levi  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group 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 UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Head Non-Core and Legacy and President UBS Europe, Middle East and Africa	Member of the Group Executive Board, Head Non-Core and Legacy and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; member of the Board of Directors of Credit Suisse International; Chair of the Board of UBS Optimus Foundation; member of the Advisory Board of the Frankfurt School of Finance & Management.
Markus Ronner	Chief Compliance and	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of

UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Governance Officer	UBS Group AG.
Stefan Seiler  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Head Human Resources & Corporate Services	Member of the Group Executive Board and Head Group Human Resources & Corporate Services of UBS Group AG; member of the Foundation Board of the UBS Swiss Pension Fund; 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  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG.
Marco Valla  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Co-President Investment Bank	Member of the Group Executive Board and Co- President Investment Bank of UBS Group AG; Member of the Board of Directors of Good Shepherd Services; Member of the Board of the Mount Sinai Department of Urology
Damian Vogel  UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland	Chief Risk Officer	Member of the Group Executive Board and Chief Risk Officer for UBS Group AG; Member of the Board of UBS Switzerland AG; Member of the Foundation Board of the International Financial Risk Institute (IFRI)

### 4.3 Potential Conflicts of Interest

Members of the BoD and the EB may act as directors or executive officers of other companies (for current principal positions outside UBS AG, if any, of BoD and EB members, please see sections 4.1.1 and 4.2.1 above, respectively) and may have economic or other private interests that differ from those of UBS AG. Conflicts of interest may potentially arise from these positions or interests. For example, it cannot be excluded that a member of the BoD or EB has or will have a function within a company, the shares of which are or will be traded by UBS AG or which has or will have a business relationship with UBS AG. UBS AG is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

Other than as indicated above, UBS is not aware of potential conflicts of interests between any duties to the Issuer of the members of the BoD and the EB and their private interests or other duties.

# 5. Auditors

Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGMs on 4 April 2023 and 23 April 2024, Ernst & Young Ltd., Aeschengraben 27, 4051 Basel, Switzerland ("Ernst & Young") was elected as auditor for the consolidated and standalone financial statements of UBS AG for a one-year term.

Ernst & Young is a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary. Ernst & Young is also registered with the Swiss Federal Audit Oversight Authority, which is responsible for the licensing and supervision of audit firms and individuals that provide audit services in Switzerland.

# 6. Major Shareholders of the Issuer

UBS Group AG owns 100% of the outstanding shares of UBS AG. UBS AG is a wholly owned subsidiary of UBS Group AG. While UBS has no specific corporate measures intended to prevent abuse of control to the detriment of minority shareholders, UBS has adopted a comprehensive and integrated governance framework which takes into account the specific requirements of each relevant jurisdiction. This governance framework includes separate articles of association and organizational regulations for UBS Group AG and UBS AG. In addition, as UBS AG is regulated as a bank in Switzerland, it is subject to capital regulation and close supervisory oversight. This includes the general requirement under Swiss law that contracts of UBS AG with affiliates are subject to an arm's length principle of negotiation.

# 7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

# 7.1 Historical Annual Financial Information

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial years 2023 and 2022 is available in the section "Consolidated financial statements" of the Annual Report 2023 and in UBS AG's standalone financial statements for the year ended 31 December 2023 (the "Standalone Financial Statements 2023"). The consolidated and standalone financial accounts are closed on 31 December of each year.

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with the IFRS Accounting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and Group Items. In addition, UBS AG prepares and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations.

# 7.2 Auditing of Historical Annual Financial Information

The consolidated financial statements and the standalone financial statements of UBS AG for the financial years 2023 and 2022 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 127 and following of the Annual Report 2023. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 35-41 (inclusive) of the Standalone Financial Statements 2023.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2022 and 31 December 2023.

# 7.3 Interim Financial Information

Reference is also made to the UBS AG third quarter 2024 report published on 8 November 2024 ("UBS AG Third Quarter 2024 Report"), which contains information on the financial condition and results of operations, including the interim financial statements, of UBS AG consolidated as of and for the period ended 30 September 2024. The interim consolidated financial statements are not audited.

# 7.4 Litigation, Regulatory and Similar Matters

UBS 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 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. 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. 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.

Specific litigation, regulatory and other matters, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects, are described in "Note 16 Provisions and contingent liabilities" to UBS AG's consolidated financial statements included in the UBS AG Third Quarter 2024 Report. 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.

#### 7.5 Material Contracts

Except as otherwise disclosed in this document (including the documents incorporated herein by reference), no material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

# 7.6 Significant Changes in the Financial Position and Performance; Material Adverse Change in Prospects

Except as otherwise indicated in this document (including the documents incorporated herein by reference), no material changes have occurred in UBS AG's assets and liabilities, financial position or profits and losses since 30 September 2024.

# 8. Share Capital

As reflected in the Articles of Association most recently registered with the Commercial Register of the Canton of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of USD 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of USD 0.10 each (article 4); (ii) conditional capital in the amount of USD 38,000,000, comprising 380,000,000 registered shares with a par value of USD 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a); and (iii) conversion capital in the amount of USD 70,000,000 through the issuance of a maximum of 700,000,000

registered shares with a par value of USD 0.10 each, through the mandatory conversion of claims arising upon the occurrence of one or more trigger events under financial market instruments with contingent conversion features (article 4b).

# 9. Documents Available

The most recent Articles of Association of UBS AG are available on UBS's Corporate Governance website, at <a href="https://www.ubs.com/global/en/our-firm/governance/ubs-ag/articles-of-association.html">https://www.ubs.com/global/en/our-firm/governance/ubs-ag/articles-of-association.html</a>. Save as otherwise indicated herein, information on or accessible through the Group's corporate website, www.ubs.com, does not form part of and is not incorporated into this document.

# **APPENDIX IV**

# EXTRACT OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UBS AG AND ITS SUBSIDIARIES FOR THE FULL YEAR ENDED 31 DECEMBER 2024



Ernst & Young Ltd Aeschengraben 27 P.O. Box 4002 Basel Phone: +41 58 286 86 86 www.ey.com/en ch

# Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS AG

# **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of UBS AG and subsidiaries ("the Group") as of 31 December 2024 and 2023, 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 2024, 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 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2024, in conformity with the IFRS Accounting Standards as issued by the International Accounting Standards Board.

#### **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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.



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#### Valuation of complex or illiquid instruments at fair value

Description of the Matter At 31 December 2024, 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 476,340 million and USD 401,555 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 judgement included 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, interest rate and FX correlation and equity 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).

# Expected credit losses

Description of the Matter

At 31 December 2024, the Group's allowances and provisions for expected credit losses ("ECL") were USD 3,527 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, post-model adjustments, and the credit risk models used to estimate stage 1 and stage 2 ECL. The macroeconomic developments during 2024, including persisting geopolitical tensions and inflation, contributed to further uncertainty and complexity in estimating ECL. As a result, the ECL estimation required higher management judgement, specifically within the following three 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; (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions; and (iii) post-model adjustments.

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 selected 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 data flow and calculation logic in the 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



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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 reperforming discounted cash flow calculations among other procedures, on a sample basis.

We also assessed management's disclosures 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).

#### Recognition of deferred tax assets

Description of the Matter

At 31 December 2024, the Group's deferred tax assets ("DTAs") were USD 10,481 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 and tax planning strategies which would be utilized if necessary to generate additional future taxable income as well as the consideration of expiry dates of unused tax losses.

Auditing management's assessment of the recognition of the Group's DTAs was complex due to the judgmental nature of estimating future taxable profits and the use of tax planning strategies. Estimating future profitability is inherently subjective and tax planning strategies require judgement in applying applicable tax law.

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 consideration of tax planning strategies, assumptions used in developing the strategic plan and estimating future taxable income.

We assessed the completeness and accuracy of the input data used for the estimations of future taxable income and the appropriateness of tax planning strategies used in management's DTA recognition assessment. This included consideration of the expiry dates of unused tax losses.

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).

# Legal provisions and contingent liabilities

Description of the Matter

At 31 December 2024, the Group's provisions for litigation, regulatory and similar matters and contingent liabilities (legal provisions) were USD 3,598 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.1), mortgage-related matters (Note 18b.5), and customer account matters (Note 18b.7). 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 operating 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, we assessed the methodologies on which the provision amounts were based, 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 the appropriateness of the accounting treatment for the remeasurement of legal provisions.

We also assessed management's disclosure regarding legal provisions (within Note 18 to the consolidated financial statements).

Ernst & Young Ltd

We have served as the Group's auditor since 1998.

Ernit a Yang Udd

Basel, Switzerland

14 March 2025



Ernst & Young Ltd Aeschengraben 27 P.O. Box CH-4002 Basel Phone: +41 58 286 86 86 www.ev.com/en\_ch

To the General Meeting of UBS AG, Zurich & Basel

Basel, 14 March 2025

# Statutory auditor's report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of UBS AG and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of 31 December 2024 and 31 December 2023, and the 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 2024, 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended 31 December 2024 in accordance with IFRS Accounting Standards and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) 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 consolidated financial statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

# Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





# Valuation of complex or illiquid instruments at fair value

Area of focus

At 31 December 2024, 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 476,340 million and USD 401,555 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 judgement included 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, interest rate and FX correlation and equity volatility.

Our audit response

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).

## Expected credit losses

Area of focus

At 31 December 2024, the Group's allowances and provisions for expected credit losses ("ECL") were USD 3,527 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

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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, post-model adjustments, and the credit risk models used to estimate stage 1 and stage 2 ECL. The macroeconomic developments during 2024, including persisting geopolitical tensions and inflation, contributed to further uncertainty and complexity in estimating ECL. As a result, the ECL estimation required higher management judgement, specifically within the following three 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; (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions; and (iii) post-model adjustments.

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.

Our audit response

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 selected 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 data flow and calculation logic in the 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 disclosures 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).

# Recognition of deferred tax assets

Area of focus

At 31 December 2024, the Group's deferred tax assets ("DTAs") were USD 10,481 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 and tax planning strategies which would be utilized if necessary to generate additional future taxable income as well as the consideration of expiry dates of unused tax losses.

Auditing management's assessment of the recognition of the Group's DTAs was complex due to the judgmental nature of estimating future taxable profits and the use of tax planning strategies. Estimating future profitability is inherently subjective and tax planning strategies require judgement in applying applicable tax law.

Our audit response

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over DTA valuation, which included the consideration of tax planning strategies, assumptions used in developing the strategic plans and estimating future taxable income.

We assessed the completeness and accuracy of the input data used for the estimations of future taxable income and the appropriateness of tax planning strategies used in management's DTA recognition assessment. This included consideration of the expiry dates of unused tax losses.

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).





#### Legal provisions and contingent liabilities

Area of focus

At 31 December 2024, the Group's provisions for litigation, regulatory and similar matters and contingent liabilities (legal provisions) were USD 3,598 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.1), mortgage-related matters (Note 18b.5), and customer account matters (Note 18b.7). The legal provisions for these matters are based on management's estimation of the amount and likelihood of the occurrence of certain scenarios.

Our audit response

We obtained an understanding, evaluated the design and tested the operating 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, we assessed the methodologies on which the provision amounts were based, 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 the appropriateness of the accounting treatment for the remeasurement of legal provisions.

We also assessed management's disclosure regarding legal provisions (within Note 18 to the consolidated financial statements).

# Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements of UBS Group AG and UBS AG, the standalone financial statements of UBS Group AG, the compensation report<sup>1</sup>, and our auditor's reports thereon.

Our opinions on the consolidated financial statements of UBS Group AG and UBS AG, the standalone financial statements of UBS Group AG and the compensation report<sup>1</sup> do not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially

<sup>&</sup>lt;sup>1</sup> Specifically, the following tables in the compensation report: "Share ownership/entitlements of GEB members," "Total of all vested and unvested shares of GEB members," "Number of shares of BoD members," and "Total of all blocked and unblocked shares of BoD Members."



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inconsistent with the consolidated financial statements 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 consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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, ISA 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Maurice McCormick Licensed audit expert (Auditor in charge) Robert E. Jacob. Jr.

Certified Public Accountant (U.S.)

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# UBS AG consolidated financial statements

# Primary financial statements and share information

# Audited |

# Income statement

		For	the year ended	
USD m	Note	31.12.24	31.12.23	31.12.22
Interest income from financial instruments measured at amortized cost and fair value through				
other comprehensive income	4	28,967	22,444	11,803
Interest expense from financial instruments measured at amortized cost	4	(29,745)	(19,643)	(6,696)
Net interest income from financial instruments measured at fair value through profit or loss and other	4	5,455	1,765	1,410
Net interest income	4	4,678	4,566	6,517
Other net income from financial instruments measured at fair value through profit or loss	4	12,959	9,934	7,493
Fee and commission income	5	25,806	20,399	20,846
Fee and commission expense	5	(2,369)	(1,790)	(1,823)
Net fee and commission income	5	23,438	18,610	19,023
Other income	6	1,248	566	1,882
Total revenues		42,323	33,675	34,915
Credit loss expense / (release)	20	544	143	29
Personnel expenses	7	19,958	15,655	15,080
General and administrative expenses	8	16,548	11,118	9,001
Depreciation, amortization and impairment of non-financial assets	12, 13	2,840	2,238	1,845
Operating expenses		39,346	29,011	25,927
Operating profit / (loss) before tax		2,433	4,521	8,960
Tax expense / (benefit)	9	900	1,206	1,844
Net profit / (loss)		1,533	3,315	7,116
Net profit / (loss) attributable to non-controlling interests		51	25	32
Net profit / (loss) attributable to shareholders		1,481	3,290	7,084

# Statement of comprehensive income

		For	the year ended	
USD m	Note	31.12.24	31.12.23	31.12.22
Comprehensive income attributable to shareholders				
Net profit / (loss)		1,481	3,290	7,084
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		(2,629)	1,747	(869)
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax		1,340	(912)	319
Foreign currency translation differences on foreign operations reclassified to the income statement		15	58	32
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement		(12)	(28)	(4)
Income tax relating to foreign currency translations, including the effect of net investment hedges		24	(17)	4
Subtotal foreign currency translation, net of tax		(1,261)1	849	(519)
Financial assets measured at fair value through other comprehensive income		(-,,		(= -7
Net unrealized gains / (losses), before tax		0	4	(440)
Net realized (gains) / losses reclassified to the income statement from equity		0	1	1
Reclassification of financial assets to Other financial assets measured at amortized cost <sup>2</sup>				449
Income tax relating to net unrealized gains / (losses)		0	0	(3)
Subtotal financial assets measured at fair value through other comprehensive income, net of tax		0	5	6
Cash flow hedges of interest rate risk	25			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	23	(1,198)	(36)	(5,758)
Net (gains) / losses reclassified to the income statement from equity		1,907	1,745	(159)
Income tax relating to cash flow hedges		(74)	(309)	1,124
Subtotal cash flow hedges, net of tax		635	1,400	(4,793)
Cost of hedging	25	033	1,400	(4,733)
Cost of hedging, before tax	23	(87)	(19)	45
		0	(19)	
Income tax relating to cost of hedging Subtotal cost of hedging, net of tax		(87)	(19)	45
Total other comprehensive income that may be reclassified to the income statement, net of tax		(714)	2,235	
Total other completiensive income that may be reclassified to the income statement, her or tax		(714)	2,233	(5,260)
Other comprehensive income that will not be reclassified to the income statement				
Defined benefit plans	26			
Gains / (losses) on defined benefit plans, before tax		(106)	(103)	40
Income tax relating to defined benefit plans		20	(33)	41
Subtotal defined benefit plans, net of tax		(86)	(136)	81
Own credit on financial liabilities designated at fair value	21	(00)	(130)	
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	21	75	(861)	867
Income tax relating to own credit on financial liabilities designated at fair value		(10)	71	(71)
Subtotal own credit on financial liabilities designated at fair value, net of tax		65	(790)	796
Total other comprehensive income that will not be reclassified to the income statement, net of tax		(21)	(927)	877
Total other completiensive income that will not be reclassified to the income statement, net of tax		(21)	(321)	
Total other comprehensive income		(735)	1,308	(4,383)
Total comprehensive income attributable to shareholders		747	4,598	2,701
Comprehensive income attributable to non-controlling interests				
Net profit / (loss)		51	25	32
Total other comprehensive income that will not be reclassified to the income statement, net of tax		(48)	2	(14)
Total comprehensive income attributable to non-controlling interests		3	27	18
Total comprehensive income		4.500	2.245	7.446
Net profit / (loss)		1,533	3,315	7,116
Other comprehensive income		(783)	1,311	(4,396)
of which: other comprehensive income that may be reclassified to the income statement		(714)	2,235	(5,260)
of which: other comprehensive income that will not be reclassified to the income statement		(69)	(924)	864
Total comprehensive income		749	4,625	2,719

<sup>1</sup> Mainly reflects a strengthening of the US dollar against the Swiss franc and the euro. 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.

# **Balance sheet**

USD m	Note	31.12.24	31.12.23
Assets			
Cash and balances at central banks		223,329	171,806
Amounts due from banks	10	18,111	28,206
Receivables from securities financing transactions measured at amortized cost	10, 22	118,302	74,128
Cash collateral receivables on derivative instruments	10, 22	43,959	32,300
Loans and advances to customers	10	587,347	405,633
Other financial assets measured at amortized cost	10, 14a	59,279	54,334
Total financial assets measured at amortized cost		1,050,326	766,407
Financial assets at fair value held for trading	21	159,223	135,098
of which: assets pledged as collateral that may be sold or repledged by counterparties		<i>38,532</i>	44,524
Derivative financial instruments	11, 21, 22	186,435	131,728
Brokerage receivables	21	25,858	20,883
Financial assets at fair value not held for trading	21	95,203	63,754
Total financial assets measured at fair value through profit or loss		466,719	351,463
Financial assets measured at fair value through other comprehensive income	21	2,195	2,233
Investments in associates	28b	2,306	983
Property, equipment and software	12	12,091	11,044
Goodwill and intangible assets	13	6,661	6,265
Deferred tax assets	9	10,481	9,244
Other non-financial assets	14b	17,282	8,377
Total assets	- · · · ·	1,568,060	1,156,016
Liabilities			
Amounts due to banks	15a	23,347	16,720
Payables from securities financing transactions measured at amortized cost	22	14,824	5,782
Cash collateral payables on derivative instruments	22	36,366	34,886
Customer deposits	15a	749,476	555,673
Funding from UBS Group AG measured at amortized cost	15b	107,918	67,282
Debt issued measured at amortized cost	17	101,104	69,784
Other financial liabilities measured at amortized cost	19a	21,762	12,713
Total financial liabilities measured at amortized cost	.50	1,054,796	762,840
Financial liabilities at fair value held for trading	21	35,247	31,712
Derivative financial instruments	11, 21, 22	180,678	140,707
Brokerage payables designated at fair value	21	49,023	42,275
Debt issued designated at fair value	16, 21	102,567	86,341
Other financial liabilities designated at fair value	19b, 21	34,041	27,366
Total financial liabilities measured at fair value through profit or loss	190, 21	401,555	328,401
Provisions		5,131	2,524
Other non-financial liabilities  Takel liabilities	19c	11,911	6,682
Total liabilities		1,473,394	1,100,448
Provides.			
Equity		200	200
Share capital		386	386
Share premium		84,777	24,638
Retained earnings		7,838	28,235
Other comprehensive income recognized directly in equity, net of tax		1,002	1,974
Equity attributable to shareholders		94,003	55,234
Equity attributable to non-controlling interests		662	335
Total equity		94,666	55,569
Total liabilities and equity		1,568,060	1,156,016

USD m	Share capital	Share premium	Retained earnings	
Balance as of 31 December 2021	338	24,653	27,912	
Premium on shares issued and warrants exercised		(14)2		
Tax (expense) / benefit		5		
Dividends			(4,200)	
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			7,961	
of which: net profit / (loss)			7,084	
of which: OCI, net of tax			877	
Balance as of 31 December 2022	338	24,648	31,746	
Premium on shares issued and warrants exercised		(19)2		
Tax (expense) / benefit		12		
Dividends			(6,000)	
Translation effects recognized directly in retained earnings			127	
Share of changes in retained earnings of associates and joint ventures			(1)	
Share capital currency change	48	(48)		
New consolidations / (deconsolidations) and other increases / (decreases)		45³	0	
Total comprehensive income for the year			2,363	
of which: net profit / (loss)			3,290	
of which: OCI, net of tax			(927)	
Balance as of 31 December 2023	386	24,638	28,235	
Equity recognized due to the merger of UBS AG and Credit Suisse AG <sup>4</sup>		60,571	(18,848)	
Premium on shares issued and warrants exercised		(20) <sup>2</sup>		
Tax (expense) / benefit		18		
Dividends			(3,000)	
Translation effects recognized directly in retained earnings			(33)	
Share of changes in retained earnings of associates and joint ventures			(3)	
New consolidations / (deconsolidations) and other increases / (decreases)		(431) <sup>5</sup>	26	
Total comprehensive income for the year			1,460	
of which: net profit / (loss)			1,481	
of which: OCI, net of tax			(21)	
Balance as of 31 December 2024	386	84,777	7,838	

<sup>1</sup> Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings. 2 Includes decreases related to recharges by UBS Group AG for share-based compensation awards granted to employees of UBS AG or its subsidiaries. 3 Includes an increase of USD 45m related to the issuance of high-trigger loss-absorbing additional tier 1 capital with an equity conversion feature. 4 Refer to Note 2 for more information. 5 Mainly reflecting effects from transactions between Credit Suisse AG and its subsidiaries and UBS AG and its subsidiaries prior to the merger in May 2024. 6 Includes an increase of USD 490m in the second quarter of 2024 due to the merger of UBS AG and Credit Suisse AG.

Total equity	Non-controlling interests	Total equity attributable to shareholders	of which: cash flow hedges	of which: financial assets at fair value through OCI	of which: foreign currency translation	Other comprehensive income recognized directly in equity, net of tax <sup>1</sup>
58,442	340	58,102	628	(7)	4,617	5,200
(14)		(14)				
5		5				
(4,209)	(9)	(4,200)				
0		0	(69)	0		(69)
0		0				
(3)	(7)	4		(3)		(3)
2,719	18	2,701	(4,793)	6	(519)	(5,260)
7,116	32	7,084				
(4,396)	(14)	(4,383)	(4,793)	6	(519)	(5,260)
56,940	342	56,598	(4,234)	(4)	4,098	(133)
(19)		(19)				
12		12				
(6,004)	(4)	(6,000)				
0		0	(127)	0		(127)
(1)		(1)				
0		0				
15	(31)	45				
4,625	27	4,598	1,400	5	849	2,235
3,315	<i>25</i>	3,290				
1,311	2	1,308	1,400	5	849	2,235
55,569	335	55,234	(2,961)	1	4,947	1,974
41,432		41,432	(291)			(291)
(20)		(20)				
18		18				
(3,029)	(30)	(3,000)				
0		0	<i>33</i>	0		33
(3)		(3)				
(51)6	355 <sup>6</sup>	(405)				
749	3	747	<i>635</i>	0	(1,261)	(714)
1,533	51	1,481				
(783)	(48)	(735)	<i>635</i>	0	(1,261)	(714)
94,666	662	94,003	(2,585)	0	3,686	1,002

# Share information and earnings per share

# **Ordinary share capital**

As of 31 December 2024, UBS AG had 3,858,408,466 issued fully paid registered shares (31 December 2023: 3,858,408,466 shares) with a nominal value of USD 0.10 each, leading to a share capital of USD 385,840,846.60. The shares were entirely held by UBS Group AG.

# **Conditional capital**

As of 31 December 2024, the following conditional capital was available to the Board of Directors (the BoD) of UBS AG:

- Conditional capital in the amount of USD 38,000,000, for the issuance of a maximum of 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 on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting held on 26 November 2014, having originally been approved at the Annual General Meeting (the AGM) of UBS AG on 14 April 2010. The BoD has not made use of such allowance.

# **Conversion capital**

As of 31 December 2024, UBS AG had conversion capital in the amount of USD 70,000,000, for the issuance of a maximum of 700,000,000 fully paid registered shares with a nominal value of USD 0.10 each. The issuance of fully paid registered shares only occurs through the mandatory conversion of claims arising upon the occurrence of one or more trigger events under financial market instruments with contingent conversion features issued by UBS AG. The creation of this conversion capital was approved at the AGM held on 23 April 2024.

# **Capital band and reserve capital**

As of 31 December 2024, UBS AG has not introduced a capital band or any reserve capital.

# **Earnings per share**

In 2015, UBS AG shares were delisted from the SIX Swiss Exchange and the New York Stock Exchange. As of 31 December 2024, 100% of UBS AG's issued shares were held by UBS Group AG and therefore were not publicly traded. Accordingly, earnings per share information is not provided for UBS AG.

# Statement of cash flows

	For the year ended			
USD m	31.12.24	31.12.23	31.12.22	
Cash flow from / (used in) operating activities				
Net profit / (loss)	1,533	3,315	7,116	
Non-cash items included in net profit and other adjustments:	······································			
Depreciation, amortization and impairment of non-financial assets	2,840	2,238	1,845	
Credit loss expense / (release)	544	143	29	
Share of net (profit) / loss of associates and joint ventures and impairment related to associates	(73)	163	(32)	
Deferred tax expense / (benefit)	(1,106)	(222)	491	
Net loss / (gain) from investing activities	207	(225)	(1,515)	
Net loss / (gain) from financing activities	(3,643)	4,919	(16,587)	
Other net adjustments <sup>1</sup>	14,292	(10,383)	5,792	
Net change in operating assets and liabilities:1.2				
Amounts due from banks and amounts due to banks	(708)	(10,093)3	(1,088)	
Receivables from securities financing transactions measured at amortized cost	(19,580)	(4,993)	5,690	
Payables from securities financing transactions measured at amortized cost	471	1,543	(1,247)	
Cash collateral on derivative instruments	(6,132)	1,162	73	
Loans and advances to customers	21,240	3,707	1,653	
Customer deposits	(13,407)	6,521	(9,409)	
Financial assets and liabilities at fair value held for trading and derivative financial instruments	(27,623)	(16,017)	8,173	
Brokerage receivables and payables	1,842	(6,101)	6,019	
Financial assets at fair value not held for trading and other financial assets and liabilities	2,272	(4,661)	5,557	
Provisions and other non-financial assets and liabilities	1,465	2,325	(437)	
Income taxes paid, net of refunds	(1,500)	(1,541)	(1,495)	
Net cash flow from / (used in) operating activities	(27,065)4	(28,202)	10,630	
Cash flow from / (used in) investing activities				
Cash and cash equivalents obtained due to the merger of UBS AG and Credit Suisse AG <sup>5</sup>	121,258			
Purchase of subsidiaries, business, associates and intangible assets	(64)	(4)	(3)	
Disposal of subsidiaries, business, associates and intangible assets <sup>6</sup>	233	109	1,729	
Purchase of property, equipment and software	(1,512)	(1,283)	(1,478)	
Disposal of property, equipment and software	71	33	161	
Net (purchase) / redemption of financial assets measured at fair value through other comprehensive income	(3)	30	(699)	
Purchase of debt securities measured at amortized cost	(5,962)	(14,244)	(30,792)	
Disposal and redemption of debt securities measured at amortized cost	8,384	10,435	18,799	
Net cash flow from / (used in) investing activities	122,406	(4,924)	(12,283)	

Table continues below.

#### Statement of cash flows (continued)

Table continued from above.	_		
		the year ended	
USD m	31.12.24	31.12.23	31.12.2
Cash flow from / (used in) financing activities			
Repayment of Swiss National Bank funding <sup>7</sup>	(10,304)		
Net issuance (repayment) of short-term debt measured at amortized cost	(6,163)	7,181	(12,249
Distributions paid on UBS AG shares	(3,000)	(6,000)	(4,200
Issuance of debt designated at fair value and long-term debt measured at amortized cost <sup>8</sup>	102,997	104,551	79,457
Repayment of debt designated at fair value and long-term debt measured at amortized cost <sup>e</sup>	(118,286)	(85,541)	(67,670
Inflows from securities financing transactions measured at amortized cost <sup>9</sup>	6.273		
Outflows from securities financing transactions measured at amortized cost <sup>9</sup>	(2,688)		
Net cash flows from other financing activities	(965)	(501)	(595
Net cash flow from / (used in) financing activities	(32,137)	19,690	(5,257
Total cash flow			
Cash and cash equivalents at the beginning of the year	190,469	195,200	207,755
Net cash flow from / (used in) operating, investing and financing activities	63,205	(13,435)	(6,911
Effects of exchange rate differences on cash and cash equivalents <sup>1</sup>	(10,315)	8,704	(5,645
Cash and cash equivalents at the end of the year <sup>10</sup>	243,35911	190,469	195,200
of which: cash and balances at central banks 12	223,329	171,723	169,363
of which: amounts due from banks <sup>12</sup>	16,654	12,078	13,329
of which: money market paper <sup>12,13</sup>	3,115	6,668	12,508
Additional information			
Net cash flow from / (used in) operating activities includes:			
Interest received in cash	48,253	32,576	15,730
Interest paid in cash	41,454	26,711	8,315
Dividends on equity investments, investment funds and associates received in cash <sup>14</sup>	2,780	2,241	1,907

<sup>1</sup> 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, with the exception of foreign currency hedge effects related to foreign exchange swaps, which are presented on the line Financial assets and liabilities at fair value held for trading and derivative financial instruments. 2 Excludes non-cash items arising from the accounting for the merger of UBS AG and Credit Suisse AG. Refer to Note 2 for more information. 3 Mainly reflects funding provided to Credit Suisse. 4 Includes cash receipts from the sale of loans and loan commitments of USD 4,237m within Non-core and Legacy. 5 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG. 6 Includes dividends received from associates. 7 Reflects the repayment of the Emergency Liquidity Assistance facility to the Swiss National Bank, which was recognized in the balance sheet line Amounts due to banks. 8 Includes funding from UBS Group AG measured at amortized cost (recognized on the balance sheet in Other financial liabilities designated at fair value). 9 Reflects cash flows from securities financing transactions measured at amortized cost that use UBS debt instruments as the underlying. 10 As of 31 December 2024, the balance includes USD 16,555m (31 December 2022; USD 9,209m; 31 December 2022; USD 8,648m) of Cash and cash equivalents not available for general use by the UBS AG, which consisted of USD 4,701m (31 December 2023; USD 4,555m; 31 December 2022; USD 4,253m) considered by UBS AG as restricted (refer to Note 23 for more information) and USD 11,855m (31 December 2023; USD 4,656m; 31 December 2022; USD 4,956m; 31 December 2023; USD 6,948m; 31 December 2023; USD 6,048m; 31 December 2023; USD 6,048m; 31 December 2023; USD 6,048m; 31 December 2023; USD 296m; 31 Dece

#### Changes in liabilities arising from financing activities

				Securities financing					
	Debt issued			transactions		Swiss			
	measured at			measured at	Debt issued	National	Over-the-	Funding	
	amortized	of which:	of which:	amortized	designated	Bank	counter debt	from UBS	
USD m	cost	short-term1	long-term <sup>2</sup>	cost <sup>3</sup>	at fair value	funding <sup>4</sup>	instruments <sup>5</sup>	Group AG <sup>6</sup>	Total
Balance as of 31 December 2022	59,499	29,676	29,823		71,842		1,684	57,943	190,968
Cash flows	7,979	7,181	798		8,433		(122)	9,901	26,191
Non-cash changes	2,306	428	1,878		6,066		4	2,389	10,764
of which: foreign currency translation	1,718	428	1,290		1,033		(50)	766	3,467
of which: fair value changes					5,033		53	374	5,461
of which: hedge accounting and other effects	588		588		•••••			1,249	1,836
Balance as of 31 December 2023	69,784	37,285	32,499		86,341		1,566	70,232	227,923
Changes arising upon the merger of UBS AG and Credit									
Suisse AG <sup>7</sup>	44,521		44,521	5,333	25,947	10,240	2,499	47,116	135,654
Cash flows	(10,590)	(6, 163)	(4,427)	3,585	(10,059)	(10,304)	1,797	(2,601)	(28,172)
Non-cash changes	(2,610)	(613)	(1,997)	(146)	338	64	(326)	(1,487)	(4,166)
of which: foreign currency translation	(2,045)	(613)	(1,432)	(146)	(2,328)	64	(104)	(2,558)	(7,117)
of which: fair value changes					2,887		(207)	(66)	2,613
of which: hedge accounting and other effects	(565)		(565)		(221)		(14)	1,138	338
Balance as of 31 December 2024	101,104	30,509	70,595	8,772	102,567	0	5,536	113,260	331,239

<sup>1</sup> 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 Reflects securities financing transactions measured at amortized cost that use UBS debt instruments as the underlying.
4 Reflects the Emergency Liquidity Assistance facility from the Swiss National Bank, which was recognized in the balance sheet line Amounts due to banks.
5 Included in balance sheet line Other financial liabilities designated at fair value.
6 Includes funding from UBS Group AG measured at fair value (refer to Note 19b).
7 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG.

# Notes to the UBS AG consolidated financial statements

# Note 1 Summary of material accounting policies

The following table provides an overview of information included in this Note.

157	a) Material accounting policies	168	3) Fee and commission income and expenses
157	Basis of accounting	168	4) Share-based and other deferred compensation plans
157	1) Consolidation and business combinations	169	5) Post-employment benefit plans
158	2) Financial instruments	169	6) Income taxes
158	a. Recognition	170	7) Investments in associates
158	b. Classification, measurement and presentation	170	8) Property, equipment and software
162	c. Loan commitments and financial guarantees	170	9) Goodwill and other separately identifiable intangible
162	d. Interest income and expense		assets
162	e. Derecognition	171	10) Provisions and contingent liabilities
163	f. Fair value of financial instruments	171	11) Foreign currency translation
163	g. Allowances and provisions for expected credit losses	171	12) Cash and cash equivalents
166	h. Restructured and modified financial assets	172	b) Changes in IFRS Accounting Standards and
167	i. Offsetting		Interpretations
167	j. Hedge accounting		

# 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 AG and its subsidiaries (UBS AG). On 6 March 2025, the Financial Statements were authorized for issue by the 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 AG 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 AG's estimates, which could result in significant losses to UBS AG, 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:

- determination of carrying amounts of assets and liabilities and treatment of reserves for business combinations under common control (refer to item 1 in this Note and 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 26);
- 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 28).

# 1) Consolidation and business combinations

# Consolidation

The Financial Statements include the financial statements of UBS AG and its subsidiaries, presented as a single economic entity; intercompany transactions and balances have been eliminated. UBS AG 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 UBS AG 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 28 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 AG has power over the entity. As the nature and extent of UBS AG's involvement is unique for each entity, there is no uniform consolidation outcome by entity. 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 28 for more information

Transactions with subsidiaries of UBS Group AG that are outside of the consolidation scope of UBS AG are accounted for and presented as transactions with third parties. This may lead to differences in presentation between the financial statements of UBS Group and those of UBS AG, e.g. personnel expenses incurred by UBS Business Solutions entities and recharged to UBS AG entities are presented by UBS AG in *General and administrative expenses*.

#### **Business** combinations

Business combinations are accounted for using the acquisition method. 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.

# Business combinations under common control

A business combination in which the combining entities or businesses are ultimately controlled by UBS both before and after the business combination and where that control is not transitory is considered to constitute a business combination under common control as defined by IFRS 3, *Business Combinations*. Business combinations under common control are outside the scope of IFRS 3.

#### Critical accounting estimates and judgments

UBS AG accounts for business combinations under common control using the historic carrying values of assets and liabilities of the transferred entity or business as of the date of the transfer, determined under IFRS Accounting Standards. The balances of each of the equity reserves of the transferred entity, accumulated after that entity becomes part of the UBS Group, are combined with the corresponding equity reserves (*Share premium, Retained earnings* and *Other comprehensive income recognized directly in equity, net of tax*) of UBS AG. The difference between the aggregate carrying value of the assets and liabilities and equity reserves is recognized as an adjustment to *Share premium*, net of any consideration that may be payable. Comparative periods prior to the date of the business combination under common control are not restated, because such transactions are accounted for prospectively.

# 2) Financial instruments

# a. Recognition

UBS AG generally recognizes financial instruments when it becomes a party to contractual provisions of an instrument. However, UBS AG 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 AG applies settlement date accounting to all standard purchases and sales of non-derivative financial instruments. UBS AG 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 AG'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 AG 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 that has an 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 AG determines the nature of a business model by considering the way portfolios of 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, UBS AG 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.

# Financial liabilities

# Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include *Debt issued measured at amortized cost* and *Funding from UBS Group AG measured at amortized cost*. The latter includes contingent capital instruments issued to UBS Group AG 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, with the conversion features classified as equity always remaining in *Equity attributable to shareholders*.

# Financial liabilities measured at fair value through profit or loss

UBS AG 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

On initial recognition, financial instruments are measured at fair value adjusted for directly attributable transaction costs, unless the instrument is classified at FVTPL, in which case transaction costs are excluded. Financial instruments acquired through business combinations under common control are initially measured using the historic carrying values of financial assets and financial liabilities of the transferred entity or business as of the date of the transfer, determined under IFRS Accounting Standards.

After initial recognition, UBS AG 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		This classification includes:  - 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; and  - debt securities held as high-quality liquid assets (HQLA).	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		
Measured at FVOCI	Debt instruments measured at	This classification primarily includes debt securities held as HQLA.	For amounts arising from settlement of certain derivatives, see below in this table.  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.		
	FVOCI		Upon derecognition, any accumulated balances in <i>Other comprehensive income</i> are reclassified to the income statement and reported within <i>Other income</i> .  The following items, which are determined on the same basis as for financial assets measured at amortized cost, are recognized in the income statement:		
			<ul> <li>interest income, which is accounted for in accordance with item 2d in this Note;</li> </ul>		
			<ul> <li>ECL and reversals; and</li> </ul>		
			<ul> <li>FX translation gains and losses.</li> </ul>		

# Classification, measurement and presentation of financial assets

Financial assets classification		Significant items included	Measurement and presentation		
Measured at FVTPL	Held for trading	Financial assets held for trading include:  — 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.	Measured at fair value, with changes recognized in the income statement.  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> .  Changes in fair value, initial transaction costs, dividends		
	Mandatorily measured at FVTPL – Other	Financial assets mandatorily measured at FVTPL that are not held for trading include:  - 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;	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 shortand long-duration FX contracts acting as economic hedges, which are reported in <i>Net interest income</i> .		
	do not me balance is with inter- componer – equity insi	<ul> <li>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;</li> <li>equity instruments; and</li> <li>assets held under unit-linked investment contracts.</li> </ul>	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).		

# Classification, measurement and presentation of financial liabilities

Financial liabi	lities classification	Significant items included	Measurement and presentation
Measured at amortized cost		This classification includes:  demand and time deposits;  retail savings / deposits;  sweep deposits;  payables from securities financing transactions;  non-structured debt issued;  subordinated debt;	Measured at amortized cost using the effective interest method.  When a financial liability at amortized cost is derecognized, the gain or loss is recognized in the income statement.
		<ul> <li>commercial paper and certificates of deposit;</li> <li>obligations against funding from UBS Group AG; and</li> <li>cash collateral payables on derivative instruments.</li> </ul>	derecognized pursuant to certain deposits sweep programs is presented within <i>Net interest income from financial instruments measured at fair value through profit or loss and other.</i>
Measured at FVTPL	Held for trading  Financial liabilities held for trading include:  - 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 AG has sold third parties but does not own (short positions).	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 AG'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.	
	Designated at FVTPL	Financial liabilities designated at FVTPL include:  - issued hybrid debt instruments, primarily equity-linked, credit-linked and rates-linked bonds or notes;  - issued debt instruments managed on a fair value basis;  - obligations against funding from UBS Group AG 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.	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> .

# 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, in which case the ECL requirements as set out in item 2g in this Note apply.

Financial guarantee contracts are contracts that require UBS AG 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. The ECL requirements as set out in item 2g in this Note apply to financial guarantees issued that are not accounted for at FVTPL.

Financial guarantee contracts held by UBS for credit risk mitigation purposes that are assessed to be integral to the guaranteed exposure are accounted for as a component of that exposure, with cash flows expected from the credit enhancement included in the measurement of the ECL of the respective exposure. Rights to reimbursement arising from financial guarantees held that are not integral to the terms of the exposure they cover are recognized when their realization is considered to be virtually certain.

# d. Interest income and expense

Interest income from financial instruments measured at amortized cost and FVOCI and interest expense from financial instruments measured at amortized cost 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 AG 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 AG does not retain a portion of the syndicated loan or where UBS AG 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 AG 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 AG 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 AG 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.

Most OTC derivative contracts and 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 AG 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

#### 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 AG's governance framework over fair value measurement is described in Note 21b, and UBS AG 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, including those acquired through a business combination under common control. ECL are also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include UBS AG's credit card limits and master credit facilities, as UBS AG is exposed to credit risk because the borrower has the ability to draw down funds before UBS AG can take credit risk mitigation actions.

# Recognition of expected credit losses

ECL are recognized on the following basis.

- Stage 1 those instruments for which no significant increase in credit risk (SICR) has been observed (see Significant increase in credit risk below): 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 those instruments for which an SICR is observed but which are not credit impaired: Lifetime ECL are recognized 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 credit-impaired financial instruments (as determined by the occurrence of one or more loss events): Lifetime ECL are always recognized 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.

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 I* (release).

ECL are recognized in the income statement in *Credit loss expense I (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 AG 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

# 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 AG 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 AG'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 AG 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 AG 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 AG's key ECL-relevant portfolios.

For UBS AG, 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 AG's corporate rating tools.
  - > 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 AG 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 AG 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 AG's exposure to credit risk to the contractual notice period, as the client has the ability to draw down funds before UBS AG can take risk-mitigating actions. In such cases UBS AG is required to estimate the period over which it is exposed to credit risk. This applies to UBS AG'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 AG'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 AG 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 AG 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 AG 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 AG 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 AG'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.

#### SICR thresholds

Internal rating at origination of the instrument	Rating downgrades / SICR trigger
0–3	3
4–8	2
9–13	1

<sup>&</sup>gt; Refer to the "Risk management and control" section of this report for more details about UBS AG'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 AG'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 AG 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 AG 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 AG'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

#### h. Restructured and modified financial assets

When payment default is expected, or where default has already occurred, UBS AG 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 AG'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 of the date of modification.

#### i. Offsetting

UBS AG presents recognized financial assets and liabilities net on its balance sheet only 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 AG 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 AG'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

#### i. Hedge accounting

UBS AG 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*.

# > Refer to Note 25 for more information

# 3) Fee and commission income and expenses

UBS AG 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 AG 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 AG'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 AG 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 AG does not recognize performance fees related to management of clients' assets or fees related to contingencies beyond UBS AG's control until such uncertainties are resolved.

UBS AG's fees are generally earned from short-term contracts. As a result, UBS AG'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 AG has not capitalized any material costs to obtain or fulfill a contract or generated any significant contract assets or liabilities.

UBS AG 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 AG acts as an agent), UBS AG 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 AG 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

UBS Group AG is the grantor of and maintains the obligation to settle share-based compensation plans that are awarded to employees of UBS AG. As a consequence, UBS AG classifies the awards of UBS Group AG shares as equity-settled share-based payment transactions. UBS AG recognizes the fair value of awards granted to its employees by reference to the fair value of UBS Group AG's 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.

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.

#### Note 1 Summary of material accounting policies (continued)

## 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 27 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 AG's post-employment obligations is provided in Note 26.

> Refer to Note 26 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 AG 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 AG is subject to the income tax laws of Switzerland and those of the non-Swiss jurisdictions in which UBS AG has business operations.

UBS AG'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.

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) unrealized gains or losses on financial instruments that are classified at FVOCI; (iii) changes in fair value of derivative instruments designated as cash flow hedges; (iv) remeasurements of defined benefit plans; or (v) certain foreign currency translations of foreign operations. Amounts relating to points (ii) through (v) above are recognized in *Other comprehensive income* within *Equity*.

## Note 1 Summary of material accounting policies (continued)

UBS AG 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 AG 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 AG'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 AG 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 AG 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 UBS AG'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 28 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 AG tests goodwill for impairment annually, irrespective of whether there is any indication of impairment.

Business combinations under common control do not result in recognition of goodwill or other intangible assets incremental to those already recognized by the acquired entity prior to the date of transfer. Goodwill assumed is subsequently allocated to respective cash-generating units and tested for impairment.

An impairment charge is recognized in the income statement if the carrying amount exceeds the recoverable amount of a cash-generating unit.

#### Critical accounting estimates and judgments

UBS AG'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 AG 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. 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 AG.

#### 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 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*.

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 AG'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 AG disposes of, partially or in its entirety, the foreign operation and UBS AG no longer controls the foreign operation.

Share capital issued and share premium 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 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 32 for more information

## 12) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of balances with an original maturity of three months or less including cash, money market paper and balances with central and other banks.

In certain circumstances cash and cash equivalent balances held are not available for the use by UBS AG, for example amounts placed at central banks to meet local statutory minimum reserve requirements, balances protected under client asset segregation rules and balances pledged under depositor protection schemes.

#### Note 1 Summary of material accounting policies (continued)

## b) Changes in IFRS Accounting Standards and Interpretations

## IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued a new standard, IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*. The main changes introduced by IFRS 18 relate to:

- the structure of income statements;
- new disclosure requirements for management performance measures; and
- enhanced guidance on aggregation and disaggregation of information on the face of financial statements and in the notes thereto.

IFRS 18 is effective from 1 January 2027 and will also apply to comparative information. UBS AG will first apply these new requirements in the Annual Report 2027 and, for interim reporting, in the first quarter 2027 interim report. UBS AG is assessing the impact of the new requirements on its reporting but expects it to be limited. UBS AG will evaluate the grouping of items in the primary financial statements and in the notes thereto based on new principles of aggregation and disaggregation in IFRS 18.

## Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (the Amendments).

The Amendments relate to:

- derecognition of financial liabilities settled through electronic transfer systems;
- assessment of contractual cash flow characteristics in classifying financial assets, including those with environmental, social and corporate governance and similar features, non-recourse features, and contractually linked instruments; and
- disclosure of information about financial instruments with contingent features that can change the amount of contractual cash flows, as well as equity instruments designated at fair value through other comprehensive income.

The Amendments are effective from 1 January 2026, with early application permitted either for the entire set of amendments or for only those that relate to classification of financial instruments. UBS AG is currently assessing the impact of the new requirements on its financial statements.

## 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 do not have or are not expected to have a significant effect on UBS AG when they are adopted.

## Merger of UBS AG and Credit Suisse AG

The merger of UBS AG and Credit Suisse AG effected on 31 May 2024 with no consideration payable by UBS AG constitutes a business combination under common control accounted for based on the accounting policies set out in Note 1 to these financial statements.

#### Assets and liabilities

UBS AG accounted for the merger with Credit Suisse AG using the historic carrying values of the assets and liabilities of Credit Suisse AG as at the date of the transaction (31 May 2024), determined under IFRS Accounting Standards.

- No fair value adjustments were made to assets and liabilities (which is different to the UBS Group AG consolidated financial statements where acquisition method accounting was required under IFRS 3, *Business Combinations*, on 31 May 2023 for the acquisition of Credit Suisse Group AG).
- UBS AG has elected to retain historic accumulated depreciation and impairment of non-financial assets arising since
   31 May 2023, i.e. the date on which Credit Suisse AG came to be under the common control of UBS Group AG.
- Expected credit loss allowances and provisions for performing and credit-impaired exposures were recognized under IFRS 9
- No new goodwill, intangible assets or contingent liabilities have been recognized as a result of the merger of UBS AG and Credit Suisse AG.
- Uniform accounting policies for like transactions and events have been applied throughout UBS AG and Credit Suisse AG as of 31 May 2023 (the date of the acquisition of Credit Suisse Group AG by UBS Group AG).

#### Equity reserves

UBS AG has taken on the carrying amount of the total IFRS equity of Credit Suisse AG as of 31 May 2024. This was allocated to the individual components of equity for UBS AG as follows:

- The individual equity reserve balances of Credit Suisse AG recorded from 31 May 2023 to 31 May 2024 have been added to the corresponding equity reserves of UBS AG, with the exception of the foreign currency translation reserve.
- UBS AG has elected to reset the foreign currency translation reserve. As a result, the net investment hedge accounting
  reserve has been added to *Retained earnings* as if no net investment hedge accounting had been applied by Credit
  Suisse. The remaining balance of the foreign currency translation reserve was then added to *Share premium*.
- Equity reserve balances of Credit Suisse AG recorded prior to 31 May 2023 (i.e. the date on which Credit Suisse AG came under the common control of UBS Group AG) have not been individually retained.
- The difference between the net carrying value of the Credit Suisse AG assets and liabilities as of 31 May 2024 and the
  individual equity reserve balances established as outlined above has been recognized as an adjustment to
  Share premium (reflecting the contribution of the Credit Suisse AG business to UBS AG from the common parent,
  UBS Group AG).

#### Comparability

Income statement, statement of comprehensive income and statement of cash flows for the year ended 31 December 2024 include seven months of consolidated data following the merger of UBS AG and Credit Suisse AG (June to December 2024) and five months of pre-merger UBS AG data only (January to May 2024). Statement of changes in equity includes seven months of consolidated data, following the addition of the equity reserve balances of Credit Suisse AG recorded from 31 May 2023 to 31 May 2024 as described above, and five months of pre-merger UBS AG data only. Comparative information for the years ended 31 December 2023 and 31 December 2022 includes pre-merger UBS AG data only.

Balance sheet information as at 31 December 2024 includes post-merger consolidated information. Balance sheet information as at 31 December 2023 reflects pre-merger UBS AG information only.

The comparative periods prior to the merger date have not been restated, as the transaction has been accounted for prospectively since 31 May 2024, i.e. the date on which the merger of UBS AG and Credit Suisse AG was effected.

## Note 2 Accounting for the merger of UBS AG and Credit Suisse AG (continued)

The table below presents the assets, liabilities and equity of Credit Suisse AG that were recognized by UBS AG on 31 May 2024 as a result of the merger.

Credit Suisse AG assets, liabilities and equity transferred to UBS AG on the merger date	9
USD m	Т

USD m	
Assets	
Cash and balances at central banks	114,759
Amounts due from banks	6,861
Receivables from securities financing transactions measured at amortized cost	28,380
Cash collateral receivables on derivative instruments	10,373
Loans and advances to customers	222,937
Other financial assets measured at amortized cost	10,852
Total financial assets measured at amortized cost	394,162
Financial assets at fair value held for trading	15,504
Derivative financial instruments	31,975
Brokerage receivables	130
Financial assets at fair value not held for trading	36,592
Total financial assets measured at fair value through profit or loss	84,201
Financial assets measured at fair value through other comprehensive income	0
Investments in associates	1,330
Property, equipment and software	2,627
Goodwill and intangible assets	819
Deferred tax assets	224
Other non-financial assets	5,943
Total assets	489,306
Liabilities	
Amounts due to banks	20,715
Payables from securities financing transactions measured at amortized cost	6,077
Cash collateral payables on derivative instruments	6,459
Customer deposits	224,627
Funding from UBS Group AG measured at amortized cost	45,298
Debt issued measured at amortized cost	44,521
Other financial liabilities measured at amortized cost	8,984
Total financial liabilities measured at amortized cost	356,681
Financial liabilities at fair value held for trading	1,870
Derivative financial instruments	33,200
Brokerage payables designated at fair value	339
Debt issued designated at fair value	25,947
Other financial liabilities designated at fair value	5,494
Total financial liabilities measured at fair value through profit or loss	66,850
Provisions	2,817
Other non-financial liabilities	3,381
Total liabilities	429,729
Equity	
Equity attributable to shareholders <sup>1</sup>	41,432
Equity attributable to non-controlling interests	490
Total equity	41,922
	.,,

<sup>1</sup> Refer to the Statement of changes in equity in this report for more information.

Transactions between UBS AG and Credit Suisse AG have been eliminated from the balances presented in the table above. They amounted to USD 7.1bn of assets and USD 24.8bn of liabilities of Credit Suisse AG.

#### Note 2 Accounting for the merger of UBS AG and Credit Suisse AG (continued)

#### Transactions related to businesses and subsidiaries of Credit Suisse

In June 2024, the Credit Suisse supply chain finance funds (the SCFFs) made a voluntary offer to the SCFFs' investors to redeem all outstanding fund units.

## > Refer to Note 18 for more information

In August 2024 and October 2024, respectively, UBS AG has also entered into the agreements to sell Select Portfolio Servicing, the US mortgage servicing business of Credit Suisse, and its 50% interest in Swisscard AECS GmbH.

> Refer to Note 29 for more information

## Note 3a Segment reporting

UBS AG'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 functions and qualify as reportable segments for the purpose of segment reporting. Together with Group functions, the five business divisions reflect the management structure of UBS AG.

- 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 our long-term strategy and risk appetite. It consists of selected assets and liabilities from the Credit Suisse business divisions, as well as residual assets and liabilities from UBS's former Non-core and Legacy Portfolio that preceded the acquisition of the Credit Suisse Group and smaller amounts of assets and liabilities of UBS's business divisions that have been assessed as not strategic in light of that acquisition.
- Our Group functions are support and control functions that provide services to the Group. Virtually all costs incurred by the Group functions are allocated to the business divisions, leaving a residual amount that we refer to as **Group Items** in our segment reporting. Group functions include the following major areas: Group Services (which consists of the Group Operations and Technology Office, Group Compliance, Regulatory & Governance, Group Finance, Group Risk Control, Group Human Resources and Corporate Services, Communications & Branding, Group Legal, the Group Integration Office, Group Sustainability and Impact and the Chief Strategy Office) and Group Treasury.

#### Note 3a Segment reporting (continued)

Financial information about the five business divisions and Group Items is presented separately in internal management reports to the Executive Board, which is considered the "chief operating decision-maker" pursuant to IFRS 8, *Operating Segments*.

UBS AG'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 UBS AG 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 AG'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 management. 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.

As part of the continued refinement of UBS AG's reporting structure and organizational setup, in the first quarter of 2024 certain changes to Group Treasury allocations were made with an impact on segment reporting for UBS AG's business divisions and Group Items. Prior-period information has been adjusted for comparability.

UBS AG has allocated to the business divisions nearly all Group Treasury costs that historically were retained and reported in Group Items. Costs that continue to be retained in Group Items include costs related to hedging and own debt, and deferred tax asset funding costs. In parallel with these changes, UBS AG has increased the allocation of balance sheet resources from Group Treasury to the business divisions.

Following the changes outlined above, prior-period information for the twelve-month period ended 31 December 2023 has been restated, resulting in decreases in Operating profit / (loss) before tax of USD 91m for Global Wealth Management and USD 69m for Personal & Corporate Banking, and increases in Operating profit / (loss) before tax of USD 134m for Group Items, USD 25m for the Investment Bank and USD 1m for Asset Management, with no change to Non-core and Legacy.

Prior-period information as of 31 December 2023 has also been restated, resulting in increases of Total assets of USD 35.6bn in Global Wealth Management, USD 26.9bn in Personal & Corporate Banking and USD 21.4bn in the Investment Bank, with a corresponding decrease of assets of USD 83.9bn in Group Items.

These changes had no effect on the reported results or financial position of UBS AG.

## Note 3a Segment reporting (continued)

	Clabal Waalth	Personal &	A ===+	las sa atua a at	Non some and	Cuarra	
USD m	Global Wealth Management	Corporate Banking	Asset Management	Investment Bank	Non-core and Legacy	Group Items	UBS AG
ווו שנט	Management	Danking	ividilagement	Dank	Legacy	Items	003 AC
For the year ended 31 December 2024							
Net interest income	5,901	4,035	(54)	(3,484)	(12)	(1,708)	4,678
Non-interest income	16,247	3,123	2,853	13,321	347	1,753	37,645
Total revenues	22,148	7,159	2,799	9,837	335	45	42,323
Credit loss expense / (release)	(1)	393	0	98	55	0	544
Operating expenses	18,893	4,714	2,334	8,753	3,673	979	39,346
Operating profit / (loss) before tax	3,255	2,052	465	987	(3,392)	(935)	2,433
Tax expense / (benefit)							900
Net profit / (loss)							1,533
Additional information							
Total assets	560,194	449,224	22,291	453,078	67,696	15,577	1,568,060
Additions to non-current assets	286	704	77	589	61	0	1,717
		Personal &					
	Global Wealth	Corporate	Asset	Investment	Non-core and	Group	
USD m	Management	Banking	Management	Bank	Legacy	Items	UBS AG
	management	20	management	20	Logacy		000710
For the year ended 31 December 2023 <sup>1</sup>							
Net interest income	5,345	3,059	(37)	(2,586)	24	(1,238)	4,566
Non-interest income	13,194	2,158	2,108	10,371	34	1,244	29,109
Total revenues	18,539	5,216	2,071	7,784	58	6	33,675
Credit loss expense / (release)	25	50	(1)	67	1	1	143
Operating expenses	14,900	2,889	1,706	7,588	1,010	919	29,011
Operating profit / (loss) before tax	3,614	2,277	366	130	(952)	(914)	4,521
Tax expense / (benefit)							1,206
Net profit / (loss)							3,315
							3,313
Additional information							
Total assets <sup>1</sup>	404,747	283,980	19,662	402,415	13,845	31,368	1,156,016
Additions to non-current assets	666	219	70	445	0	0	1,400
		Personal &					
	Global Wealth	Corporate	Asset	Investment	Non-core and	Group	
USD m	Management	Banking	Management	Bank	Legacy	Items	UBS AG
F 4b d. d. 24 D b 2022							
For the year ended 31 December 2022	E 274	2 102	(10)	(241)	1	(600)	6 5 1 7
Net interest income	5,274	2,192	(19)	(241)		(690)	6,517
Non-interest income	13,689	2,113	2,980²	8,958	236	423	28,398
Total revenues	18,963	4,304	2,961	8,717	237	(267)	34,915
Credit loss expense / (release)	0	39	0	(12)	2	0	29
Operating expenses	14,069	2,475	1,565	6,890	104	823	25,927
Operating profit / (loss) before tax	4,894	1,790	1,396	1,839	131	(1,091)	8,960
Tax expense / (benefit)							1,844
Net profit / (loss)							7,116
Additional information							
Total assets	388,624	235,330	16,971	391.495	13,367	59,649	1,105,436
Additions to non-current assets	42	13	10,571	331,433	13,307	1,773	1,103,430
Additions to non Cuntil assets	42	13	<u> </u>	J.)	<u> </u>	1,773	1,002

<sup>1</sup> Comparative-period information has been restated for Group Treasury allocations. 2 Includes an USD 848m gain in Asset Management related to the sale of UBS AG's shareholding in Mitsubishi Corp.-UBS Realty Inc.

## Note 3b Segment reporting by geographic location

The operating regions shown in the table below correspond to the regional management structure of UBS AG. The allocation of total 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 given 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 included in the *Global* line.

The geographic analysis of non-current assets is based on the location of the entity in which the given assets are recorded.

#### For the year ended 31 December 2024

	Total reven	Total revenues		assets
	USD bn	Share %	USD bn	Share %
Americas <sup>1</sup>	15.7	37	8.9	42
Asia Pacific	6.7	16	1.3	6
Europe, Middle East and Africa (excluding Switzerland)	7.0	17	2.7	13
Switzerland	12.0	28	8.2	39
Global	0.9	2	0.0	0
Total	42.3	100	21.1	100

#### For the year ended 31 December 2023

	Total rev	Total revenues <sup>2</sup>		rent assets
	USD bn	Share %	USD bn	Share %
Americas <sup>1</sup>	13.3	39	8.6	47
Asia Pacific	5.0	15	1.2	7
Europe, Middle East and Africa (excluding Switzerland)	6.1	18	2.6	14
Switzerland	9.2	27	5.9	32
Global	0.0	0	0.0	0
Total	33.7	100	18.3	100

#### For the year ended 31 December 2022

	Total revenues		Total non-current	assets
	USD bn	Share %	USD bn	Share %
Americas <sup>1</sup>	13.8	40	9.0	48
Asia Pacific	5.6	16	1.5	8
Europe, Middle East and Africa (excluding Switzerland)	7.0	20	2.6	14
Switzerland	7.7	22	5.6	30
Global	0.8	2	0.0	0
Total	34.9	100	18.7	100

<sup>1</sup> Predominantly related to the US. 2 Comparative-period information has been restated for changes in Group Treasury allocations.

## Income statement notes

# Note 4 Net interest income and other net income from financial instruments measured at fair value through profit or loss

	For	the year ended	
USD m	31.12.24	31.12.23	31.12.22
Net interest income from financial instruments measured at fair value through profit or loss and other	5,455	1,765	1,410
Other net income from financial instruments measured at fair value through profit or loss <sup>1</sup>	12,959	9,934	7,493
Total net income from financial instruments measured at fair value through profit or loss and other	18,414	11,698	8,903
Net interest income			
Interest income from loans and deposits <sup>2</sup>	25,751	19,637	9,634
Interest income from securities financing transactions measured at amortized cost <sup>3</sup>	3,716	3,450	1,378
Interest income from other financial instruments measured at amortized cost	1,339	1,152	545
Interest income from debt instruments measured at fair value through other comprehensive income	104	103	74
Interest resulting from derivative instruments designated as cash flow hedges	(1,943)	(1,898)	173
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	28,967	22,444	11,803
Interest expense on loans and deposits <sup>4</sup>	23,621	14,977	4,488
Interest expense on securities financing transactions measured at amortized cost <sup>5</sup>	1,939	1,714	1,089
Interest expense on debt issued	4,053	2,855	1,031
Interest expense on lease liabilities	132	97	88
Total interest expense from financial instruments measured at amortized cost	29,745	19,643	6,696
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	(777)	2,801	5,108
Total net interest income from financial instruments measured at fair value through profit or loss and other	5,455	1,765	1,410
Total net interest income	4,678	4,566	6,517

1 Includes net losses from financial liabilities designated at fair value of USD 2,090m (net losses of USD 4,065m in 2023 and net gains of USD 17,036m in 2022). 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 translations 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 USD 1,844m (net losses of USD 2,045m and net gains of USD 4,112m in 2023 and 2022, respectively) from financial liabilities related to unit-linked investment notes issued by UBS AG's Asset Management business division. 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 peyables on derivative instruments.

3 Includes negative interest, including from UBS Group AG measured at amortized cost.

4 Consists of interest expense on amounts due to banks, cash collateral payables 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 3,137m to USD 17,637m, mainly driven by the consolidation of Credit Suisse AG revenues.

## Note 5 Net fee and commission income

	For	the year ended	t
USD m	31.12.24	31.12.23	31.12.22
Underwriting fees	838	637	633
M&A and corporate finance fees	1,016	669	804
Brokerage fees	4,407	3,323	3,487
Investment fund fees	5,669	4,730	4,942
Portfolio management and related services	11,328	9,091	9,059
Other	2,548	1,950	1,921
Total fee and commission income <sup>1</sup>	25,806	20,399	20,846
of which: recurring	<i>17,065</i>	14,008	14,229
of which: transaction-based	8,604	6,320	6,550
of which: performance-based	<i>137</i>	71	68
Fee and commission expense	2,369	1,790	1,823
Net fee and commission income	23,438	18,610	19,023

1 For the year ended 31 December 2024, reflects third-party fee and commission income of USD 15,527m for Global Wealth Management, USD 2,588m for Personal & Corporate Banking, USD 3,333m for Asset Management, USD 4,135m for the Investment Bank, USD 230m for Non-core and Legacy and negative USD 6m for Group Items (for the year ended 31 December 2023: USD 12,687m for Global Wealth Management, USD 1,840m for Personal & Corporate Banking, USD 2,723m for Asset Management, USD 3,153m for the Investment Bank, USD 7m for Non-core and Legacy and negative USD 11m for Group Items; for the year ended 31 December 2022: USD 12,990m for Global Wealth Management, USD 1,657m for Personal & Corporate Banking, USD 2,840m for Asset Management, USD 3,350m for the Investment Bank, USD 0m for Non-core and Legacy and USD 10m for Group Items).

Net fee and commission income increased by USD 4,828m to USD 23,438m, mainly driven by the consolidation of Credit Suisse AG revenues.

#### Note 6 Other income

	For	the year ended	
USD m	31.12.24	31.12.23	31.12.22
Associates, joint ventures and subsidiaries			
Net gains / (losses) from acquisitions and disposals of subsidiaries <sup>1</sup>	9	24	148
Net gains / (losses) from disposals of investments in associates and joint ventures	118	0	844 <sup>2</sup>
Share of net profits of associates and joint ventures <sup>3</sup>	74	(163)	32
Total	201	(138)	1,024
Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income	0	(1)	(1)
Income from properties <sup>4</sup>	29	18	20
Net gains / (losses) from properties held for sale	(16)	8	71
Income from shared services provided to UBS Group AG or its subsidiaries	733	568	460
Other <sup>5</sup>	301 <sup>6</sup>	112	308 <sup>7</sup>
Total other income	1,248	566	1,882

<sup>1</sup> Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. Refer to Note 29 for more information about UBS AG's acquisitions and disposals of subsidiaries and businesses. 2 Includes an USD 848m gain related to the sale of UBS AG's shareholding in Mitsubishi Corp.-UBS Realty Inc. 3 2024 includes a loss of USD 80m due to UBS's share of proportionate impairment losses reflected in the profit and loss of an associate (2023: loss of USD 255m). 4 Includes rent received from third parties. 5 2024 includes gains of USD 0m related to the repurchase of USS AG's own debt instruments (compared with a gain of USD 21m in 2023 and a gain of USD 23m in 2022). 6 Includes USD 113m net gains in Asset Management from the sale of the Brazilian real estate fund management business. 7 Mainly relates to a portion of the total USD 133m gain on the sale of UBS AG'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) and income of USD 111m related to a legacy litigation settlement and a legacy bankruptcy claim.

#### **Note 7 Personnel expenses**

	Fc	r the year ended	
USD m	31.12.24	31.12.23	31.12.22
Salaries <sup>1</sup>	7,884	5,898	5,528
Variable compensation <sup>2</sup>	9,414	7,669	7,636
of which: performance awards	<i>3,511</i>	2,841	2,910
of which: financial advisors <sup>3</sup>	<i>5,293</i>	4,549	4,508
of which: other	610	279	217
Contractors	110	98	119
Social security	1,060	835	730
Post-employment benefit plans <sup>4</sup>	787	579	555
of which: defined benefit plans	<i>380</i>	<i>259</i>	256
of which: defined contribution plans	408	320	299
Other personnel expenses	703	576	513
Total personnel expenses	19,958	15,655	15,080

<sup>1</sup> Includes role-based allowances. 2 Refer to Note 27 for more information. 3 Financial advisor compensation consists of cash compensation, determined using a formulaic approach based on production, and deferred awards. 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 26 for more information. Includes curtailment gains of USD 71m for the year ended 31 December 2024 (for the year ended 31 December 2023: USD 3m; for the year ended 31 December 2022: USD 13m), 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 4,303m to USD 19,958m, mainly driven by the consolidation of Credit Suisse AG expenses.

## Note 8 General and administrative expenses

	For	the year ended	
USD m	31.12.24	31.12.23	31.12.22
Outsourcing costs	829	478	451
Technology costs	912	558	502
Consulting, legal and audit fees	1,170	650	494
Real estate and logistics costs	832	679	507
Market data services	573	400	367
Marketing and communication	356	209	195
Travel and entertainment	279	205	156
Litigation, regulatory and similar matters <sup>1</sup>	1,514	816	348
Other	10,085	7,123	5,981
of which: shared services costs charged by UBS Group AG or its subsidiaries	<i>8,862</i>	6,203	5,264
Total general and administrative expenses	16,548	11,118	9,001

<sup>1</sup> 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. In 2024, in accordance with the applicable contractual arrangements, UBS AG received a reimbursement of USD 177m from a direct subsidiary of UBS Group AG.

General and administrative expenses increased by USD 5,430m to USD 16,548m, which included the effect of consolidating Credit Suisse AG expenses.

#### Note 9 Income taxes

	For	For the year ended		
USD m	31.12.24	31.12.23	31.12.22	
Tax expense / (benefit)				
Swiss				
Current	567	810	664	
Deferred	(106)	39	(22)	
Total Swiss	461	849	642	
Non-Swiss				
Current	1,439	618	689	
Deferred	(1,000)	(262)	513	
Total non-Swiss	439	356	1,202	
Total income tax expense / (benefit) recognized in the income statement	900	1,206	1,844	

## 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 net Swiss deferred tax benefit mainly related to a net upward revaluation of deferred tax assets (DTAs) of USD 65m.

The non-Swiss current tax expenses included USD 831m that mainly related to US corporate alternative minimum tax with an equivalent deferred tax benefit for DTAs recognized in respect of tax credits carried forward and USD 608m in respect of other taxable profits of non-Swiss subsidiaries and branches.

The net non-Swiss deferred tax benefit included benefits of USD 831m related to the aforementioned deferred tax benefit, USD 417m in respect of a net upward revaluation of DTAs and USD 252m in respect of an increase in deferred tax asset recognition for UBS AG's US branch. These benefits were partly offset by an expense of USD 500m that primarily related to the amortization of DTAs previously recognized in relation to tax losses carried forward and deductible temporary differences.

erating profit / (loss) before tax  of which: Swiss  of which: non-Swiss  ome taxes at Swiss tax rate of 18.5% for 2024, 18.5% for 2023 and 18% for 2022  rease / (decrease) resulting from:  n-Swiss tax rates differing from Swiss tax rate  st effects of losses not recognized  viously unrecognized tax losses now utilized  n-taxable and lower-taxed income  n-deductible expenses and additional taxable income  lustments related to prior years, current tax  lustments related to prior years, deferred tax  lange in deferred tax recognition  lustments to deferred tax balances arising from changes in tax rates	For the year ended						
USD m	31.12.24	31.12.23	31.12.22				
Operating profit / (loss) before tax	2,433	4,521	8,960				
of which: Swiss	<i>221</i>	3,174	4,052				
of which: non-Swiss	2,212	1,347	4,907				
Income taxes at Swiss tax rate of 18.5% for 2024, 18.5% for 2023 and 18% for 2022	450	836	1,613				
Increase / (decrease) resulting from:							
Non-Swiss tax rates differing from Swiss tax rate	(66)	(43)	267				
Tax effects of losses not recognized	358	71	74				
Previously unrecognized tax losses now utilized	(454)	(401)	(217)				
Non-taxable and lower-taxed income	(232)	(165)	(316)				
Non-deductible expenses and additional taxable income	1,379	1,017	414				
Adjustments related to prior years, current tax	(35)	(15)	(33)				
Adjustments related to prior years, deferred tax	(27)	10	19				
Change in deferred tax recognition	(608)	(273)	(217)				
Adjustments to deferred tax balances arising from changes in tax rates	6	0	0				
Other items	128	169	240				
Income tax expense / (benefit)	900	1,206	1,844				

#### Note 9 Income taxes (continued)

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 UBS AG 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 40m was recognized in *Other comprehensive income* (2023: net expense of USD 288m) and a net tax benefit of USD 18m was recognized in *Share premium* (2023: net benefit of USD 12m).

#### **Deferred tax assets and liabilities**

UBS AG 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 UBS AG 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 2024, this exception was not considered to apply to any taxable temporary differences.

USD m		31.12.24		31.12.23				
		Valuation			Valuation			
Deferred tax assets <sup>1</sup>	Gross	allowance	Recognized	Gross	allowance	Recognized		
Tax loss carry-forwards	19,871	(17,594)	2,277	11,453	(8,496)	2,957		
Unused tax credits	675	0	675	95	0	95		
Temporary differences	10,123	(2,594)	7,529	6,771	(579)	6,192		
of which: related to real estate costs capitalized for US tax purposes	2,971	0	2,971	2,703	0	2,703		
of which: related to compensation and benefits	1,920	(503)	1,417	1,457	(205)	1,252		
of which: related to cash flow hedges	607	0	607	619	0	619		
of which: other	4,625	(2,090)	2,535	1,992	(374)	1,618		
Total deferred tax assets	30,669	(20,188)	10,481 <sup>2</sup>	18,319	(9,076)	9,2442		
of which: related to the US			9,174			8,505		
of which: related to other locations			1,307			739		
Deferred tax liabilities								
Total deferred tax liabilities			283			162		

<sup>1</sup> After offset of DTLs, as applicable. 2 As of 31 December 2024, UBS AG recognized DTAs of USD 777m (31 December 2023: USD 408m) in respect of entities that incurred losses in either 2024 or 2023.

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	31.12.24	31.12.23
Within 1 year	387	192
From 2 to 5 years	9,491	10,278
From 6 to 10 years	3,127	2,708
From 11 to 20 years	3,760	1,199
No expiry	50,770	16,252
Total	67,535	30,630
of which: related to the US1	19,213	12,354
of which: related to the UK	<i>38,293</i>	14,333
of which: related to other locations	10,029	3,943

<sup>1</sup> Related to UBS AG's US branch.

## Pillar Two top-up taxes under Global Anti-Base Erosion rules

Certain countries in which UBS AG operates have enacted legislation implementing the Pillar Two Global Anti-Base Erosion rules published by the Organisation for Economic Co-operation and Development that introduced domestic top-up taxes that applied to local UBS AG entities during 2024. These include Switzerland, the UK, Japan, Canada and most EU Member States. Moreover, Switzerland and, also, most EU Member States had enacted legislation by 31 December 2024 that introduced non-domestic top-up taxes that are effective from 1 January 2025, which apply to UBS AG's worldwide entities.

The exception in paragraph 4A of IAS 12, *Income Taxes*, which requires that deferred tax assets and deferred tax liabilities be neither recognized nor disclosed in respect of such top-up taxes, has been applied for the purposes of these financial statements.

UBS AG's current tax expenses for 2024 do not include a material expense in relation to top-up taxes because, to the extent that UBS AG's profits arose in entities to which top-up taxes applied, these were almost all in countries that had effective tax rates of 15% or more.

An assessment of UBS AG's potential future exposure to top-up taxes under legislation that was enacted or substantively enacted to implement the Pillar Two model rules by 31 December 2024 but was not yet in effect was performed, reflecting country-by-country reporting and, also, the corporate tax expenses of UBS AG entities that are expected in future years. This assessment indicated that UBS AG's profits in future years are expected to be almost entirely earned in countries with corporate tax expenses that are at an effective tax rate of 15% or more and will not, therefore, be subject to top-taxes. Consequently, UBS AG is not expected to have a material annual exposure to top-up taxes for future years under this legislation.

## 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 AG'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 Swiss GDP, interest rate environment, unemployment levels, real estate collateral values and other regional aspects	<ul><li>Personal &amp; Corporate Banking</li><li>Global Wealth Management</li></ul>
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><li>Personal &amp; Corporate Banking</li><li>Global Wealth Management</li><li>Investment Bank</li></ul>
Large corporate clients	Lending to large corporate and multi- national clients	Sensitive to GDP developments, unemployment levels, credit default swap (CDS) indices, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types)	<ul><li>Personal &amp; Corporate Banking</li><li>Investment Bank</li><li>Global Wealth Management</li><li>Non-core and Legacy</li></ul>
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)	– Personal & Corporate Banking
Lombard	Loans secured by pledges of marketable securities, guarantees and other forms of collateral (including hedge funds, private equity and unlisted equities)	Sensitive to equity and debt markets (e.g. changes in collateral values)	– Global Wealth Management
Credit cards	Credit card exposures in Switzerland and the US	Sensitive to unemployment levels	<ul><li>Personal &amp; Corporate Banking</li><li>Global Wealth Management</li></ul>
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	– Personal & Corporate Banking
Consumer financing	Consumer loans and car leasing	Sensitive to unemployment levels	– 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	– Global Wealth Management
Aircraft financing	Corporate aircraft financing	Sensitive to collateral values	– Global Wealth Management
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><li>Personal &amp; Corporate Banking</li><li>Investment Bank</li><li>Global Wealth Management</li><li>Non-core and Legacy</li></ul>

<sup>&</sup>gt; 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	31.12.24							
		Carrying am	ount1			ECL allov	wances	
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Cash and balances at central banks	223,329	223,201	128	0	(186)	0	(186)	0
Amounts due from banks	18,111	17,912	198	0	(42)	(1)	(5)	(36)
Receivables from securities financing transactions measured at amortized cost	118,302	118,302	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	43,959	43,959	0	0	0	0	0	0
Loans and advances to customers	587,347	560,531	22,309	4,506	(2,830)	(276)	(323)	(2,230)
of which: Private clients with mortgages	<i>251,955</i>	241,690	9,009	1,256	(166)	(46)	(70)	(50)
of which: Real estate financing	83,780	79,480	4,071	229	(100)	(24)	(27)	(49)
of which: Large corporate clients	<i>25,599</i>	21,073	3,493	1,033	(828)	(72)	(123)	(632)
of which: SME clients	21,002	17,576	2,293	1,133	(963)	(55)	(47)	(860)
of which: Lombard	147,714	147,326	266	122	(107)	(6)	0	(101)
of which: Credit cards	1,978	1,533	406	39	(41)	(6)	(11)	(25)
of which: Commodity trade finance	4,204	4,089	106	9	(122)	(9)	0	(113)
of which: Ship / aircraft financing	8,058	7,136	922	0	(31)	(14)	(16)	0
of which: Consumer financing	2,814	2,468	114	232	(137)	(15)	(19)	(102)
Other financial assets measured at amortized cost	59,279	58,645	439	194	(135)	(25)	(7)	(103)
of which: Loans to financial advisors	2,723	2,568	59	95	(41)	(4)	(1)	(37)
Total financial assets measured at amortized cost	1,050,326	1,022,550	23,074	4,701	(3,195)	(304)	(521)	(2,369)
Financial assets measured at fair value through other comprehensive income	2,195	2,195	0	0	0	0	0	0
Total on-balance sheet financial assets in scope of ECL requirements	1,052,521	1,024,746	23,074	4,701	(3,195)	(304)	(521)	(2,369)

	Total expos	sure			ECL pro	visions	
Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
40,280	38,860	1,242	178	(61)	(16)	(24)	(22)
7,818	7,098	<i>635</i>	85	(18)	(6)	(9)	(2)
2,524	2,074	393	<i>57</i>	(27)	(5)	(15)	(7)
21,590	21,449	141	0	(1)	(1)	0	0
3,709	3,652	24	33	(4)	(1)	0	(3)
2,678	2,676	2	0	(1)	(1)	0	0
79,579	75,158	4,178	243	(192)	(105)	(61)	(26)
47,381	43,820	3,393	168	(155)	(91)	(54)	(10)
24,896	24,896	0	0	0	0	0	0
148,900	146,496	2,149	255	(75)	(59)	(17)	0
7,674	7,329	345	0	(6)	(4)	(2)	0
14,692	14,091	584	17	(22)	(14)	(7)	(2)
9,812	9,289	333	190	(34)	(28)	(6)	0
73,267	73,181	84	1	0	0	0	0
10,074	9,604	467	3	(8)	(6)	(2)	0
4,608	4,602	4	2	(3)	(3)	0	0
298,263	290,012	7,572	678	(332)	(183)	(102)	(48)
			·	(3,527)	(487)	(623)	(2,417)
	40,280 7,818 2,524 21,590 3,709 2,678 79,579 47,381 24,896 148,900 7,674 14,692 9,812 73,267 10,074 4,608	Total         Stage 1           40,280         38,860           7,818         7,098           2,524         2,074           21,590         21,449           3,709         3,652           2,678         2,676           79,579         75,158           47,381         43,820           24,896         24,896           148,900         146,496           7,674         7,329           14,692         14,091           9,812         9,289           73,267         73,181           10,074         9,604           4,608         4,602	40,280         38,860         1,242           7,818         7,098         635           2,524         2,074         393           21,590         21,449         141           3,709         3,652         24           2,678         2,676         2           79,579         75,158         4,178           47,381         43,820         3,393           24,896         24,896         0           148,900         146,496         2,149           7,674         7,329         345           14,692         14,091         584           9,812         9,289         333           73,267         73,181         84           10,074         9,604         467           4,608         4,602         4	Total         Stage 1         Stage 2         Stage 3           40,280         38,860         1,242         178           7,818         7,098         635         85           2,524         2,074         393         57           21,590         21,449         141         0           3,709         3,652         24         33           2,678         2,676         2         0           79,579         75,158         4,178         243           47,381         43,820         3,393         168           24,896         24,896         0         0           148,900         146,496         2,149         255           7,674         7,329         345         0           14,692         14,091         584         17           9,812         9,289         333         190           73,267         73,181         84         1           10,074         9,604         467         3           4,608         4,602         4         2	Total         Stage 1         Stage 2         Stage 3         Total           40,280         38,860         1,242         178         (61)           7,818         7,098         635         85         (18)           2,524         2,074         393         57         (27)           21,590         21,449         141         0         (1)           3,709         3,652         24         33         (4)           2,678         2,676         2         0         (1)           79,579         75,158         4,178         243         (192)           47,381         43,820         3,393         168         (155)           24,896         2         0         0         0         0           148,900         146,496         2,149         255         (75)           7,674         7,329         345         0         (6)           14,692         14,091         584         17         (22)           9,812         9,289         333         190         (34)           73,267         73,181         84         1         0           10,074         9,604         467         <	Total         Stage 1         Stage 2         Stage 3         Total         Stage 1           40,280         38,860         1,242         178         (61)         (16)           7,818         7,098         635         85         (18)         (6)           2,524         2,074         393         57         (27)         (5)           21,590         21,449         141         0         (1)         (1)           3,709         3,652         24         33         (4)         (1)           2,678         2,676         2         0         (1)         (1)           79,579         75,158         4,178         243         (192)         (105)           47,381         43,820         3,393         168         (155)         (91)           24,896         0         0         0         0         0           24,896         24,896         0         0         0         0           148,900         146,496         2,149         255         (75)         (59)           7,674         7,329         345         0         (6)         (4)           14,692         14,091         584         <	Total         Stage 1         Stage 2         Stage 3         Total         Stage 1         Stage 2           40,280         38,860         1,242         178         (61)         (16)         (24)           7,818         7,098         635         85         (18)         (6)         (9)           2,524         2,074         393         57         (27)         (5)         (15)           21,590         21,449         141         0         (1)         (1)         0           3,709         3,652         24         33         (4)         (1)         0           2,678         2,676         2         0         (1)         (1)         0           79,579         75,158         4,178         243         (192)         (105)         (61)           47,381         43,820         3,393         168         (155)         (91)         (54)           24,896         0         0         0         0         0         0           148,900         146,496         2,149         255         (75)         (59)         (17)           7,674         7,329         345         0         (6)         (4)

<sup>1</sup> 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)

USD m	31.12.23								
	_	Carrying a	mount <sup>1</sup>		ECL allowances				
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	
Cash and balances at central banks	171,806	171,788	18	0	(26)	0	(26)	0	
Amounts due from banks	28,206	28,191	14	0	(7)	(6)	(1)	0	
Receivables from securities financing transactions measured at amortized cost	74,128	74,128	0	0	(2)	(2)	0	0	
Cash collateral receivables on derivative instruments	32,300	32,300	0	0	0	0	0	0	
Loans and advances to customers	405,633	385,493	18,131	2,009	(935)	(173)	(185)	(577)	
of which: Private clients with mortgages	174,400	163,617	9,955	828	(156)	(39)	(89)	(28)	
of which: Real estate financing	54,305	50,252	4,038	15	(46)	(20)	(25)	(1)	
of which: Large corporate clients	14,431	12,594	1,331	506	(241)	(34)	(32)	(174)	
of which: SME clients	12,694	10,662	1,524	508	(262)	(34)	(24)	(204)	
of which: Lombard	117,924	117,874	0	50	(22)	(5)	0	(17)	
of which: Credit cards	2,041	1,564	438	39	(42)	(6)	(11)	(24)	
of which: Commodity trade finance	2,889	2,873	12	4	(119)	(7)	0	(111)	
Other financial assets measured at amortized cost	54,334	53,882	312	141	(87)	(16)	(5)	(66)	
of which: Loans to financial advisors	2,615	2,422	79	114	(49)	(4)	(1)	(44)	
Total financial assets measured at amortized cost	766,407	745,782	18,475	2,150	(1,057)	(197)	(217)	(643)	
Financial assets measured at fair value through other comprehensive income	2,233	2,233	0	0	0	0	0	0	
Total on-balance sheet financial assets within the scope of ECL requirements	768,640	748,015	18,475	2,150	(1,057)	(197)	(217)	(643)	

	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	33,211	32,332	761	118	(40)	(14)	(7)	(19)	
of which: Large corporate clients	3,624	3,051	486	87	(10)	(3)	(2)	(6)	
of which: SME clients	1,506	1,299	177	31	(7)	(1)	(1)	(5)	
of which: Financial intermediaries and hedge funds	22,549	22,504	46	0	(12)	(8)	(3)	0	
of which: Lombard	3,009	3,009	0	0	(1)	0	0	(1)	
of which: Commodity trade finance	1,811	1,803	8	0	(1)	(1)	0	0	
Irrevocable loan commitments	44,018	42,085	1,878	56	(95)	(55)	(38)	(2)	
of which: Large corporate clients	26,096	24,444	1,622	30	(76)	(45)	(28)	(2)	
Forward starting reverse repurchase and securities borrowing agreements	10,373	10,373	0	0	0	0	0	0	
Committed unconditionally revocable credit lines	47,421	45,452	1,913	56	(49)	(39)	(10)	0	
of which: Real estate financing	9,439	8,854	585	0	(4)	(3)	(1)	0	
of which: Large corporate clients	5,110	4,951	151	8	(6)	(4)	(3)	0	
of which: SME clients	5,408	5,188	191	29	(21)	(17)	(3)	0	
of which: Lombard	8,964	8,964	0	1	0	0	0	0	
of which: Credit cards	10,458	9,932	522	4	(10)	(8)	(2)	0	
of which: Commodity trade finance	537	<i>537</i>	0	0	0	0	0	0	
Irrevocable committed prolongation of existing loans	4,183	4,169	11	4	(4)	(3)	0	0	
Total off-balance sheet financial instruments and credit lines	139,206	134,410	4,562	234	(188)	(111)	(56)	(21)	
Total allowances and provisions					(1,244)	(308)	(272)	(664)	

<sup>1</sup> 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) is insignificant;
- 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 reduce the coverage ratios.

The total combined on- and off-balance sheet coverage ratio was at 37 basis points as of 31 December 2024, 15 basis points higher than the ratio as of 31 December 2023. The combined stage 1 and 2 ratio of 10 basis points was unchanged compared with the ratio as of 31 December 2023; the stage 3 ratio was 31%, 9 percentage points higher than the ratio as of 31 December 2023.

				3	1.12.24					
	Gross	s carrying amo	ount (USD m)		ECL coverage (bps)					
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3	
Private clients with mortgages	252,121	241,736	9,079	1,306	7	2	77	5	386	
Real estate financing	83,880	79,504	4,098	278	12	3	66	6	1,768	
Total real estate lending	336,001	321,240	13,177	1,584	8	2	73	5	628	
Large corporate clients	26,427	21,145	3,617	1,665	313	34	341	79	3,795	
SME clients	21,966	17,631	2,341	1,993	439	31	203	52	4,316	
Total corporate lending	48,393	38,776	5,958	3,659	370	33	287	67	4,079	
Lombard	147,821	147,332	267	222	7	0	8	0	4,531	
Credit cards	2,019	1,539	416	64	205	39	256	85	3,857	
Commodity trade finance	4,327	4,098	106	122	283	22	40	23	9,258	
Ship / aircraft financing	8,089	7,150	938	0	38	20	175	38	0	
Consumer financing	2,951	2,484	134	334	464	62	1,447	133	3,057	
Other loans and advances to customers	40,576	38,188	1,636	752	83	7	56	9	3,965	
Loans to financial advisors	2,764	2,571	60	132	149	14	159	17	2,785	
Total other lending	208,547	203,363	3,558	1,627	39	4	161	7	4,152	
Total <sup>1</sup>	592,941	563,379	22,693	6,869	48	5	143	10	3,301	

	(	Gross exposure (USD m)				ECL coverage (bps)				
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3	
Private clients with mortgages	8,473	8,271	176	26	4	4	22	4	81	
Real estate financing	8,694	8,300	394	0	7	6	33	7	0	
Total real estate lending	17,167	16,571	570	26	6	5	30	6	81	
Large corporate clients	69,896	65,013	4,612	271	28	17	151	26	528	
SME clients	13,944	12,788	842	315	59	30	324	48	532	
Total corporate lending	83,840	77,800	5,454	586	33	19	177	30	530	
Lombard	80,390	80,235	120	35	1	0	1	0	2,330	
Credit cards	10,074	9,604	467	3	8	6	36	8	0	
Commodity trade finance	3,487	3,464	23	0	3	3	51	3	0	
Ship / aircraft financing	2,669	2,663	6	0	13	13	49	13	0	
Consumer financing	134	134	0	0	6	6	0	6	0	
Financial intermediaries and hedge funds		22,378	464	0	1	1	8	1	0	
Other off-balance sheet commitments	52,765	52,268	468	29	4	2	28	2	2,945	
Total other lending	172,360	170,745	1,549	67	3	1	23	2	2,470	
Total <sup>2</sup>	273,367	265,117	7,572	678	12	7	135	10	704	
Total on- and off-balance sheet <sup>3</sup>	866,308	828,495	30,265	7,547	37	6	141	10	3,067	

<sup>1</sup> 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)

				3	1.12.23						
	Gros	Gross carrying amount (USD m)					ECL coverage (bps)				
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3		
Private clients with mortgages	174,555	163,656	10,044	856	9	2	88	7	326		
Real estate financing	54,351	50,272	4,063	16	9	4	61	8	594		
Total real estate lending	228,906	213,928	14,107	872	9	3	81	8	331		
Large corporate clients	14,671	12,628	1,363	680	164	27	237	48	2,558		
SME clients	12,956	10,696	1,548	712	202	32	155	47	2,861		
Total corporate lending	27,627	23,324	2,911	1,392	182	29	193	48	2,714		
Lombard	117,946	117,879	0	67	2	0	0	0	2,487		
Credit cards	2,083	1,571	449	63	200	40	253	87	3,801		
Commodity trade finance	3,008	2,881	12	115	394	25	62	25	9,676		
Other loans and advances to customers	26,997	26,083	837	77	18	10	44	11	2,379		
Loans to financial advisors	2,665	2,426	80	159	185	17	122	20	2,793		
Total other lending	152,699	150,840	1,378	481	18	3	117	4	4,462		
Total <sup>1</sup>	409,232	388,092	18,396	2,744	24	5	101	9	2,263		

	G	iross exposure	(USD m)			ECL	coverage (b	ps)	
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	6,801	6,560	226	15	8	7	29	8	40
Real estate financing	10,662	10,064	599	0	6	5	22	6	0
Total real estate lending	17,463	16,624	824	15	6	6	24	6	40
Large corporate clients	34,829	32,446	2,259	125	27	16	147	25	628
SME clients	7,872	7,337	456	80	47	29	230	41	626
Total corporate lending	42,702	39,782	2,715	205	30	18	161	28	627
Lombard	13,609	13,609	0	1	1	1	0	1	0
Credit cards	10,458	9,932	522	4	10	8	35	10	0
Commodity trade finance	2,354	2,346	8	0	4	4	36	4	0
Financial intermediaries and hedge funds	25,378	25,148	230	0	5	4	157	5	0
Other off-balance sheet commitments	16,869	16,596	264	9	12	5	170	8	0
Total other lending	68,668	67,630	1,024	14	7	4	97	6	5,921
Total <sup>2</sup>	128,833	124,037	4,562	234	15	9	122	13	908
Total on- and off-balance sheet <sup>3</sup>	538,065	512,129	22,958	2,978	22	6	105	10	2,157

<sup>1</sup> 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 AG 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 UBS AG'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. UBS AG also uses various derivative instruments for hedging purposes.

- > Refer to Notes 16 and 21 for more information about derivative instruments
- > Refer to Note 25 for more information about derivatives designated in hedge accounting relationships

## **Risks of derivative instruments**

The derivative financial assets shown on the balance sheet can be an important component of UBS AG's credit exposure; however, the positive replacement values related to a respective counterparty are rarely an adequate reflection of UBS AG'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 UBS AG 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**

		31	.12.24			31.	.12.23	
USD bn	Derivative financial assets	Derivative financial liabilities	Notional amounts related to derivative financial assets and liabilities <sup>1,2</sup>	Other notional amounts <sup>1,3</sup>	Derivative financial assets	Derivative financial liabilities	Notional amounts related to derivative financial assets and liabilities <sup>1,2</sup>	Other notional amounts <sup>1,3</sup>
Interest rate	42.1	36.6	3,649.8	16,843.5	35.3	32.8	2,471.7	13,749.0
of which: forwards (OTC) <sup>4</sup>	0.1	0.0		<i>851.5</i>	0.1	0.0	114.0	1,061.4
of which: swaps (OTC)	27.1	20.3		14,974.2	23.0	18.2	788.0	11,884.1
of which: options (OTC)	14.7	16.1	2,189.1		12.1	14.4	1,569.4	
of which: futures (ETD)	14./	10.1	2,109.1	827.5	12.1	14.4	1,309.4	<i>707.4</i>
of which: options (ETD)	0.1	0.0	7.8	190.3	0.0	0.0	0.2	96.1
Credit derivatives	3.1	3.7	143.8	75075	1.8	1.6	93.1	30.1
of which: credit default swaps (OTC)	2.8	3.3			1.6	1.5	91.4	
of which: total return swaps (OTC)	0.0	0.3	1.0		0.0	0.1	0.7	
Foreign exchange	101.1	94.6	7,216.1	268.8	65.4	71.7	6.367.1	179.6
of which: forwards (OTC)	36.9	32.3	2,268.3		15.6	18.9	1,881.7	
of which: swaps (OTC)	<i>55.5</i>	53.5		267.0	43.5	46.7		<i>178.7</i>
of which: options (OTC)	8.6	8.7			6.2	6.1	892.6	
Equity / index	36.9	42.7	1,364.8	93.3	27.3	32.9	1,191.1	84.3
of which: swaps (OTC)	<i>5.9</i>	8.2	352.8		6.0	8.9	263.4	
of which: options (OTC)	4.4	<i>8.3</i>	226.1		2.8	5.9	193.4	
of which: futures (ETD)				84.6				77.3
of which: options (ETD)	13.4	13.5	<i>784.7</i>	<i>8.7</i>	10.3	10.0	732.7	6.9
of which: client-cleared transactions (ETD)	13.1	12.7			8.1	8.0		
Commodities	2.6	2.2	155.4	17.1	1.6	1.3	128.6	15.5
of which: swaps (OTC)	0.9	1.1	<i>58.3</i>		0.7	0.5	44.8	
of which: options (OTC)	0.8	0.4	42.2		0.6	0.3	38.4	
of which: futures (ETD)				12.6				13.0
of which: forwards (ETD)	0.0	0.0	<i>27.3</i>		0.0	0.0	31.5	
of which: client-cleared transactions (ETD)	0.3	0.4			0.2	0.3		
Other <sup>5</sup>	0.6	0.8	86.9		0.3	0.4	86.0	
Total derivative instruments, based on netting under IFRS Accounting Standards <sup>6</sup>	186.4	180.7	12,616.8	17,222.8	131.7	140.7	10,337.6	14,028.4

<sup>1</sup> 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 a significantly different risk profile.

3 Other notional amounts relate to derivatives that are cleared through cellateralized-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 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.

On a notional amount basis, approximately 55% of OTC interest rate contracts held as of 31 December 2024 (31 December 2023: 51%) mature within one year, 27% (31 December 2023: 30%) within one to five years and 18% (31 December 2023: 19%) after five years.

#### Note 11 Derivative instruments (continued)

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 3.1trn compared with 31 December 2023, mainly reflecting the merger of UBS AG and Credit Suisse AG, and higher business volume in the Investment Bank, partly offset by unwinding activities in Non-core and Legacy.

## Note 12 Property, equipment and software

	Owned	Leased				
UCD	properties and	properties and	C - ft	Projects in	2024	2022
USD m Historical cost	equipment <sup>1</sup>	equipment <sup>2</sup>	Software	progress	2024	2023
Balance at the beginning of the year	11,362	4,379	9,789	640	26,169	24,893
Balance recognized upon the merger of UBS AG and Credit Suisse AG <sup>3</sup>	1,614	1,500	979	49	4,142	
Additions	116	213	48	1,340	1,717	1,393
Disposals / write-offs <sup>4</sup>	(464)	(118)	(357)	0	(940)	(1,449)
Reclassifications <sup>5</sup>	117	(12)	1,124	(1,388)	(158)	378
Foreign currency translation	(597)	(112)	(212)	(34)	(955)	954
Balance at the end of the year	12,148	5,850	11,371	607	29,975	26,169
Accumulated depreciation						
Balance at the beginning of the year	7,520	2,058	5,548	0	15,126	13,577
Accumulated depreciation recognized upon the merger of UBS AG and Credit Suisse AG <sup>3</sup>	643	446	426	0	1,514	
Depreciation	637	719	1,437	0	2,793	1,974
Impairment <sup>6</sup>	2	3	18	0	23	238
Disposals / write-offs <sup>4</sup>	(462)	(118)	(357)	0	(937)	(1,445)
Reclassifications <sup>5</sup>	(32)	(3)	(5)	0	(40)	206
Foreign currency translation	(407)	(69)	(118)	0	(594)	576
Balance at the end of the year	7,900	3,036	6,949	0	17,885	15,126
Net book value						
Net book value at the beginning of the year	3,842	2,321	4,241	640	11,044	11,316
Net book value at the end of the year	4,247	2,814	4,422	607 <sup>7</sup>	12,091	11,044

<sup>1</sup> Includes leasehold improvements and IT hardware. 2 Represents right-of-use assets recognized by UBS AG as lessee. UBS AG 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 2024 was USD 917m (2023: USD 594m). Interest expense on lease liabilities is 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 2024 and in 2023. 3 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG. 4 Includes write-offs of fully depreciated assets. 5 The total reclassification amount for the respective periods represents net reclassifications from / to Other non-financial assets. 6 Impairment charges recorded in 2024 generally relate to assets that are no longer used, of which USD 23m for Group Items. The recoverable amount based on a value-in-use approach was determined to be zero. 7 Consists of USD 315m related to software and USD 291m related to Owned properties and equipment.

## Note 13 Goodwill and intangible assets

## Introduction

UBS AG performs an impairment test on its goodwill assets on an annual basis or when indicators of impairment exist.

UBS AG 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 AG 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.

Upon the merger of UBS AG and Credit Suisse AG in May 2024, an existing goodwill balance of USD 0.5bn in Personal & Corporate Banking was transferred to UBS AG. This goodwill balance was included in the impairment test as of 31 December 2024.

> Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG

#### Note 13 Goodwill and intangible assets (continued)

As of 31 December 2024, total goodwill recognized on the balance sheet was USD 6.5bn, 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, USD 1.1bn was carried by Asset Management and USD 0.5bn was carried by Personal & Corporate Banking. Based on the impairment testing methodology described below, UBS AG concluded that the goodwill balances as of 31 December 2024 allocated to these CGUs were not impaired. For each of the CGUs, the recoverable amount substantially exceeded the carrying value as of 31 December 2024, and there was no indication of a significant risk of goodwill impairment based on the testing performed as of 31 December 2024.

## 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, but the forecast period covers five years (with a terminal value thereafter) in order 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 medium term. The extended forecast period of five years did not trigger, defer or avoid an impairment of goodwill as of 31 December 2024.

The carrying amount for each CGU is determined by reference to UBS'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 functions to the business divisions), or by their common equity tier 1 (CET1) capital equivalent of risk-based capital if higher, their goodwill and their intangible assets, as well as attributed equity related to certain CET1 capital 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 UBS AG'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 UBS AG's capital ratios.

## Discount and growth rates

	Discount rates		Growth ra	tes
In %	31.12.24	31.12.23	31.12.24	31.12.23
Global Wealth Management Americas	9.5	9.5	3.8	3.8
Global Wealth Management Switzerland and International	9.5	9.5	3.7	3.4
Asset Management	9.0	9.0	3.3	3.3
Personal & Corporate Banking	7.5		2.5	

## Note 13 Goodwill and intangible assets (continued)

		Intangible		
USD m	Goodwill	assets1	2024	2023
Historical cost				
Balance at the beginning of the year	6,043	1,602	7,645	7,641
Balance recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>	505	386	891	
Additions	0	0	0	6
Disposals <sup>3</sup>	0	(1)	(1)	(40)
Reclassifications <sup>4</sup>	0	(384)	(384)	0
Foreign currency translation	(52)	(61)	(113)	38
Balance at the end of the year	6,496	1,544	8,039	7,645
Accumulated amortization and impairment				
Balance at the beginning of the year	0	1,379	1,379	1,374
Balance recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>		72	72	
Amortization	0	44	44	26
Impairment / (reversal of impairment)	0	1	1	0
Disposals <sup>3</sup>	0	0	0	(30)
Reclassifications <sup>4</sup>	0	(96)	(96)	0
Foreign currency translation	0	(23)	(23)	9
Balance at the end of the year	0	1,378	1,378	1,379
Net book value at the end of the year	6,496	165	6,661	6,265
of which: Global Wealth Management Americas	3,706	28	3,734	3,748
of which: Global Wealth Management Switzerland and International	1, 158	38	1,196	1,233
of which: Personal & Corporate Banking	505	0	<i>505</i>	0
of which: Asset Management	1, 127	0	1,127	1,149
of which: Investment Bank	0	98	<i>98</i>	135
of which: Non-core and Legacy	0	1	1	0

<sup>1</sup> 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 merger of UBS AG and Credit Suisse AG.

3 Reflects the derecognition of goodwill allocated to businesses and intangible assets held by entities that have been disposed of.

4 In 2024, certain intangible assets were reclassified to Assets of disposal group held for sale. Refer to Note 29 for more information.

The table below presents estimated aggregated amortization expenses for intangible assets.

USD m	Intangible assets
Estimated aggregated amortization expenses for:	
2025	22
2026	22
2027	22
2028	17
2029	11
Thereafter	68
Not amortized due to indefinite useful life	3
Total	165

## Note 14 Other assets

## a) Other financial assets measured at amortized cost

USD m	31.12.24	31.12.23
Debt securities	41,583	43,245
Loans to financial advisors	2,723	2,615
Fee- and commission-related receivables	2,231	1,883
Finance lease receivables	5,934	1,427
Settlement and clearing accounts	430	311
Accrued interest income	2,196	2,004
Other <sup>1</sup>	4,182	2,849
Total other financial assets measured at amortized cost	59,279	54,334

<sup>1</sup> Predominantly includes cash collateral provided to exchanges and clearing houses to secure securities trading activity through those counterparties.

Effective 1 April 2022, UBS reclassified a portfolio of HQLA 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, were removed from equity and adjusted against the value of the assets on the reclassification date, so that the Portfolio was 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 has had no effect on the income statement. At the time, the accounting reclassification arose as a direct result of the planned transformation of UBS's Global Wealth Management Americas business, involving significant growth and extension of the business, generating substantial cash balances, with a number of new saving and deposit products being launched that are longer in duration. Additional lending, and a broader range of customer segments were targeted. As a consequence, 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	31.12.24	31.12.23
Precious metals and other physical commodities	7,341	4,426
Deposits and collateral provided in connection with litigation, regulatory and similar matters <sup>1</sup>	1,946	1,379
Prepaid expenses	1,194	1,062
Current tax assets	1,504	184
VAT, withholding tax and other tax receivables	1,129	561
Properties and other non-current assets held for sale	195	105
Assets of disposal groups held for sale <sup>2</sup>	1,823	
Other	2,149	660
Total other non-financial assets	17,282	8,377

<sup>1</sup> Refer to Note 18 for more information. 2 Refer to Note 29 for more information about the agreement to sell Select Portfolio Servicing.

## Note 15 Amounts due to banks, customer deposits, and funding from UBS Group AG

## a) Amounts due to banks and customer deposits

USD m	31.12.24	31.12.23
Amounts due to banks	23,347	16,720
Customer deposits	749,476	555,673
of which: demand deposits	224,982	146,163
of which: retail savings / deposits	<i>182,273</i>	152,683
of which: sweep deposits	41,935	41,045
of which: time deposits!	300,284	215,782
Total amounts due to banks and customer deposits	772,822	572,393

<sup>1</sup> Includes customer deposits in UBS AG Jersey Branch and UBS AG Guernsey Branch placed by UBS Switzerland AG and UBS AG Swiss Branch on behalf of their clients.

Customer deposits increased by USD 193.8bn, with the increase of USD 224.6bn in May 2024 relating to the merger of UBS AG and Credit Suisse AG. Excluding the effects of the merger, there was a decrease of USD 30.8bn, driven by currency effects and net new deposit outflows mainly in time deposits due to maturities, partly offset by shifts into retail savings / deposits as a result of the aforementioned maturities.

#### b) Funding from UBS Group AG measured at amortized cost

USD m	31.12.24	31.12.23
Debt contributing to total loss-absorbing capacity (TLAC)	87,036	51,102
Debt eligible as high-trigger loss-absorbing additional tier 1 capital instruments <sup>1</sup>	14,585	11,286
Debt eligible as low-trigger loss-absorbing additional tier 1 capital instruments	1,245	1,212
Other <sup>2</sup>	5,051	3,682
Total funding from UBS Group AG measured at amortized cost <sup>3,4</sup>	107,918	67,282

<sup>1</sup> For 31 December 2024, includes USD 6.9bn (31 December 2023: USD 3.6bn) that are, upon the occurrence of a trigger event or a viability event, subject to conversion into ordinary UBS shares. 2 Includes debt no longer eligible as TLAC having a residual maturity of less than one year and high-trigger loss-absorbing additional tier 1 capital instruments that ceased to be eligible when UBS Group AG issued notice of redemption. 3 The Total funding from UBS Group AG measured at amortized cost consists of subordinated debt of UBS AG and its subsidiaries toward UBS Group AG. 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. All instruments contributing to TLAC are subordinated since 1.1.2020. 4 UBS AG has also recognized funding from UBS Group AG that is designated at fair value. Refer to Note 19b for more information.

## Note 15 Amounts due to banks, customer deposits, and funding from UBS Group AG (continued)

UBS AG uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, UBS AG applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 25. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of *Funding from UBS Group AG measured at amortized cost* was a decrease of USD 5.8bn as of 31 December 2024 and a decrease of USD 3.2bn as of 31 December 2023. The movement was mainly the result of the merger of UBS AG and Credit Suisse AG.

Of the *Total funding from UBS Group AG measured at amortized cost* outstanding as of 31 December 2024, USD 105.8bn pays a fixed interest rate and USD 2.1bn pays a floating rate of interest.

> Refer to Note 24 for maturity information

## Note 16 Debt issued designated at fair value

USD m	31.12.24	31.12.23
Issued debt instruments		
Equity-linked¹	54,069	46,269
Rates-linked	23,641	16,880
Credit-linked	5,225	4,506
Fixed-rate	14,250	14,295
Commodity-linked	3,592	3,704
Other	1,789	687
Total debt issued designated at fair value <sup>2</sup>	102,567	86,341
of which: issued by UBS AG with original maturity greater than one year?	<i>82,491</i>	73,544
of which: issued by Credit Suisse International standalone with original maturity greater than one year <sup>a</sup>	<i>96</i>	

<sup>1</sup> Includes investment fund unit-linked instruments issued. 2 As of 31 December 2024, 100% of Total debt issued designated at fair value was unsecured. 3 Based on original contractual maturity without considering any early redemption features.

#### Note 17 Debt issued measured at amortized cost

USD m	31.12.24	31.12.23
Short-term debt <sup>1</sup>	30,509	37,285
Senior unsecured debt	33,416	18,450
of which: issued by UBS AG with original maturity greater than one year	<i>32,621</i>	18,446
Covered bonds	8,814	1,006
Subordinated debt	689	3,008
of which: eligible as non-Basel III-compliant tier 2 capital instruments	207	538
Debt issued through the Swiss central mortgage institutions	27,251	10,035
Other long-term debt	424	0
Long-term debt <sup>2</sup>	70,595	32,499
Total debt issued measured at amortized cost <sup>3,4</sup>	101,104	69,784

<sup>1</sup> 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 Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented. 4 Except for Covered bonds (100% secured), Debt issued through the Swiss central mortgage institutions (100% secured) and Other long-term debt (91% secured), 100% of the balance was unsecured as of 31 December 2024.

UBS AG uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, UBS AG applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 25. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of *Debt issued measured at amortized cost* was an increase of USD 0.0bn as of 31 December 2024 and a decrease of USD 0.4bn as of 31 December 2023, 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. All of the subordinated debt instruments outstanding as of 31 December 2024 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.

USD m	31.12.24	31.12.23
Provisions other than provisions for expected credit losses	4,799	2,336
Provisions for expected credit losses <sup>1</sup>	332	188
Total provisions	5,131	2,524

<sup>1</sup> Refer to Note 10 for more information about ECL provisions recognized for off-balance sheet financial instruments and credit lines.

The following table presents additional information for provisions other than provisions for expected credit losses.

	Litigation,				
	regulatory and				
	similar matters <sup>1</sup>	Restructuring <sup>2</sup>	Real estate <sup>3</sup>	Other <sup>4</sup>	Total 2024
Balance at the beginning of the year	1,810	209	135	181	2,336
Provisions recognized upon merger of UBS AG and Credit Suisse AG <sup>5</sup>	1,986	463	89	106	2,644
Increase in provisions recognized in the income statement	1,598 <sup>6</sup>	667	15	123	2,403
Release of provisions recognized in the income statement	(199)	(167)	(3)	(78)	(448)
Reclassifications	82 <sup>6</sup>	0	0	0	82
Provisions used in conformity with designated purpose	(1,580)6	(472)	(17)	(34)	(2,103)
Foreign currency translation and other movements	(99)	(1)	4	(19)	(115)
Balance at the end of the year	3,598	699	224	278	4,799

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Consists of USD 383m of provisions for onerous contracts related to real estate as of 31 December 2023: USD 146m); USD 262m of personnel-related restructuring provisions as of 31 December 2024 (31 December 2023: USD 64m) and onerous contracts related to technology. 3 Mainly includes provisions for reinstatement costs with respect to leased properties. 4 Mainly includes provisions related to employee benefits, VAT and operational risks. 5 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG. 6 Mainly relating to the funding by UBS AG of the offer made in June 2024 by the Credit Suisse supply chain finance funds to redeem all of their outstanding units. As a result of the offer, UBS AG increased the IAS 37 Provisions related to litigation, regulatory and similar matters by USD 944m with a corresponding impact on the income statement, as the probability of an outflow of resources increased, bringing the total IAS 37 provision for this matter to USD 1,421m. The provision has been used to recognize the funding obligation, which was accounted for as a derivative liability with a fair value of USD 1,421m. Post the expiry of the offer, USD 92m was reclassified from derivative liabilities back into IAS 37 provisions in relation to investors who did not accept the redemption offer.

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. Restructuring provisions relate to onerous contracts and personnel-related provisions. Onerous contracts for property are recognized when UBS AG 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.

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

UBS 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 is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. "UBS", "we" and "our", for purposes of this Note, refer to UBS AG and / or one or more of its subsidiaries, as applicable.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS 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. UBS 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 UBS 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 UBS, but are nevertheless expected to be, based on UBS'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 UBS 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. UBS provides below an estimate of the aggregate liability for its litigation, regulatory and similar matters as a class of contingent liabilities. Estimates of contingent liabilities are inherently imprecise and uncertain as these estimates require UBS to make 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. Taking into account these uncertainties and the other factors described herein, UBS estimates the future losses that could arise from litigation, regulatory and similar matters disclosed below for which an estimate is possible, that are not covered by existing provisions are in the range of USD 0bn to USD 3.7bn.

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.

#### Provisions for litigation, regulatory and similar matters by business division and in Group Items<sup>1</sup>

	Global Wealth	Personal &	Asset		Non-core		
	Manage-	Corporate	Manage-	Investment	and	Group	
USD m	ment	Banking	ment	Bank	Legacy	Items	Total
Balance at the beginning of the year	1,220	156	12	286	4	132	1,810
Provisions recognized upon merger of UBS AG and Credit Suisse AG <sup>2</sup>	14	1	2	2	1,964	4	1,986
Increase in provisions recognized in the income statement <sup>3</sup>	174	1	7	17	1,393	6	1,598
Release of provisions recognized in the income statement	(18)	0	0	(9)	(171)	(2)	(199)
Reclassifications <sup>3</sup>	3	0	0	0	79	0	82
Provisions used in conformity with designated purpose <sup>3</sup>	(55)	0	(20)	(20)	(1,481)	(4)	(1,580)
Foreign currency translation and other movements	(69)	(10)	0	(11)	(10)	0	(99)
Balance at the end of the year	1,271	147	1	266	1,779	135	3,598

<sup>1</sup> Provisions, if any, for the matters described in items 2 and 10 of this Note are recorded in Global Wealth Management. Provisions, if any, for the matters described in items 5, 6, 7, 8, 9 and 11 of this Note are recorded in Non-core and Legacy. Provisions, if any, for the matters described in item 1 of this Note are allocated between Global Wealth Management, Personal & Corporate Banking and Non-core and Legacy. Provisions, if any, for the matters described in item 3 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking. Provisions, if any, for the matters described in item 2 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking. Provisions, if any, for the matters described in item 12 of this Note are allocated between the Investment Bank and Non-core and Legacy.

2 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG.

3 Mainly relates to the funding by UBS AG of the offer made in June 2024 by the Credit Suisse supply chain finance funds to redeem all of their outstanding units. As a result of the offer, UBS AG increased the IAS 37 Provisions related to litigation, regulatory and similar matters by USD 944m with a corresponding impact on the income statement, as the probability of an outflow of resources increased, bringing the total IAS 37 provision for this matter to USD 1,421m. The provision has been used to recognize the funding obligation, which was accounted for as a derivative liability with a fair value of USD 1,421m. Post the expiry of the offer, USD 92m was reclassified from derivative liabilities back into IAS 37 provisions in relation to investors who did not accept the redemption offer.

#### 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. Credit Suisse offices in various locations, including the UK, the Netherlands, France and Belgium, have been contacted by regulatory and law enforcement authorities 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. The UK and French aspects of these issues have been closed. UBS is continuing to cooperate with the authorities.

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.

In May 2014, Credit Suisse entered into settlement agreements with the SEC, Federal Reserve and New York Department of Financial Services and entered into an agreement with the US Department of Justice (DOJ) to plead guilty to conspiring to aid and abet US taxpayers in filing false tax returns (2014 Plea Agreement). Credit Suisse continued to report to and cooperate with US authorities in accordance with its obligations under the 2014 Plea Agreement, including by conducting a review of cross-border services provided by Credit Suisse. In this connection, Credit Suisse provided information to US authorities regarding potentially undeclared US assets held by clients at Credit Suisse. UBS continues to cooperate with the ongoing investigation by the DOJ.

Our balance sheet at 31 December 2024 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 against UBS defendants except those for the recovery of approximately USD 125m of payments alleged to be fraudulent conveyances and preference payments. Similar claims have been filed against Credit Suisse entities seeking to recover redemption payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities and most of the Credit Suisse entities. In 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims. 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 UK 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. In December 2021, the European Commission issued a decision imposing a fine of EUR 83.3m on Credit Suisse entities based on findings of anticompetitive practices in the foreign exchange market. Credit Suisse has appealed the decision to the European General Court. UBS received leniency and accordingly no fine was assessed.

Foreign-exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS, Credit Suisse and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS and Credit Suisse have 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. Certain class members have excluded themselves from that settlement and filed individual actions in US and English courts against UBS, Credit Suisse and other banks, alleging violations of US and European competition laws and unjust enrichment. UBS, Credit Suisse and the other banks have resolved those individual matters. Credit Suisse and UBS, together with other financial institutions, were named in a consolidated putative class action in Israel, which made allegations similar to those made in the actions pursued in other jurisdictions. In April 2022, Credit Suisse entered into an agreement to settle all claims in this action. In February 2024, UBS entered into an agreement to settle all claims in this action. Both settlements remain subject to court approval.

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 May 2024, the Second Circuit upheld the district court's dismissal of the case.

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 and Credit Suisse 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.

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, Yen LIBOR, EURIBOR, CHF LIBOR, and GBP LIBOR and seek unspecified compensatory and other damages under various legal theories.

USD LIBOR class and individual actions in the US: Beginning in 2013, putative class actions were filed in US federal district courts (and subsequently consolidated in the US District Court for the Southern District of New York (SDNY)) by plaintiffs who engaged in over-the-counter instruments, exchange-traded Eurodollar futures and options, bonds or loans that referenced USD LIBOR. The complaints allege violations of antitrust law and the Commodities Exchange Act, as well breach of contract and unjust enrichment. Following various rulings by the district court and the Second Circuit dismissing certain of the causes of action and allowing others to proceed, one class action with respect to transactions in over-the-counter instruments and several actions brought by individual plaintiffs are proceeding in the district court. UBS and Credit Suisse have entered into settlement agreements in respect of the class actions relating to exchange-traded instruments, bonds and loans. These settlements have received final court approval and the actions have been dismissed as to UBS and Credit Suisse. In addition, an individual action was filed in the Northern District of California against UBS, Credit Suisse 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 ICE LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. The court dismissed the initial complaint and subsequently dismissed an amended complaint with prejudice. In January 2024, plaintiffs appealed the dismissal to the Ninth Circuit Court of Appeals, which affirmed the dismissal in November 2024.

Other benchmark class actions in the US: The Yen LIBOR/Euroyen TIBOR, EURIBOR and GBP LIBOR actions have been dismissed. Plaintiffs have appealed the dismissals.

In November 2022, defendants moved to dismiss the complaint in the CHF LIBOR action. In 2023, the court approved a settlement by Credit Suisse of the claims against it in this matter.

Government bonds: In 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules between 2007 and 2011 relating to European government bonds. The European Commission fined UBS EUR 172m. UBS has appealed the amount of the fine. Also in 2021, the European Commission issued a decision finding that Credit Suisse and four other banks had breached European Union antitrust rules relating to supra-sovereign, sovereign and agency bonds denominated in USD. The European Commission fined Credit Suisse EUR 11.9m, which amount was confirmed on appeal.

Credit Suisse, together with other financial institutions, was named in two Canadian putative class actions, which allege that defendants conspired to fix the prices of supranational, sub-sovereign and agency bonds sold to and purchased from investors in the secondary market. One action was dismissed against Credit Suisse in February 2020. In October 2022, Credit Suisse entered into an agreement to settle all claims in the second action, which was approved by the court in November 2024.

Credit default swap auction litigation – In June 2021, Credit Suisse, along with other banks and entities, was 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. Defendants filed a motion to enforce a previous CDS class action settlement in 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. The plaintiffs have appealed the SDNY decision.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 31 December 2024 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.

#### 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 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.

UBS's balance sheet at 31 December 2024 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.

## 5. 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. UBS continues to evaluate its approach toward satisfying the remaining consumer relief obligations. The aggregate amount of the consumer relief obligation increased after 2021 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 – Credit Suisse affiliates are 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. Unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions.

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in New York State court in five actions: An action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7 alleges damages of not less than USD 374m. In December 2023, the court granted in part DLJ's motion to dismiss, dismissing with prejudice all notice-based claims; the parties have appealed. An action by Home Equity Asset Trust, Series 2006-8, alleges damages of not less than USD 436m. An action by Home Equity Asset Trust 2007-1 alleges damages of not less than USD 420m. Following a non-jury trial, the court issued a decision in December 2024 that the plaintiff had established breaches of representations and warranties relating to 210 of the 783 loans at issue. The court deferred decision as to damages, which will either be agreed upon by the parties or briefed for further decision by the court. An action by Home Equity Asset Trust 2007-2 alleges damages of not less than USD 495m. An action by CSMC Asset-Backed Trust 2007-NC1 does not allege a damages amount.

## 6. ATA litigation

Since November 2014, a series of lawsuits have been filed against a number of banks, including Credit Suisse, 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 cases plaintiffs have filed amended complaints.

#### 7. 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 has investigated 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. On appeal, the Criminal Court of Appeals of Geneva and, subsequently, the Swiss Federal Supreme Court upheld the main findings of the Geneva criminal court.

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.

In Singapore, in a civil lawsuit against Credit Suisse Trust Limited, the Singapore International Commercial Court issued a judgment finding for the plaintiffs and, in September 2023, the court awarded damages of USD 742.73m, excluding post-judgment interest. This figure does not exclude potential overlap with the Bermuda proceedings against Credit Suisse Life (Bermuda) Ltd., described below, and the court ordered the parties to ensure that there shall be no double recovery in relation to this award and the Bermuda proceedings. On appeal from this judgment, in July 2024, the court ordered some changes to the calculation of damages and directed the parties to agree adjustments to the award. The court ordered a revised award of USD 461m, including interest and costs, in October 2024.

In Bermuda, in the civil lawsuit brought against Credit Suisse Life (Bermuda) Ltd., the Supreme Court of Bermuda issued a judgment finding for the plaintiff and awarded damages of USD 607.35m to the plaintiff. Credit Suisse Life (Bermuda) Ltd. appealed the decision and in June 2023, the Bermuda Court of Appeal confirmed the award issued by the Supreme Court of Bermuda and the finding that Credit Suisse Life (Bermuda) Ltd. had breached its contractual and fiduciary duties, but overturning the finding that Credit Suisse Life (Bermuda) Ltd. had made fraudulent misrepresentations. In March 2024, the Bermuda Court of Appeal granted a motion by Credit Suisse Life (Bermuda) Ltd. for leave to appeal the judgment to the Judicial Committee of the Privy Council and the notice of such appeal was filed. The Court of Appeal also ordered that the current stay continue pending determination of the appeal on the condition that the damages awarded remain within the escrow account plus interest calculated at the Bermuda statutory rate of 3.5%. In December 2023, USD 75m was released from the escrow account and paid to plaintiffs.

In Switzerland, civil lawsuits have been commenced against Credit Suisse AG in the Court of First Instance of Geneva, with statements of claim served in March 2023 and March 2024.

#### 8. Mozambique matter

Credit Suisse was 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 Credit Suisse Securities (Europe) Limited (CSSEL) entered into a Plea Agreement and pleaded guilty to one count of conspiracy to violate the US federal wire fraud statute. Under the terms of the DPA, UBS Group AG (as successor to Credit Suisse Group AG) continued compliance enhancement and remediation efforts agreed by Credit Suisse, and undertake additional measures as outlined in the DPA. In January 2025, as permitted under the terms of the DPA, the DOJ elected to extend the term of the DPA by one year.

## 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 (XIV ETNs). The complaints have been consolidated and asserts claims against Credit Suisse for violations of various anti-fraud and anti-manipulation provisions of US securities laws arising from a decline in the value of XIV ETNs in February 2018. On appeal from an order of the SDNY dismissing all claims, the Second Circuit issued an order that reinstated a portion of the claims. In decisions in March 2023 and February 2025, the court granted class certification for two of the three classes proposed by plaintiffs and denied class certification of the third proposed class.

## 10. Bulgarian former clients matter

In December 2020, the Swiss Office of the Attorney General brought charges against Credit Suisse AG and other parties 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 June 2022, following a trial, 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. Credit Suisse AG appealed the decision to the Swiss Federal Court of Appeals. Following the merger of UBS AG and Credit Suisse AG, UBS AG confirmed the appeal. In November 2024, the court issued a judgment that acquitted UBS AG and annulled the fine and compensatory claim ordered by the first instance court. The court of appeal's judgment may be appealed to the Swiss Federal Supreme Court.

## 11. Supply chain finance funds

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 (SCFFs) matter by FINMA, the FCA and other regulatory and governmental agencies.

In February 2023, FINMA announced the conclusion of its enforcement proceedings against Credit Suisse in connection with the SCFFs 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 had already taken extensive organizational measures to strengthen its governance and control processes, FINMA ordered certain additional remedial measures. These include a requirement that Credit Suisse documents the responsibilities of approximately 600 of its highest-ranking managers. This measure has been made applicable to UBS Group. FINMA has also separately 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 SCFFs matter. FINMA has closed the enforcement proceeding, finding that Credit Suisse breached its cooperation obligations with FINMA Enforcement. FINMA refrained from ordering any remedial measures as it did not find similar issues with UBS.

In December 2024, the Luxembourg Commission de Surveillance du Secteur Financier (CSSF) concluded its investigation. The CSSF identified non-compliance with several obligations under Luxembourg law and imposed a sanction of EUR 250,000.

The Attorney General of the Canton of Zurich has initiated a criminal procedure in connection with the SCFFs matter and several fund investors have joined the procedure as interested parties. Certain former and active Credit Suisse employees, among others, have been named as accused persons, but Credit Suisse itself was not made a party to the proceeding.

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. In June 2024, the Credit Suisse SCFFs made a voluntary offer to the SCFFs investors to redeem all outstanding fund units. The offer expired on 31 July 2024, and fund units representing around 92% of the SCFFs' net asset value were tendered in the offer and accepted. Fund units accepted in the offer were redeemed at 90% of the net asset value determined on 25 February 2021, net of any payments made by the relevant fund to the fund investors since that time. Investors whose units were redeemed released any claims they may have had against the SCFFs, Credit Suisse or UBS. The offer was funded by UBS through the purchase of units of feeder sub-funds.

#### 12. Archegos

Credit Suisse and UBS have received requests for documents and information in connection with inquiries, investigations and/or actions relating to their relationships 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, the WEKO, the Hong Kong Competition Commission and other regulatory and governmental agencies. UBS is cooperating with the authorities in these matters. In July 2023, CSI and CSSEL entered into a settlement agreement with the PRA providing for the resolution of the PRA's investigation. Also in July 2023, FINMA issued a decree ordering remedial measures and the Federal Reserve Board issued an Order to Cease and Desist. Under the terms of the order, Credit Suisse paid a civil money penalty 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. UBS Group, as the legal successor to Credit Suisse Group AG, is a party to the FINMA decree and Federal Reserve Board Cease and Desist Order.

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.

## Note 19 Other liabilities

## a) Other financial liabilities measured at amortized cost

USD m	31.12.24	31.12.23
Other accrued expenses	2,732	1,613
Accrued interest expenses	5,862	4,186
Settlement and clearing accounts	1,925	1,314
Lease liabilities	3,871	2,904
Other	7,372	2,695
Total other financial liabilities measured at amortized cost	21,762	12,713

## b) Other financial liabilities designated at fair value

USD m	31.12.24	31.12.23
Financial liabilities related to unit-linked investment contracts	17,203	15,922
Securities financing transactions	5,798	6,927
Over-the-counter debt instruments and other	5,698	1,566
Funding from UBS Group AG <sup>1</sup>	5,342	2,950
Total other financial liabilities designated at fair value	34,041	27,366

<sup>1</sup> The Funding from UBS Group AG consists of subordinated debt of UBS AG and its subsidiaries toward UBS Group AG. 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.

## c) Other non-financial liabilities

USD m	31.12.24	31.12.23
Compensation-related liabilities	6,897	4,526
of which: financial advisor compensation plans	1,601	1,472
of which: cash awards and other compensation plans	3,818	1,955
of which: net defined benefit liability	<i>691</i>	487
of which: other compensation-related liabilities'	<i>786</i>	611
Current tax liabilities	1,536	932
Deferred tax liabilities	283	162
VAT, withholding tax and other tax payables	1,067	712
Deferred income	614	276
Liabilities of disposal groups held for sale <sup>2</sup>	1,212	
Other	304	74
Total other non-financial liabilities	11,911	6,682

<sup>1</sup> Includes liabilities for payroll taxes and untaken vacation. 2 Refer to Note 29 for more information about the agreement to sell Select Portfolio Servicing.

## Additional information

## Note 20 Expected credit loss measurement

## a) Expected credit losses in the period

Total net credit loss expenses were USD 544m in 2024, reflecting net credit loss releases of USD 63m related to stage 1 and 2 positions and net credit loss expenses of USD 608m related to credit-impaired (stage 3) positions, predominantly in the corporate lending portfolios.

Refer to Note 20b for more information regarding changes to expected credit loss 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)

Credit loss expense / (release)			
	Performing positions	Credit-impaired positions	
USD m	Stages 1 and 2	Stage 3	Total
For the year ended 31.12.24			
Global Wealth Management Personal & Corporate Banking	(49)	48	(1)
Personal & Corporate Banking	(61)	454	393
Asset Management	0	0	0
Investment Bank	52	47	98
Non-core and Legacy	(5)	60	55
Group Items	0	0	0
Total	(63)	608	544
For the year ended 31.12.23			
Global Wealth Management	(2)	27	25
Personal & Corporate Banking	13	37	50
Asset Management	0	(1)	(1)
Investment Bank	11	56	67
Investment Bank Non-core and Legacy	0	1	1
Group Items	1	0	1
Total	23	120	143
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	0	0	0
Total	29	0	29

#### b) Changes to ECL models, scenarios, scenario weights and key inputs

Refer to Note 1a for information about the principles governing expected credit loss (ECL) models, scenarios, scenarios weights and key inputs.

#### 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 2024, 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 49m increase in ECL allowances. This included an increase of USD 68m in the Investment Bank related to large corporate clients and a USD 17m decrease in Global Wealth Management related to lending for ship financing.

### Scenario and key input updates

During 2024, the scenarios and related macroeconomic factors were updated from those applied at the end of 2023 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 milder inflation outlook and the start of a monetary policy easing cycle, and geopolitical uncertainties. ECLs for legacy Credit Suisse positions were calculated based on legacy Credit Suisse models, including the same scenario and scenario weight inputs as for UBS's existing business activity.

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 2025 is that global growth slows due to rising uncertainty, with the prospect of renewed tariff escalation, and a deceleration in US economic growth. Unemployment rates are forecast to increase somewhat from their 2024 levels. After declining over 2024, long-term interest rates are expected to remain broadly stable in 2025. The outlook for house prices worldwide remains resilient, including in Switzerland.

Mild debt crisis scenario: The first hypothetical downside scenario is the mild debt crisis scenario. The mild debt crisis 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 2024 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.

Asset price appreciation 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 2024.

### Scenario generation, review process and governance

A team of economists within Group Risk Control develops the forward-looking macroeconomic assumptions, with a broad range of experts also being involved in that process.

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 allowances.

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.

## Scenario weights and post-model adjustments

Scenario weights, as illustrated in the table below, are unchanged.

However, unquantifiable risks continue to be relevant, as the geopolitical risks remained high in 2024, 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 war 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 1,110m as of 31 December 2024 and included post-model adjustments of USD 235m (31 December 2023: USD 133m). Post-model adjustments are to address uncertainty levels, including those arising from the geopolitical situation, and to align Credit Suisse's model results with the results expected under the applicable UBS model, after the migration of positions.

Economic scenarios and weights applied									
	Assigned we	ights in %							
ECL scenario	31.12.24	31.12.23							
Asset price appreciation / inflation	0.0	0.0							
Baseline	60.0	60.0							
Mild debt crisis	15.0	15.0							
Stagflationary geopolitical crisis	25.0	25.0							

Scenario assumptions		Three years cumulative						
				Stagflationary				Stagflationary
24.42.24	Asset price	D Par.	Mild debt	geopolitical	Asset price	December :	Mild debt	geopolitical
31.12.24	inflation	Baseline	crisis	crisis	inflation	Baseline	crisis	crisis
Real GDP growth (percentage change)								
United States	3.5	2.0	(1.4)	(4.8)	8.6	5.5	0.8	(4.4)
Eurozone	2.5	0.9	(1.7)	(5.6)	5.6	3.2	(0.1)	(5.7)
Switzerland	2.7	0.9	(1.1)	(4.8)	6.2	4.2	0.4	(4.9)
Consumer price index (percentage change)								
United States	2.3	2.6	0.0	10.0	8.1	7.8	2.5	15.8
Eurozone	2.0	2.2	0.0	9.6	7.3	5.9	2.0	14.8
Switzerland	1.4	0.7	(0.2)	5.8	5.7	2.7	1.4	10.7
Unemployment rate (end-of-period level, %)								
United States	3.1	4.3	6.8	9.8	3.0	4.1	8.1	12.4
Eurozone	6.0	7.0	7.9	10.5	6.0	6.8	8.3	11.7
Switzerland	2.3	2.6	3.4	4.6	2.3	2.5	4.2	5.5
Fixed income: 10-year government bonds (change in yields, basis points)								
USD	0	77	(137)	270	45	82	(77)	245
EUR	0	25	(113)	245	38	35	(68)	215
CHF	0	(4)	(22)	195	38	11	(1)	180
Equity indices (percentage change)								
S&P 500	20.0	12.0	(28.1)	(56.5)	51.7	26.7	(14.0)	(51.2)
EuroStoxx 50	16.0	(0.6)	(27.9)	(56.6)	41.7	9.9	(18.3)	(52.7)
SPI	14.0	(0.6)	(26.0)	(56.6)	37.9	8.0	(13.0)	(52.7)
Swiss real estate (percentage change)								
Single-Family Homes	4.5	3.2	(4.3)	(18.5)	10.7	8.8	(3.0)	(28.6)
Other real estate (percentage change)								
United States (S&P / Case—Shiller)	6.3	3.4	(7.6)	(20.2)	16.8	11.9	(5.2)	(30.5)
Eurozone (House Price Index)	4.5	3.7	(6.1)	(8.4)	10.7	11.6	(5.6)	(12.9)

Scenario assumptions		Three years cumulative						
	Asset price	- "	Mild debt	Stagflationary geopolitical	Asset price		Mild debt	Stagflationary geopolitical
31.12.23	inflation	Baseline	crisis	crisis	inflation	Baseline	crisis	crisis
Real GDP growth (percentage 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 (percentage 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 (percentage 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 (percentage change)								
Single-Family Homes	6.6	(1.5)	(4.4)	(18.5)	14.0	0.8	(3.0)	(28.6)
Other real estate (percentage 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)

## 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 in scope of ECL requirements between the beginning and the end of the period due to the factors listed above.

USD m	Total	Stage 1	Stage 2	Stage 3
Balance as of 31 December 2023	(1,244)	(308)	(272)	(664
Merger with Credit Suisse AG	(2,114)	(322)	(268)	(1,523)
Net movement from new and derecognized transactions <sup>1</sup>	(16)	(6)	(21)	11
of which: Private clients with mortgages	3	(7)	9	0
of which: Real estate financing	5	3	2	0
of which: Large corporate clients	(46)	(21)	(36)	10
of which: SME clients	6	0	6	0
of which: Other	16	18	(2)	0
of which: Financial intermediaries and hedge funds	1	0	0	1
of which: Loans to financial advisors	0	0	0	0
Remeasurements with stage transfers <sup>2</sup>	(453)	23	(31)	(445
of which: Private clients with mortgages	(3)	0	(3)	0
of which: Real estate financing	(9)	1	(5)	(5
of which: Large corporate clients	(73)	16	(7)	(82
of which: SME clients	(318)	2	(9)	(312
of which: Other	(50)	3	(8)	(46
of which: Financial intermediaries and hedge funds	1	0	0	1
of which: Loans to financial advisors	1	2	(1)	0
Remeasurements without stage transfers <sup>3</sup>	(26)	117	32	(175
of which: Private clients with mortgages	33	18	18	(2
of which: Real estate financing	20	7	4	9
of which: Large corporate clients	74	<i>52</i>	38	(17
of which: SME clients	(94)	6	1	(100
of which: Other	(59)	34	(28)	(65
of which: Sovereigns	(9)	12	(21)	0
of which: Loans to financial advisors	(3)	3	(1)	(6
Model changes⁴	(49)	(14)	(35)	0
Movements with profit or loss impact <sup>5</sup>	(544)	120	(55)	(608)
Movements without profit or loss impact (write-off, FX and other) <sup>6</sup>	376	24	(28)	379
Balance as of 31 December 2024	(3,527)	(487)	(623)	(2,417)

<sup>1</sup> 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.

- Movements with profit or loss impact: Stage 1 and 2 ECL allowances and provisions increased on a net basis by USD 530m.
- Merger with Credit Suisse AG portfolios: Expected credit loss (ECL) allowances and provisions of USD 591m for performing loans were recognized as of the merger date.
- Net movement from new and derecognized transactions includes stage 1 increases of USD 6m and stage 2 increases of USD 21m. Stage 2 increases are predominantly driven by expenses on the corporate lending portfolios.
- Remeasurements with stage transfers include USD 31m increases in stage 2, following a number of corporate and real
  estate lending credit reviews and transfers to stage 2.
- Model changes: refer to Note 20b for more information.

Movements without profit or loss impact: Stage 1 and 2 allowances increased by USD 5m. Stage 3 and PCI allowances decreased by USD 379m, mainly driven by net write-offs.

**Development of ECL allowances and provisions** 

Bevelopinent of Eee anottanees and provisions				
USD m	Total	Stage 1	Stage 2	Stage 3
Balance as of 31 December 2022	(1,091)	(260)	(267)	(564)
Net movement from new and derecognized transactions <sup>1</sup>	(11)	(27)	9	7
of which: Private clients with mortgages	(5)	(8)	3	0
of which: Real estate financing	(2)	(4)	3	0
of which: Large corporate clients	2	(8)	3	7
of which: SME clients	(3)	(3)	0	0
of which: Other	(4)	(4)	0	0
of which: Financial intermediaries and hedge funds	(1)	(1)	0	0
of which: Loans to financial advisors	0	0	0	0
Remeasurements with stage transfers <sup>2</sup>	(140)	8	(7)	(142)
of which: Private clients with mortgages	3	1	3	(1)
of which: Real estate financing	(2)	2	(5)	0
of which: Large corporate clients	(76)	3	(3)	(76)
of which: SME clients	(56)	1	(1)	(55)
of which: Other	(10)	1	0	(11)
of which: Financial intermediaries and hedge funds	0	0	1	0
of which: Loans to financial advisors	1	0	0	0
Remeasurements without stage transfers <sup>3</sup>	35	7	14	14
of which: Private clients with mortgages	5	(5)	14	(3)
of which: Real estate financing	5	2	3	(1)
of which: Large corporate clients	15	13	10	(8)
of which: SME clients	44	(1)	1	44
of which: Other	(34)	(2)	(14)	(18)
of which: Sovereigns	(15)	0	(15)	0
of which: Loans to financial advisors	(7)	1	0	(8)
Model changes⁴	(27)	(18)	(9)	0
Movements with profit or loss impact <sup>5</sup>	(143)	(30)	7	(120)
Movements without profit or loss impact (write-off, FX and other) <sup>6</sup>	(10)	(18)	(13)	21
Balance as of 31 December 2023	(1,244)	(308)	(272)	(664)

<sup>1</sup> 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.

ECL stage 2 ("significant deterioration in credit risk") allowances / provisions as of 31 December 2024 – classification by trigger

		of which:	of which:	of which: ≥30 days
USD m	Total	PD layer	watch list	past due
Private clients with mortgages	(71)	(47)	(1)	(22)
Real estate financing	(29)	(18)	(2)	(9)
Large corporate clients	(194)	(96)	(95)	(4)
SME clients	(76)	(41)	(20)	(14)
Ship / aircraft financing	(17)	(16)	(1)	(1)
Financial intermediaries and hedge funds		(1)	0	(1)
LUAIIS LU IIIIAIICIAI AUVISUIS	(1)	0	0	(1)
Credit cards	(12)	0	0	(12)
Consumer financing	(19)	(12)	0	(7)
Commodity trade finance	(1)	0	0	0
Other	(201)	(189)	(10)	(1)
On- and off-balance sheet	(623)	(420)	(131)	(72)

# d) Maximum exposure to credit risk

The tables below provide UBS AG'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.

Maximum exposure to cred
--------------------------

					31.12.24				
			Collater	a 1,2		Cre	dit enhancen	nents1	Exposure to
	_		Collateralized						credit ris
	Maximum	Cash	by equity				Credit	Guarantees	after collatera
	exposure to	collateral	and debt	Secured by	Other		derivative	and sub-	and credi
USD bn	credit risk	received	instruments	real estate	collateral <sup>3</sup>	Netting	contracts	participations	enhancement
Financial assets measured at									
amortized cost on the balance sheet									
Cash and balances at central banks	223.3								223.3
Amounts due from banks <sup>4</sup>	18.1		0.2		0.0			0.2	17.7
Receivables from securities financing transactions	118.3	0.0	113.2		4.1				1.0
measured at amortized cost									
Cash collateral receivables on derivative instruments <sup>5,6</sup>	44.0					28.3			15.7
Loans and advances to customers	587.3	32.9	130.3	341.1	41.1			9.6	32.4
Other financial assets measured at amortized cost	59.3	0.2	0.7		5.3				53.1
Total financial assets measured at amortized cost	1,050.3	33.1	244.3	341.1	50.6	28.3	0.0	9.8	343.2
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	1,052.5	33.1	244.3	341.1	50.6	28.3	0.0	9.8	345.4
Guarantees <sup>7</sup>	40.2	1.9	19.6	0.4	2.3			3.9	12.3
Irrevocable loan commitments	79.4	0.2	3.8	1.6	22.7			4.2	46.8
Forward starting reverse repurchase and securities									
borrowing agreements	24.9		24.9						
Committed unconditionally revocable credit lines	148.8	19.4	61.6	12.9	1.5			3.1	50.3
Total maximum exposure to credit risk not									
reflected on the balance sheet within the scope of ECL	293.3	21.4	109.9	14.9	26.4	0.0	0.0	11.2	109.4
					31.12.23				
			Collater	al <sup>1,2</sup>		Cre	dit enhancen	nents1	Exposure to
	_		Collateralized						credit risk
	Maximum	Cash	by equity				Credit	Guarantees	after collatera
	exposure to	collateral	and debt	Secured by	Other		derivative	and sub-	and credit
USD bn	credit risk	received	instruments	real estate	collateral <sup>3</sup>	Netting	contracts	participations	enhancements
Financial assets measured at									
amortized cost on the balance sheet									
Cash and balances at central banks	171.8								171.8
Amounts due from banks <sup>4</sup>	28.2		0.2		4.8			0.1	23.1
Receivables from securities financing transactions	74.1	0.0	70.7		2.8				0.7
measured at amortized cost		0.0	70.7		2.0				
Cash collateral receivables on derivative instruments <sup>5,6</sup>	32.3					22.8			9.5
Loans and advances to customers	405.6	31.4	105.2	222.7	24.9			2.8	18.7
Other financial assets measured at amortized cost	54.3	0.1	0.8	0.0	1.5				51.9
Total financial assets measured at amortized cost	766.4	31.5	176.8	222.7	33.9	22.8	0.0	2.9	275.7
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	768.6	31.5	176.8	222.7	33.9	22.8	0.0	2.9	277.9
Guarantees <sup>7</sup>	33.2	1.6	19.8	0.2	1.8			2.0	7.8
Irrevocable loan commitments	43.9	0.2	2.0	1.8	8.9		0.0	1.0	30.0
Forward starting reverse repurchase and securities									
borrowing agreements	10.4		10.4						
Committed unconditionally revocable credit lines	47.4	0.5	9.1	7.1	5.1			0.6	25.1
Total maximum exposure to credit risk not									
reflected on the balance sheet within the scope of ECL	134.8	2.3	41.3	9.0	15.7	0.0	0.0	3.5	62.9

<sup>1</sup> Of which: USD 3,742m for 31 December 2024 (31 December 2023: USD 1,637m) relates to total credit-impaired financial assets measured at amortized cost and USD 356m for 31 December 2024 (31 December 2023: USD 105m) 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 AG applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. In case of loan facilities with funded and unfunded elements, the collateral is first allocated to the funded element. For legacy Credit Suisse a risk-based approach is applied that generally prioritizes real estate collateral and prioritizes other collateral according to its liquidity profile. In 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, lien claims on assets of borrowers, inventory, mortgage loans, gold and other commodities. 4 Amounts due from banks include amounts held with the commodities. 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 reflect amounts transferred on behalf of clients. 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 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 the fixed Incommodities. 4 Programment of the clients' respective obligations under the FICC rules. The Group minimizes its liability under these guarantees by obt

# 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 UBS AG's internal credit rating system and year-end stage classification. Under IFRS 9, the credit risk rating reflects UBS AG'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 UBS AG's internal grading system

# Financial assets subject to credit risk by rating category

USD m					31.12	2.24			
									Net carrying amount
						Credit-	Total gross	ECI	(maximum
Dating asterond	0.1	2.2	4.5	6.0	0.12	impaired	carrying	ECL	exposure to
Rating category <sup>1</sup>	0–1	2–3	4–5	6–8	9–13	(defaulted)	amount	allowances	credit risk)
Financial assets measured at amortized cost	222 724	440	24		212		222 544	/10C\	222 220
Cash and balances at central banks	222,734	442	<b>24</b>	0	313	0	223,514	(186)	223,329
of which: stage 1	222,734	442	24	0		0	223,201	0	223,201
of which: stage 2	0	11 = 22	0	0	313	0	313	(186)	128
Amounts due from banks	156	14,528	2,331	799	338	0	18,153	(42)	18,111
of which: stage 1	156	14,496	2,253	780	228	0	17,913	(1)	17,912
of which: stage 2	0	32	78	18	<i>75</i>	0		(5)	198
of which: stage 3	0	0	0	1	35	0	37	(36)	0
Receivables from securities financing transactions	67,467	17,033	6,361	26,097	1,345	0	118,303	(2)	118,302
of which: stage 1	67,467	17,033	6,361	26,097	1,345	0	118,303	(2)	118,302
Cash collateral receivables on derivative instruments	10,166	19,998	7,794	5,893	109	0	43,959	0	43,959
of which: stage 1	10,166	19,998	7,794	5,893	109	0	43,959	0	43,959
Loans and advances to customers	1,921	264,783	171,138	107,851	37,827	6,656	590,177	(2,830)	587,347
of which: stage 1	1,921	263,009	167,732	99,328	28,818	0	560,807	(276)	560,531
of which: stage 2	0	1,762	3,400	8,493	8,976	0	22,632	(323)	22,309
of which: stage 3	0	12	6	30	33	6,656	6,737	(2,230)	4,506
Other financial assets measured at amortized cost	26,310	21,139	2,939	7,060	1,669	296	59,413	(135)	59,279
of which: stage 1	26,310	21,108	2,912	6,921	1,419	0	58,670	(25)	58,645
of which: stage 2	0	30	27	139	250	0	447	(7)	439
of which: stage 3	0	0	0	0	1	296	297	(103)	194
Total financial assets measured at amortized cost	328,754	337,923	190,587	147,701	41,601	6,953	1,053,520	(3,195)	1,050,326
On-balance sheet financial instruments									
Financial assets measured at FVOCI – debt instruments	1,393	702	0	101	0	0	2,195	0	2,195
Total on-balance sheet financial instruments	330,147	338,625	190,587	147,801	41,601	6,953	1,055,715	(3,195)	1,052,521

<sup>1</sup> 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 about rating categories.

# Financial assets measured at FVOCI – debt instruments

Total on-balance sheet financial instruments					31.12.24			
							Total carrying amount	
						Credit-	(maximum	
						impaired	exposure to	
Rating category <sup>1</sup>	0–1	2-3	4–5	6–8	9–13	(defaulted)	credit risk)	ECL provision
Off-balance sheet financial instruments								
Guarantees	17,395	7,283	8,403	5,197	1,829	174	40,280	(61)
of which: stage 1	17,395	7,247	8,362	4,485	1,371	0	38,860	(16)
of which: stage 2	0	36	41	708	458	0	1,242	(24)
of which: stage 3	0	0	0	4	0	174	178	(22)
Irrevocable loan commitments	1,119	23,843	22,361	14,249	17,764	243	79,579	(192)
of which: stage 1	1,119	23,650	21,974	13,742	14,673	0	75, 158	(105)
of which: stage 2	0	193	387	<i>507</i>	3,091	0	4,178	(61)
of which: stage 3	0	0	0	0	0	243	243	(26)
Forward starting reverse repurchase and securities borrowing agreements	0	0	0	24,896	0	0	24,896	0
Total off-balance sheet financial instruments	18,514	31,126	30,763	44,342	19,593	417	144,755	(253)
Credit lines								
Committed unconditionally revocable credit lines	2,180	101,163	22,877	15,991	6,434	255	148,900	(75)
of which: stage 1	2,180	100,606	22,416	15,423	5,872	0	146,496	(59)
of which: stage 2	0	<i>557</i>	461	568	562	0	2,149	(17)
of which: stage 3	0	0	0	0	0	<i>255</i>	<i>255</i>	0
Irrevocable committed prolongation of existing loans	6	1,997	946	739	918	2	4,608	(3)
of which: stage 1	6	1,997	946	739	914	0	4,602	(3)
of which: stage 2	0	0	0	1	3	0	4	0
of which: stage 3	0	0	0	0	0	2	2	0
Total credit lines	2,186	103,161	23,823	16,730	7,351	257	153,508	(79)

<sup>1</sup> 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 about rating categories.

Financial assets subject to credit risk by rating category

USD m					31.12.23	}			
						Credit-	Total gross		Net carrying amount (maximum
						impaired	carrying	ECL	exposure to
Rating category <sup>1</sup>	0-1	2-3	4-5	6–8	9–13	(defaulted)	amount	allowances	credit risk)
Financial assets measured at amortized cost									
Cash and balances at central banks	171,573	215	0	0	43	0	171,832	(26)	171,806
of which: stage 1	171,573	215	0	0	0	0	171,788	0	171,788
of which: stage 2	0	0	0	0	43	0	43	(26)	18
Amounts due from banks	811	25,095	1,359	463	485	0	28,213	(7)	28,206
of which: stage 1	811	25,095	1,354	462	476	0	28,198	(6)	28,191
of which: stage 2	0	0	5	1	9	0	15	(1)	14
of which: stage 3	0	0	0	0	0	0	0	0	C
Receivables from securities financing transactions	36,689	15,958	6,073	14,319	1,091	0	74,130	(2)	74,128
of which: stage 1	36,689	15,958	6,073	14,319	1,091	0	74,130	(2)	74,128
Cash collateral receivables on derivative instruments	8,009	13,575	6,423	4,095	198	0	32,300	0	32,300
of which: stage 1	8,009	13,575	6,423	4,095	198	0	32,300	0	32,300
Loans and advances to customers	5,993	196,897	82,867	89,738	28,486	2,586	406,568	(935)	405,633
of which: stage 1	5,993	195,590	80,534	82,633	20,916	0	385,666	(173)	385,493
of which: stage 2	0	1,307	2,333	7,106	7,570	0	18,316	(185)	18,131
of which: stage 3	0	0	0	0	0	2,586	2,586	(577)	2,009
Other financial assets measured at amortized cost	25,727	20,541	678	6,770	499	206	54,421	(87)	54,334
of which: stage 1	25,727	20,539	659	6,619	353	0	53,897	(16)	53,882
of which: stage 2	0	2	19	151	146	0	317	(5)	312
of which: stage 3	0	0	0	0	0	206	206	(66)	141
Total financial assets measured at amortized cost	248,802	272,281	97,400	115,386	30,802	2,792	767,462	(1,057)	766,407
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	250,024	273,131	97,400	115,547	30,802	2,792	769,696	(1,057)	768,640

<sup>1</sup> 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 about rating categories.

Off-balance sheet positions subject to expected credit loss by rating category

USD m					31.12.23			
							Total carrying amount	
						Credit-	(maximum	
						impaired	exposure to	
Rating category <sup>1</sup>	0–1	2–3	4–5	6–8	9–13	(defaulted)	credit risk)	ECL provision
Off-balance sheet financial instruments								
Guarantees	17,771	7,306	4,268	2,800	948	118	33,211	(40)
of which: stage 1	<i>17,771</i>	7,267	4,219	2,301	774	0	32,332	(14)
of which: stage 2	0	39	49	499	174	0	761	(7)
of which: stage 3	0	0	0	0	0	118	118	(19)
Irrevocable loan commitments	1,720	13,920	9,834	11,142	7,345	56	44,018	(95)
of which: stage 1	1,720	13,920	9,781	10,845	5,818	0	42,085	(55)
of which: stage 2	0	0	53	298	1,527	0	1,878	(38)
of which: stage 3	0	0	0	0	0	56	56	(2)
Forward starting reverse repurchase and securities borrowing agreements	10,152	2	84	135	0	0	10,373	0
Total off-balance sheet financial instruments	29,643	21,228	14,186	14,077	8,293	174	87,601	(134)
Credit lines								
Committed unconditionally revocable credit lines	2,604	17,303	10,893	11,950	4,616	56	47,421	(49)
of which: stage 1	2,604	16,903	10,553	11,452	3,941	0	45,452	(39)
of which: stage 1 of which: stage 2	0	400	341	497	675	0	1,913	(10)
of which: stage 3	0	0	0	0	0	56	56	0
Irrevocable committed prolongation of existing loans	4	1,803	1,045	826	501	4	4,183	(4)
of which: stage 1	4	1,803	1,045	824	493	0	4,169	(3)
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	2,609	19,105	11,939	12,776	5,117	59	51,604	(53)

<sup>1</sup> 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 about rating categories.

# 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 chronic and acute 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 assessments given the paucity of data.

Instead, UBS focuses on the process of vetting clients and business transactions, where both physical and transition risks for selected sensitive portfolios use internally developed, counterparty level, climate assessment models. This review process may lead to a downward revision of the counterparty's credit rating, or the adoption of risk mitigating actions, impacting 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.

The tests used were based on a set of assumptions and methodologies from a mainstream leading climate model vendor and complemented by the Network for Greening the Financial System (the NGFS) (2023) climate pathway scenarios. Such analysis undertaken during 2024 as part of a regulatory climate scenario analysis exercise mandated by FINMA 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. The analysis and its results are also subject to challenges in model assumptions, calibration and heightened model uncertainty, as are other climate models in the novel discipline of climate risk modeling. Based on current internal modeling exercises, this conclusion holds for the portfolio of private clients with mortgages and the portfolio of real estate financing.

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 2024. Therefore, no specific post-model adjustment was made in this regard.

Refer to the "UBS AG consolidated supplemental disclosures required under SEC regulations" section of this report for more information about the maturity profile of UBS AG'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.

		100%		
uco.	4000/ P II	Stagflationary	100% Mild debt	144 t L. L.
USD m	100% Baseline	geopolitical crisis	crisis	Weighted average
Change in key parameters Fixed income: Government bonds (absolute change)				
-0.50%	(5)	(6)	(124)	(15)
+0.50%	6	11	139	20
+1.00%	12	24	302	43
Unemployment rate (absolute change)				
-1.00%	(6)	(10)	(117)	(18)
-0.50%	(3)	(5)	(63)	(9)
+0.50%	3	6	72	11
+1.00%	7	12	154	22
Real GDP growth (relative change)				
-2.00%	55	85	86	67
-1.00%	25	40	47	32
+1.00%	(24)	(44)	(49)	(27)
+2.00%	(48)	(80)	(83)	(55)
House Price Index (relative change)				
-5.00%	9	26	241	37
-2.50%	4	12	111	18
+2.50%	(6)	(14)	(102)	(20)
+5.00%	(9)	(23)	(188)	(33)
Equity (S&P500, EuroStoxx, SMI) (relative change)		, ,	, ,	,
-10.00%	9	13	18	12
-5.00%	2	5	7	4
+5.00%	(7)	(8)	(13)	(8)
+10.00%	(10)	(13)	(22)	(12)

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.

The forecasting horizon is limited to three years, with a model-based mean reversion of PD and LGD assumed thereafter. 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 changin	g scenario weights o	or moving to an EC	L lifetime calculatio	on as of 31 Decem	ber 2024
					Pro forma ECL
					allowances and
	Actual ECL				provisions,
	allowances and				assuming all
	provisions,				positions being
	including staging		wances and provisions,		subject to lifetime
	(as per Note 9)	and assuming ap	plication of 100% scer	nario weighting	ECL
			100%		
			Stagflationary	100% Mild debt	
Scenarios	Weighted average	100% Baseline	geopolitical crisis	crisis	Weighted average
USD m, except where indicated					
Segmentation					
Private clients with mortgages	(118)	(43)	(718)	(68)	(408)
Real estate financing	(57)	(40)	(164)	(49)	(185)
Large corporate clients	(377)	(247)	(757)	(401)	(673)
SME clients	(180)	(151)	(259)	(223)	(327)
Ship financing	(24)	(27)	(42)	(28)	(78)
Consumer financing / credit cards	(58)	(63)	(72)	(65)	(168)
Other segments	(295)	(246)	(370)	(283)	(395)
Total	(1,110)	(818)	(2,381)	(1,116)	(2,234)

Potential effect on stage 1 and stage 2	positions from changing	a scenario weights or moving	g to an ECL lifetime calculation as of 31 December 2023

					allowances and
	Actual ECL				provisions,
	allowances and				assuming all
	provisions,				positions being
	including staging	Pro forma ECL allov	vances and provisions	, including staging	subject to lifetime
	(as per Note 9)	and assuming ap	plication of 100% sce	nario weighting	ECL
			100%		
			Stagflationary	100% Mild debt	
Scenarios	Weighted average	100% Baseline	geopolitical crisis	crisis	Weighted average
USD m, except where indicated					
Segmentation					
Private clients with mortgages	(133)	(43)	(521)	(63)	(368)
Real estate financing	(52)	(34)	(200)	(36)	(125)
Large corporate clients	(152)	(108)	(252)	(146)	(234)
SME clients	(103)	(85)	(186)	(96)	(164)
Other segments	(140)	(126)	(162)	(151)	(302)
Total	(580)	(396)	(1,322)	(492)	(1,193)

# 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 818m (31 December 2023: USD 396m) instead of USD 1,110m (31 December 2023: USD 580m) if ECLs had been determined solely on the baseline scenario. The weighted-average ECL therefore amounted to 135% (31 December 2023: 146%) 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 2,234m, 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 1,110m as of 31 December 2024.

#### 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 SMEs and Real estate financings 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.

Pro forma FCI

### 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 AG applies valuation adjustments at an individual instrument level, consistent with that unit of account. However, if certain conditions are met, UBS AG 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 AG'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 AG'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

### 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 2024, and for Credit-Suisse-related assets and liabilities for the period between the merger date and 31 December 2024, 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. As of 31 December 2024, Level 3 assets and Level 3 liabilities increased by USD 7.5bn and USD 7.0bn, respectively, compared with 31 December 2023, following the merger of UBS AG and Credit Suisse AG.

Determination of fair values from quoted market prices or valuation to		31.12.	24			31.12.23			
USD m	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	128,428	27,687	3,108	159,223	115,345	17,936	1,817	135,098	
of which: Equity instruments	116,536	430	91	117,056	99,510	721	140	100,372	
of which: Government bills / bonds	4,443	3,261	41	7,746	6,843	2, 195	14	9,052	
of which: Investment fund units	<i>6,537</i>	<i>987</i>	151	7,675	8,008	1,082	9	9,098	
of which: Corporate and municipal bonds	911	<i>17,585</i>	<i>838</i>	19,334	982	11,956	648	13,586	
of which: Loans	0	<i>5,200</i>	1,799	6,998	0	1,870	904	2,775	
of which: Asset-backed securities	1	219	<i>153</i>	<i>373</i>	3	111	101	215	
Derivative financial instruments	795	182,849	2,792	186,435	593	129,871	1,264	131,728	
of which: Foreign exchange	472	100,572	66	101,111	317	65,070	0	65,387	
of which: Interest rate	0	41,193	878	42,071	0	35,028	284	35,311	
of which: Equity / index	0	35,747	1,129	36,876	0	26,649	667	27,317	
of which: Credit	0	2,555	<i>581</i>	3,136	0	1,452	301	1,752	
of which: Commodities	1	2,599	<i>17</i>	2,617	0	1,627	12	1,639	
Brokerage receivables	0	25,858	0	25,858	0	20,883	0	20,883	
Financial assets at fair value not held for trading	35,910	50,545	8,747	95,203	29,529	30,124	4,101	63,754	
of which: Financial assets for unit-linked investment contracts	17,101	6	0	17,106	15,814	0	0	15,814	
of which: Corporate and municipal bonds	<i>31</i>	14,695	<i>133</i>	14,859	62	16,716	215	16,994	
of which: Government bills / bonds	<i>18,264</i>	6,204	0	24,469	13,262	3,332	0	16,594	
of which: Loans	0	4,427	3,192	7,619	0	4,172	1,254	5,426	
of which: Securities financing transactions	0	24,026	611	24,638	0	5,541	4	5,545	
of which: Asset-backed securities	0	972	<i>597</i>	1,569	0	18	0	18	
of which: Auction rate securities	0	0	191	191	0	0	1,208	1,208	
of which: Investment fund units	<i>423</i>	<i>133</i>	<i>681</i>	1,237	367	<i>233</i>	205	804	
of which: Equity instruments	91	0	2,916	3,008	24	0	1,088	1,112	
Financial assets measured at fair value through other comprehensive income on a recurring	basis								
Financial assets measured at fair value through other comprehensive income	59	2,137	0	2,195	68	2,165	0	2,233	
of which: Commercial paper and certificates of deposit	0	1,959	0	1,959	0	1,948	0	1,948	
of which: Corporate and municipal bonds	<i>59</i>	178	0	<i>237</i>	68	207	0	276	
Non-financial assets measured at fair value on a recurring basis									
Precious metals and other physical commodities	7,341	0	0	7,341	4,426	0	0	4,426	
Non-financial assets measured at fair value on a non-recurring basis									
Other non-financial assets <sup>2</sup>	0	0	84	84	0	0	17	17	
Total assets measured at fair value	172,532	289,076	14,731	476,340	149,962	200,979	7,198	358,139	

		31.12	.24			31.12	.23	
USD m	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	24,577	10,429	240	35,247	25,451	6,110	151	31,712
of which: Equity instruments	18,528	<i>257</i>	29	18,814	16,310	236	87	16,632
of which: Corporate and municipal bonds	5	8,771	206	8,982	28	4,893	58	4,979
of which: Government bills / bonds	4,336	1,174	0	5,510	8,320	806	0	9,126
of which: Investment fund units	1,708	<i>162</i>	3	1,873	794	117	4	915
Derivative financial instruments	829	175,788	4,060	180,678	716	136,833	3,158	140,707
of which: Foreign exchange	<i>506</i>	94,077	46	94,628	400	71,322	21	71,743
of which: Interest rate	0	<i>36,313</i>	<i>324</i>	36,636	0	32,656	107	32,763
of which: Equity / index	0	<i>39,597</i>	3,142	42,739	0	30,209	2,717	32,926
of which: Credit	0	3,280	414	3,694	0	1,341	273	1,614
of which: Commodities	1	2,200	<i>15</i>	2,216	0	1,271	20	1,291
of which: Loan commitments measured at FVTPL	0	<i>75</i>	<i>62</i>	<i>137</i>	0	3	17	21
Financial liabilities designated at fair value on a recurring basis								
Brokerage payables designated at fair value	0	49,023	0	49,023	0	42,275	0	42,275
Debt issued designated at fair value	0	90,725	11,842	102,567	0	78,509	7,832	86,341
Other financial liabilities designated at fair value	0	29,779	4,262	34,041	0	25,069	2,297	27,366
of which: Financial liabilities related to unit-linked investment contracts	0	17,203	0	17,203	0	15,922	0	15,922
of which: Securities financing transactions	0	5,798	0	5,798	0	6,927	0	6,927
of which: Funding from UBS Group AG	0	3,848	1,494	5,342	0	1,327	1,623	2,950
of which: Over-the-counter debt instruments								
and others	0	2,930	2,768	5,698	0	892	674	1,566
Total liabilities measured at fair value	25,406	355,744	20,405	401,555	26,167	288,796	13,438	328,401

<sup>1</sup> 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 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.

### Valuation techniques

UBS AG 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.

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 AG 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 UBS AG 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> <li>Generally valued using prices obtained directly from the market.</li> <li>Instruments not priced directly using active-market data are valued using discounted cash flow valuation techniques that incorporate market data for similar government instruments.</li> </ul>
	Fair value hierarchy	<ul> <li>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 or Level 3.</li> </ul>
Corporate and municipal bonds	Valuation	<ul> <li>Generally valued using prices obtained directly from the market for the security, or similar securities adjusted for seniority, maturity and liquidity.</li> <li>When prices are not available, instruments are valued using discounted cash flow valuation technique incorporating the credit spread of the issuer or similar issuers.</li> <li>For convertible bonds without directly comparable prices, issuances may be priced using a convertible bond model.</li> </ul>
	Fair value hierarchy	<ul> <li>Generally classified as Level 1 or Level 2, depending on the depth of trading activity behind price sources</li> <li>Level 3 instruments have no suitable pricing information available.</li> </ul>
Traded loans and loans measured at fair value	Valuation	<ul> <li>Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available</li> <li>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 rate and interest rates.</li> <li>Securitization lending facilities are valued using a discounted cashflow analysis that incorporate adjustments for any bespoke features of the loan and collateral. Recently originated commercial real estat loans are measured using a securitization approach based on rating agency guidelines.</li> </ul>
	Fair value hierarchy	<ul> <li>Instruments with suitably deep and liquid pricing information are classified as Level 2.</li> <li>Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3.</li> </ul>
Investment fund units	Valuation	<ul> <li>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).</li> </ul>
	Fair value hierarchy	<ul> <li>Listed units are classified as Level 1, provided there is sufficient trading activity to justify active-marke classification, while other positions are classified as Level 2.</li> <li>Positions for which NAVs are not available, or where the unit or underlying investments are illiquid, ar classified as Level 3.</li> </ul>
Asset-backed securities (ABS)	Valuation	<ul> <li>For liquid securities, the valuation process will use trade and price data, updated for movements in marke levels between the time of trading and the time of valuation. Less liquid instruments are measured usin discounted expected cash flows incorporating price data for instruments or indices with similar risk profile.</li> </ul>
	Fair value hierarchy	<ul> <li>Residential mortgage-backed securities, commercial mortgage-backed securities and other ABS ar generally classified as Level 2 when reliable external price quotes are available. However, if significar inputs are unobservable, or if market or fundamental data is not available, they are classified as Level 3.</li> </ul>
Auction rate securities (ARS)	Valuation	<ul> <li>ARS are valued utilizing a discounted cash flow methodology. The model captures interest rate ris 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 ar perpetual instruments that require an assumption regarding their maturity or issuer redemption date.</li> </ul>
	Fair value hierarchy	<ul> <li>Granular and liquid pricing information is generally not available for ARS. As a result, these securities ar classified as Level 3.</li> </ul>
Equity instruments	Valuation	<ul> <li>Listed equity instruments are generally valued using prices obtained directly from the market.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>The majority of equity securities are actively traded on public stock exchanges where quoted prices ar readily and regularly available, resulting in Level 1 classification.</li> <li>Equity securities less actively traded will be classified as Level 2, and illiquid positions as Level 3.</li> </ul>
Financial assets for unit-linked	Valuation	The majority of assets are listed on exchanges and fair values are determined using quoted prices.
investment contracts	Fair value hierarchy	<ul> <li>Most assets are classified as Level 1 if actively traded, or Level 2 if trading is not active.</li> <li>Instruments for which prices are not readily available are classified as Level 3.</li> </ul>
Securities financing transactions	Valuation	<ul> <li>These instruments are valued using discounted expected cash flow techniques. The discount rate applie is based on funding curves that are relevant to the collateral eligibility terms.</li> </ul>
u ansacuUns	Fair value hierarchy	<ul> <li>Collateral funding curves for these instruments are generally observable and, as a result, these position are classified as Level 2.</li> <li>Where the collateral terms are non-standard, the funding curve may be considered unobservable, an these positions are classified as Level 3.</li> </ul>
Brokerage	Valuation	- Fair value is determined based on the value of the underlying balances.
receivables and payables	Fair value hierarchy	Due to their on-demand nature, these receivables and payables are deemed as Level 2.

Product	Valuation and	classification in the fair value hierarchy
Financial liabilities related to unit-	Valuation	<ul> <li>The fair values of investment contract liabilities are determined by reference to the fair value of the corresponding assets.</li> </ul>
linked investment contracts	Fair value hierarchy	<ul> <li>The liabilities themselves are not actively traded, but are mainly referenced to instruments that are actively traded and are therefore classified as Level 2.</li> </ul>
Precious metals and	Valuation	<ul> <li>Physical assets are valued using the spot rate observed in the relevant market.</li> </ul>
other physical commodities	Fair value hierarchy	<ul> <li>Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1.</li> </ul>
Debt issued designated at fair value	Valuation	<ul> <li>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.</li> </ul>
	Fair value hierarchy	The observability is closely aligned with the equivalent derivatives business and the underlying risk.
Commercial paper and certificates of	Valuation	<ul> <li>Generally valued using discounted cash flow valuation techniques incorporating the spread of the issuer or similar issuers over the underlying currency risk-free curve.</li> </ul>
deposit	Fair value hierarchy	<ul> <li>Due to the short-dated nature of the positions and liquid underlying pricing inputs, they are generally classified as Level 2.</li> </ul>

# 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 AG's own credit risk, and funding costs and benefits.

# > Refer to Note 11 for more information about derivative instruments

Derivative product	Valuation and	I classification in the fair value hierarchy
Interest rate contracts	Valuation	<ul> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>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.</li> <li>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.</li> <li>Interest rate swap or option contracts are classified as Level 3 when the terms exceed standard market-observable quotes.</li> <li>Exotic options for which appropriate volatility or correlation input levels cannot be implied from observable market data are classified as Level 3.</li> </ul>
Credit derivative contracts	Valuation	<ul> <li>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.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>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.</li> <li>Asset-backed credit derivatives follow the characteristics of the underlying security and are therefore distributed across Level 2 and Level 3.</li> </ul>

Derivative product	Valuation and	classification in the fair value hierarchy
Foreign exchange contracts	Valuation	<ul> <li>Open spot foreign exchange (FX) contracts are valued using the FX spot rate observed in the market.</li> <li>Forward FX contracts are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources.</li> <li>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 from 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.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>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.</li> <li>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.</li> </ul>
Equity / index contracts	Valuation	<ul> <li>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.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>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.</li> <li>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.</li> </ul>
Commodity contracts	Valuation	<ul> <li>Commodity forward and swap contracts are measured using market-standard models that use market forward levels on standard instruments.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>Individual commodity contracts are typically classified as Level 2, because active forward and volatility market data is available.</li> </ul>
Loan commitments measured at FVTPL	Valuation	<ul> <li>Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available.</li> <li>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.</li> </ul>
	Fair value hierarchy	<ul> <li>Instruments with suitably deep and liquid pricing information are classified as Level 2.</li> <li>Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3.</li> </ul>

## 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.

Deferred day-1 profit or loss reserves			
USD m	2024	2023	2022
Reserve balance at the beginning of the year	397	422	418
Profit / (loss) deferred on new transactions	244	250	299
(Profit) / loss recognized in the income statement	(215)	(275)	(295)
Foreign currency translation	(6)	0	0
Reserve balance at the end of the year	421	397	422

#### Own credit

Own credit risk is reflected in the valuation of UBS AG's fair value option liabilities where this component is considered relevant for valuation purposes by UBS AG'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 neither creates nor increases an accounting mismatch in the income statement, as UBS AG 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 AG'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

	Included in Ot	her comprehensive i	ncome
	For	the year ended	
USD m	31.12.24	31.12.23	31.12.22
Realized gain / (loss)	(50)	8	1
Unrealized gain / (loss)	(891)	(869)	866
Total gain / (loss), before tax	(941)	(861)	867
of which: recognized during the period and disclosed in the Statement of comprehensive income	75	(861)	867
of which: recognized upon the merger of UBS AG and Credit Suisse AG1	(1,016)		
1 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG.			
USD m	31.12.24	31.12.23	31.12.22
Recognized on the balance sheet as of the end of the period:			
Unrealized life-to-date gain / (loss)	(1,165)	(312)	556
of which: debt issued designated at fair value	(780)	(208)	289
of which: other financial liabilities designated at fair value	(385)	(105)	266

### 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

Uncollateralized 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 and in cases where collateral agreements contain optionality regarding the type of collateral that can be pledged or received.

### 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 AG'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 UBS AG 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, UBS AG 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	31.12.24	31.12.23
Credit valuation adjustments <sup>1</sup>	(125)	(37)
Funding and debit valuation adjustments	(96)	(82)
Other valuation adjustments	(1,206)	(730)
of which: liquidity	(746)	(308)
of which: model uncertainty	(460)	(423)

<sup>1</sup> Amounts do not include reserves against defaulted counterparties.

# 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 2024 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 UBS AG's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by UBS AG. 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.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

		Fair v	/alue						Rang	je of inp	outs		
	Assets		Liabilit	ties				31.12.2	24		31.12.	23	
					W. L. al.	Significant							
USD bn	21 12 24 21	12 22	21 12 24	21 12 22	Valuation	unobservable	love	himb	weighted	low	hiah	weighted	uni+1
	<b>31.12.24</b> 31.				technique(s)	input(s)1	low	high	average <sup>2</sup>	low	high	average <sup>2</sup>	unit <sup>1</sup>
Financial assets and liabilit	ies at fair value	neia toi	r trading and	rinanciai		neid for trading							
Corporate and municipal	4.0	0.0	0.2	0.1	Relative value to	Dand arias savinalant	22	444	00	0	114	93	points
bonds	1.0	0.9	0.2	<i>U. 1</i>	market comparable	Bond price equivalent	23	114	98	9	114	93	
					Discounted expected	D'	000	000	000	401	401	401	basis
T / // /					cash flows	Discount margin	868	868	868	491	491	491	points
Traded loans, loans					Relative value to								
designated at fair value and quarantees	E 2	2.3	0.0	0.0	market comparable	Loan price equivalent	4	173	84	6	101	98	points
anu yuaramees	<i>5.2</i>	2.3	0.0	0.0		Loan price equivalent	1.	1/3	04	0	101	90	
					Discounted expected	Cuadit annead	10	EAE	105	200	275	252	basis
					cash flows	Credit spread	16	545	195	200	275	252	points
					Market comparable								la a ata
					and securitization model	Cuadit annead	75	1 000	200	162	1 0 40	318	basis
						Credit spread	75	1,899	208	102	1,849	318	points
A to be alread this	0.7	0.1	0.0	0.0	Relative value to	Daniel anias annihuslant	•	442	70	4	205	100	
Asset-backed securities	0.7	0.1	0.0	0.0	market comparable	Bond price equivalent	0	112	79	1	205	108	points
1	0.0	0.2	0.0	0.0	Relative value to	Matassatuslus							
Investment fund units3	0.8	0.2	0.0	0.0	market comparable	Net asset value							
<b>5</b>	2.0	4.2	0.0	0.4	Relative value to	<b>D</b> :							
Equity instruments <sup>3</sup>	3.0	1.2	0.0	0.1	market comparable	Price							
Debt issued designated at			44.0	7.0									
fair value4			11.8	7.8	Discounts described								la a al a
Other financial liabilities			4.3	2.3	Discounted expected	From Albana and and	95	201		г1	201		basis
designated at fair value Derivative financial instrum			4.3	2.3	cash flows	Funding spread	95	201		51	201		points
Derivative financial instrum	ients					At Latte City							
/	0.0	0.2	0.2	0.1	0	Volatility of interest		450		0.4	112		basis
Interest rate	0.9	0.3	0.3	<i>U. 1</i>	Option model	rates	50 60	156		84	112		points
						IR-to-IR correlation	60	99					%
					Discounted expected		_						basis
					cash flows	Funding spread	5	20					points
					Discounted expected		_						basis
Credit	0.6	0.3	0.4	0.3	cash flows	Credit spreads	2	1,789		1	306		points
						Credit correlation	50	66					%
						Recovery rates	50 0	100					%
					Option model	Credit volatility	59	127					%
Equity / index	1.1	0.7	3.1	2.7	Option model	Equity dividend yields	0	16		0	14		%
						Volatility of equity							
						stocks, equity and							
						other indices	4	126		4	104		%
						Equity-to-FX							
						correlation	(65)	80		(40)	70		%
						Equity-to-equity	\/			\.:3/.			
						correlation	0	100		13	100		%
Loan commitments					Relative value to								
measured at FVTPL			0.1	00	market comparable	Loan price equivalent	60	101		78	101		points
casarea at i vii L			0.7	0.0	a. Ret comparable	200.1 price equivalent		101		, 0	101		Pomis

<sup>1</sup> 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 overthe-counter debt instruments are presented in the respective derivative financial instruments lines in this table.

# 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> <li>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).</li> <li>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.</li> <li>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.</li> </ul>
Loan price equivalent	- 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	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> <li>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.</li> <li>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 or better-quality instruments.</li> </ul>
Funding spread	<ul> <li>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 AG can fund itself on an unsecured basis but provide an estimate of where UBS AG 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.</li> <li>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.</li> </ul>
Volatility	<ul> <li>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.</li> <li>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.</li> </ul>
Recovery rate	The projected recovery rate reflects the estimated recovery that will be realized given expected defaults; it is an analogo 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 isolatic would result in significantly higher / (lower) fair value for the respective underlying cash security. The impact of a change recovery rate on a credit derivative position will depend on whether credit protection has been bought or sold. The recover rate is ultimately driven by the value recoverable from collateral held after default occurs relative to the outstanding exposurat that point.
Correlation	Correlation measures the interrelationship between the movements of two variables. It is expressed as a percentage betwee –100% and +100%, where +100% represents perfectly correlated variables (meaning a movement of one variable associated with a movement of the other variable in the same direction), and –100% implies that the variables are inverse correlated (meaning a movement of one variable is associated with a movement of the other variable in the opposi direction). The effect of correlation on the measurement of fair value depends on the specific terms of the instruments beir valued, reflecting the range of different payoff features within such instruments.

Input	Description
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, UBS AG believes that the diversification benefit is not significant to this analysis.

#### Sensitivity of fair value measurements to changes in unobservable input assumptions<sup>1</sup>

	31.12.2	4	31.12.23		
USD m	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes	
Traded loans, loans measured at fair value and guarantees	185	(143)	15	(19)	
Securities financing transactions	30	(24)	24	(24)	
Auction rate securities	8	(6)	67	(21)	
Asset-backed securities	32	(28)	25	(22)	
Equity instruments	333	(308)	189	(178)	
Investment fund units	179	(181)	21	(23)	
Loan commitments measured at FVTPL	38	(42)	7	(10)	
Interest rate derivatives, net	115	(70)	27	(18)	
Credit derivatives, net	112	(117)	2	(5)	
Foreign exchange derivatives, net	3	(2)	5	(4)	
Equity / index derivatives, net	732	(617)	358	(285)	
Other	289	(161)	42	(39)	
Total	2,056	(1,700)	781	(648)	

<sup>1</sup> Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or Other.

### 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. 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 instrum  USD bn	Balance at the beginning of the period	Effect from merger of UBS AG and Credit Suisse AG <sup>1</sup>	Net gains / losses included in compre- hensive income <sup>2</sup>	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 Decer	nber 2024³											
Financial assets at fair value held for												
trading	1.8	7.8	(0.0)	(0.3)	0.5	(4.2)	0.5	(3.1)	0.3	(0.4)	(0.1)	3.1
of which: Equity instruments	0.1	0.1	(0.1)	(0.1)	0.0	(0.2)	0.0	(0.0)	0.1	(0.0)	(0.0)	0.1
of which: Corporate and municipal bonds	0.6	0.4	(0.1)	(0.1)	0.3	(0.3)	0.0	(0.0)	0.1	(0.0)	(0.0)	0.8
of which: Loans	0.9	7.0	0.2	(0.1)	0.0	(3.5)	0.5	(3.0)	0.0	(0.4)	(0.1)	1.8
Derivative financial instruments –												
assets	1.3	0.7	0.0	0.2	0.0	(0.1)	1.3	(0.7)	0.7	(0.4)	(0.0)	2.8
of which: Interest rate	0.3	0.0	0.1	0.0	0.0	(0.1)	0.5	(0.1)	0.2	(0.0)	0.0	0.9
of which: Equity / index	0.7	0.2	0.1	0.1	0.0	(0.0)	0.6	(0.3)	0.2	(0.3)	(0.0)	1.1
of which: Credit	0.3	0.1	(0.1)	(0.0)	0.0	(0.0)	0.1	(0.1)	0.3	(0.0)	(0.0)	0.6
Financial assets at fair value not held											4	
for trading	4.1	4.1	0.2	0.2	0.3	(0.4)	2.4	(1.9)	0.5	(0.4)	(0.1)	8.7
of which: Loans	1.3	0.8 0.0	0.2	0.3 (0.0)	0.0	0.0 0.0	1.6 0.0	(0.4)	0.0	(0.3)	(0.1)	3.2 0.2
of which: Auction rate securities of which: Equity instruments	1.2 1.1	1.8	0.0 0.0	(0.0)	0.0 0.2	(0.2)	0.0	(1.1) (0.0)	0.0 0.1	0.0 0.0	0.0 (0.0)	0.2 2.9
of which: Investment fund units	0.2	0.4	0.0	(0.0)	0.2	(0.1)	0.0	0.0	0.0	(0.0)	(0.0)	0.7
of which: Asset-backed securities	0.0	0.5	0.0	0.0	0.0	(0.1)	0.0	0.0	0.3	(0.1)	0.0	0.6
Derivative financial instruments –												
liabilities	3.2	0.9 0.1	0.1 0.0	<b>0.2</b> 0.1	0.0 0.0	(0.0) (0.0)	<b>1.9</b> 0.0	(2.0) (0.0)	0.6 0.1	(0.6)	(0.1) 0.0	<b>4.1</b> 0.3
of which: Interest rate	0.1	0.1	0.0	0.1			1.7			(0.0)		
of which: Equity / index of which: Credit	2.7 0.3	0.2	(0.1)	(0.1)	0.0 0.0	(0.0) (0.0)		(1.8) (0.1)	0.4 0.0	(0.4) (0.0)	(0.1) (0.0)	3.1 0.4
of which: Loan commitments		0.2	(0.1)	(0.1)	0.0	10.07		(0.1)		(0.0)	10.07	0.4
measured at FVTPL	0.0	0.4	(0.2)	(0.0)	0.0	(0.0)	0.0	(0.1)	0.0	(0.1)	(0.0)	0.1
Debt issued designated at fair value	7.8	4.5	0.3	0.2	0.0	(0.0)	4.3	(3.5)	1.7	(2.9)	(0.3)	11.8
Other financial liabilities designated at fair value	2.3	1.9	(0.1)	(0.1)	0.0	(0.0)	1.3	(1.1)	0.1	(0.1)	(0.0)	4.3
For the twelve months ended 31 Decer	nber 2023											
Financial assets at fair value held for												
trading	1.5		(0.1)	(0.1)	0.4	(8.0)	0.8	0.0	0.2	(0.3)	0.0	1.8
of which: Equity instruments of which: Corporate and municipal	0.1		(0.1)	(0.1)	0.0	(0.1)	0.0	0.0	0.2	(0.0)	0.0	0.1
bonds	0.5		(0.0)	(0.0)	0.4	(0.3)	0.0	0.0	0.0	(0.0)	0.0	0.6
of which: Loans	0.6		(0.1)	(0.1)	0.1	(0.4)	0.8	0.0	0.0	(0.2)	0.0	0.9
Derivative financial instruments –												
assets	1.5		(0.3)	(0.3)	0.0	(0.0)	0.7	(0.5)	0.1	(0.3)	0.0	1.3
of which: Interest rate	0.5		0.0	(0.0)	0.0	0.0	0.1	(0.2)	0.0	(0.1)	(0.0)	0.3
of which: Equity / index	0.7		(0.2)	(0.2)	0.0	0.0	0.6	(0.1)	0.0	(0.2)	0.0	0.7
of which: Credit	0.3		(0.1)	(0.1)	0.0	0.0	0.1	(0.1)	0.1	(0.0)	0.0	0.3
Financial assets at fair value not held	2.7		0.0	0.2	0.0	(0.7)	0.0	(0.0)	0.4	(0.4)		4.4
for trading	<b>3.7</b> <i>0.7</i>		<b>0.2</b>	<b>0.2</b> 0.3	0.8 0.3	(0.7) (0.0)	0.0 0.0	(0.0)	0.1 0.1	(0.1)	(0.0)	4.1
of which: Loans of which: Auction rate securities	0.7 1.3		0.0	0.0	0.3	(0.0)	0.0	(0.0)	0.1	(0.1) 0.0	0.0	1.3 1.2
of which: Equity instruments	0.8		0.0	0.0	0.4	(0.1)	0.0	0.0 0.0	0.0 0.1	0.0	0.0	1.2
of which: Investment fund units	0.2		(0.0)	(0.0)	0.1	(0.1)	0.0	0.0	0.0	(0.0)	0.0	0.2
Derivative financial instruments —			10.0/	10.0/			0.0			(0.0)		U.Z
liabilities	1.7		0.3	0.3	0.0	(0.0)	1.9	(0.6)	0.0	(0.2)	0.0	3.2
of which: Interest rate	0.1		0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	(0.0)	0.0	0.1
of which: Equity / index	1.2		0.3	0.3	0.0	0.0	1.8	(0.4)	0.0	(0.2)	0.0	2.7
of which: Credit	0.3		(0.0)	0.0	0.0	0.0	0.1	0.0	0.0	(0.1)	(0.0)	0.3
Debt issued designated at fair value	9.2		0.4	0.3	0.0	0.0	3.5	(3.2)	0.5	(2.6)	0.0	7.8
Other financial liabilities designated at												
fair value	2.0		0.3	0.4	0.0	0.0	0.2	(0.2)	0.0	(0.0)	0.0	2.3

<sup>1</sup> Refer to Note 2 for more information about the merger of UBS AG and Credit Susse AG. 2 Net gains / losses included in comprehensive comprehensive recognized in Note 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 2024 were USD 14.7bn (31 December 2023: USD 7.2bn). Total Level 3 liabilities as of 31 December 2024 were USD 20.4bn (31 December 2023: USD 13.4bn).

# h) Maximum exposure to credit risk for financial instruments measured at fair value

The tables below provide UBS AG'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

					31.12.24				
			Collate	edit enhancen	nents	Exposure to			
USD bn	Maximum exposure to credit risk	Cash collateral received	Collateralized by equity and debt instruments	Secured by real estate	Other collateral	Netting	Credit derivative contracts	Guarantees and sub- participations	credit risk after collateral and credit enhancements
Financial assets measured at fair value on the balance sheet <sup>1</sup>									
Financial assets at fair value									
held for trading – debt instruments <sup>2,3</sup>	34.5								34.5
Derivative financial instruments <sup>4,5</sup>	100.4		0.7			100.0			23.0
Brokerage receivables	25.9		25.7						0.2
Financial assets at fair value not		•••••							
held for trading – debt instruments <sup>6</sup>	73.8	0.1	31.5		1.0				41.3
Total financial assets measured at fair value	320.6	0.1	63.9	0.0	1.0	156.0	0.0	0.0	99.7
Guarantees	0.4	0.1			0.0			0.3	0.0
					31.12.23				

					31.12.23				
			Collate	ral		Cre	Exposure to		
_USD bn	Maximum exposure to credit risk	Cash collateral received	Collateralized by equity and debt instruments	Secured by real estate	Other collateral	Netting	Credit derivative contracts	and sub-	credit risk after collateral and credit enhancements
Financial assets measured at fair value on the balance sheet <sup>1</sup>									
Financial assets at fair value									
held for trading — debt instruments <sup>2,3</sup>	25.6								25.6
Derivative financial instruments <sup>4,5</sup>	131.7		5.1			117.6			9.1
Brokerage receivables	20.9		20.5						0.4
Financial assets at fair value not								•••••	
held for trading – debt instruments <sup>6</sup>	46.0		10.2						35.8
Total financial assets measured at fair value	224.3	0.0	35.8	0.0	0.0	117.6	0.0	0.0	70.9
Guarantees	0.1							0.1	0.0

<sup>1</sup> 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 Includes USD 146m (31 December 2023: USD 32m) forward starting reverse repurchase agreements classified as derivatives. The full contractual committed amount of forward starting reverse repurchase agreements (generally highly collateralized) of USD 51.8bn, of which USD 4.8bn, of which USD 4.8bn, of which USD 4.8bn ad been sub-participated (31 December 2023: USD 4.8bn, of which USD 1.4bn had been sub-participated), is presented in Note 11 under notional amounts.

5 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 22 for more information.

6 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.

### 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

			31.12.24			31.12.23						
	Carrying amount		Fai	ir value			Carrying amount		Fai	r value		
USD bn	Total	Carrying amount approximates fair value <sup>1</sup>	Level 1	Level 2	Level 3	Total	Total	Carrying amount approximates fair value <sup>1</sup>	Level 1	Level 2	Level 3	Total
Assets												
Cash and balances at central banks	223.3	223.3	0.0	0.0	0.0	223.3	171.8	171.7	0.0	0.1	0.0	171.8
Amounts due from banks	18.1	17.1	0.0	0.8	0.2	18.1	28.2	12.5	0.0	15.4	0.2	28.2
Receivables from securities financing transactions measured at amortized cost Cash collateral receivables on derivative	118.3	115.1	0.0	2.8	0.4	118.3	74.1	68.7	0.0	3.9	1.5	74.1
instruments	44.0	44.0	0.0	0.0	0.0	44.0	32.3	32.3	0.0	0.0	0.0	32.3
Loans and advances to customers	587.3	182.9	0.0	44.5	355.0	582.4	405.6	131.8	0.0	44.3	220.4	396.5
Other financial assets measured at amortized												
cost	59.3	10.5	13.2	31.0	2.8	57.5	54.3	9.0	12.8	29.6	2.6	54.1
Liabilities												
Amounts due to banks	23.3	16.1	0.0	7.2	0.0	23.4	16.7	8.8	0.0	8.0	0.0	16.7
Payables from securities financing transactions measured at amortized cost <sup>2</sup>	14.8	7.1	0.0	7.5	0.2	14.8	5.8	5.1	0.0	0.4	0.4	5.8
Cash collateral payables on derivative instruments	36.4	36.4	0.0	0.0	0.0	36.4	34.9	34.9	0.0	0.0	0.0	34.9
Customer deposits	749.5	677.3	0.0	72.6	0.0	750.0	555.7	482.1	0.0	74.5	0.0	556.6
Funding from UBS Group AG measured at amortized cost	107.9	2.5	0.0	110.0	0.0	112.5	67.3	3.3	0.0	64.4	0.0	67.7
Debt issued measured at amortized cost	101.1	15.6	0.0	87.1	0.0	102.7	69.8	18.1	0.0	51.7	0.0	69.8
Other financial liabilities measured at amortized cost	17.9	16.5	0.0	0.1	1.3	17.9	9.8	9.8	0.0	0.0	0.0	9.8

<sup>1</sup> 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 AG'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 AG'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 AG 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.

UBS AG 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 su	bject to netting	arrangemer	nts				
	Netting reco	ognized on the bala	ance sheet		otential not he balance s	recognized on sheet <sup>1</sup>	Assets not subject to netting arrangements <sup>2</sup>	Total a	ssets
As of 31.12.24, USD bn	Net assets recognized consideration on the Gross assets Netting with balance before netting gross liabilities sheet liabilities received potential		Assets recognized on the balance sheet	Total assets after consideration of netting potential	Total assets recognized on the balance sheet				
Receivables from securities financing	444.4	(42.2)		(2.4)	(05.0)	0.4	20.4	20.2	440.0
transactions measured at amortized cost	111.4	(13.3)	98.2	(3.1)	(95.0)	0.1	20.1	20.3	118.3
Derivative financial instruments	178.7	(2.6)	176.1	(135.6)	(27.1)	13.5	10.3	23.8	186.4
Cash collateral receivables on derivative instruments <sup>4</sup>	42.0	0.0	42.0	(25.9)	(2.4)	13.7	1.9	15.7	44.0
Financial assets at fair value not held for trading	112.3	(87.1)	25.2	(1.8)	(23.3)	0.1	70.0	70.1	95.2
of which: reverse repurchase agreements	109.6	(87.1)	22.5	(1.8)	(20.6)	0.1	1.0	1.0	23.4
Total assets	444.5	(103.0)	341.5	(166.4)	(147.7)	27.4	102.4	129.8	443.9
As of 31.12.23, USD bn									
Receivables from securities financing transactions measured at amortized cost	69.2	(12.2)	56.9	(1.5)	(55.2)	0.3	17.2	17.5	74.1
Derivative financial instruments	128.8	(2.5)	126.3	(99.3)	(23.4)	3.7	5.4	9.1	131.7
Cash collateral receivables on derivative instruments <sup>4</sup>	31.5	0.0	31.5	(20.4)	(2.5)	8.7	0.8	9.5	32.3
Financial assets at fair value not held for trading	96.3	(89.6)	6.7	(1.8)	(4.9)	0.0	57.1	57.1	63.8
of which: reverse repurchase agreements	95.1	(89.6)	<i>5.5</i>	(1.8)	(3.7)	0.0	0.0	0.0	5.5
Total assets	325.7	(104.3)	221.4	(122.9)	(85.9)	12.6	80.5	93.1	301.9

<sup>1</sup> 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.

2 Includes assets not subject to enforceable netting arrangements and other out-of-scope items.

3 The logic of the table results in 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.

4 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.

# Note 22 Offsetting financial assets and financial liabilities (continued)

### Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

		Liabil	ties subject to ne	etting arrang	ements				
	Netting red	cognized on the	palance sheet	Netting or	Liabilities not subject to netting arrangements <sup>2</sup>	Total liabilities			
As of 31.12.24, USD bn	Gross liabilities before netting	Netting with gross assets <sup>3</sup>	Net liabilities recognized on the balance sheet	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognized on the balance sheet	Total liabilities after consideration of netting potential	Total liabilities recognized on the balance sheet
Payables from securities financing transactions measured at amortized cost	25.0	(11.5)	13.5	(1.1)	(12.4)4	0.0	1.4	1.4	14.8
Derivative financial instruments	176.2	(2.6)	173.6	(135.6)	(30.8)	7.2	7.1	14.3	180.7
Cash collateral payables on derivative instruments <sup>5</sup>	34.8	0.0	34.8	(20.2)	(2.4)	12.2	1.6	13.8	36.4
Other financial liabilities designated at fair value	96.9	(88.9)	8.0	(3.8)	(4.1)	0.0	26.1	26.1	34.0
of which: repurchase agreements	94.7	(88.9)	<i>5.8</i>	(3.8)	(2.0)	0.0	0.0	0.0	<i>5.8</i>
Total liabilities	332.8	(103.0)	229.8	(160.7)	(49.7)	19.5	36.1	55.6	265.9
As of 31.12.23, USD bn									
Payables from securities financing transactions measured at amortized cost	16.1	(12.1)	4.0	(0.8)	(3.2)	0.0	1.8	1.8	5.8
Derivative financial instruments	135.9	(2.5)	133.5	(99.3)	(24.5)	9.7	7.2	16.9	140.7
Cash collateral payables on derivative instruments <sup>5</sup>	33.5	0.0	33.5	(17.2)	(3.4)	12.9	1.4	14.3	34.9
Other financial liabilities designated at fair value	97.1	(89.8)	7.3	(2.5)	(4.8)	0.0	20.1	20.1	27.4
of which: repurchase agreements	96.7	(89.8)	6.9	(2.5)	(4.4)	0.0	0.0	0.0	6.9
Total liabilities	282.6	(104.3)	178.3	(119.7)	(36.0)	22.5	30.4	53.0	208.7

<sup>1</sup> 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.

2 Includes liabilities not subject to enforceable netting arrangements and other out-of-scope items.

3 The logic of the table results in 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.

4 Includes collateral of USD 8.8bn for securities financing transactions measured at amortized cost that use UBS AG debt instruments as the underlying.

5 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.

#### 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 are mainly pledged as collateral in securities lending transactions, in repurchase transactions and in relation to mortgage loans, which serve as collateral 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 7.2bn as of 31 December 2024 could be withdrawn or used as collateral for future liabilities, covered bond issuances or used for securities financing transactions backed by available retained covered bonds without breaching existing collateral requirements (31 December 2023: approximately USD 2.0bn). Existing liabilities against Swiss central mortgage institutions and US Federal Home Loan Banks and for existing covered bond issuances were USD 48.4bn as of 31 December 2024 (31 December 2023: USD 15.4bn).

Repurchase and securities lending arrangements 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.

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

USD m	31.1	2.24	31.12.23		
		of which: assets pledged as collateral that may be sold or		of which: assets pledged as collateral that may be sold or	
	Restricted	repledged by	Restricted	repledged by	
Financial assets plades discussions	financial assets	counterparties	financial assets	counterparties	
Financial assets pledged as collateral					
Cash and balances at central banks <sup>1</sup>	8/6				
Financial assets at fair value held for trading	71,050	<i>38,532</i>	76,579	44,524	
Loans and advances to customers	71,887		28,105		
Financial assets at fair value not held for trading	3,645	2,566	3,099	2,110	
Debt securities classified as Other financial assets measured at amortized cost	8,703	7,891	7,043	6,299	
Total financial assets pledged as collateral	156,160		115,535		
Other restricted financial assets					
Amounts due from banks	2,473		2,543		
Financial assets at fair value held for trading	264		169		
Cash collateral receivables on derivative instruments	8,006		4,685		
Loans and advances to customers	1Xh		28		
Other financial assets measured at amortized cost <sup>2</sup>	A 19A		3,334		
Figure 1 and the second of the control of the second of th	20.277		17,844		
Financial assets at fair value not neighbor trading Financial assets measured at fair value through other comprehensive income	1,863		1,846		
Other	128		249		
Total other restricted financial assets	37,481		30,698		
Total financial assets pledged and other restricted financial assets <sup>3</sup>	193,641		146,233		

<sup>1</sup> Assets pledged to the depositor protection system in Switzerland.
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, as well as undrawn contingency funding facilities (31 December 2024: USD 30.5bn; 31 December 2023: USD 26.5bn).

### Note 23 Restricted and transferred financial assets (continued)

In addition to restrictions on financial assets, UBS AG and its subsidiaries are, in certain cases, subject to regulatory requirements that affect the transfer of dividends and capital within UBS AG, 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.

# 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.	12.24	31.12.23		
	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	38,532	19,690	44,524	23,374	
Financial assets at fair value not held for trading that may be sold or repledged by counterparties	2,566	2,012	2,110	1,976	
Debt securities classified as Other financial assets measured at amortized cost that may be sold or repledged by counterparties	7,891	7,442	6,299	5,928	
Total financial assets transferred	48,989	29,144	52,933	31,278	

Transactions in which financial assets are transferred but continue to be recognized in their entirety on UBS AG'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 AG'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 AG.

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 AG's balance sheet, as the risks and rewards of ownership are not transferred to UBS AG. 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 UBS AG's continuing involvement were not material as of 31 December 2024 and as of 31 December 2023.

### 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 AG's continuing involvement from transferred positions as of 31 December 2024 and 31 December 2023 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	31.12.24	31.12.23
Fair value of assets received that can be sold or repledged <sup>1</sup>	581,769	489,476
of which: sold or repledged <sup>2</sup>	383,227	357,020

<sup>1</sup> Includes securities received as initial margin from its clients that UBS AG 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 2024: USD 21.4bn; 31 December 2023: USD 16.0bn) 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.

# 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 AG 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)

	31.12.24									
USD bn	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	Perpetual / Not applicable	Total		
Assets				•	•	•				
Total financial assets measured at amortized cost	558.4	50.3	70.2	116.2	130.5	124.7		1,050.3		
Amounts due from banks	16.7	0.5	0.5	0.0	0.2	0.1		18.1		
Loans and advances to customers	164.9	33.3	62.0	108.9	112.5	105.7		587.3		
Other financial assets measured at amortized cost	9.9	0.9	5.3	6.6		18.9		59.3		
Total financial assets measured at fair value through profit or	3,3	0.5	3,5	0.0		7015				
loss	413.2	6.5	14.2	13.5	12.7	2.3	4.2	466.7		
Financial assets at fair value not held for trading	41.7	6.5	14.2	13.5	12.7	2.3	4.2	95.2		
Financial assets measured at fair value through other										
comprehensive income	0.5	0.8	0.9	0.0	0.0	0.0		2.2		
Total non-financial assets	12.8	0.3	0.6	0.0	2.5	1.1	31.5	48.8		
Total assets	984.8	57.9	86.0	129.7	145.8	128.2	35.8	1,568.1		
Liabilities										
Total financial liabilities measured at amortized cost	691.5	80.0	88.0	45.9	71.6	61.9	15.9	1,054.8		
Customer deposits	611.7	65.5	51.2	8.9	11.8	0.3		749.5		
Funding from UBS Group AG measured at amortized cost	0.0	2.5	3.2	17.0	31.9	37.5	15.9	107.9		
Debt issued measured at amortized cost	8.3	7.3	29.6	15.4	<i>18.7</i>	21.8		101.1		
of which: non-subordinated	8.3	7.3	29.2	15.2	18.6	21.8		100.4		
of which: subordinated	0.0		0.3	0.3	0.1	0.0		0.7		
Total financial liabilities measured at fair value through										
profit or loss <sup>1</sup>	299.7	11.9	27.7	26.7	13.1	22.4		401.6		
Debt issued designated at fair value	12.0	11.4	26.3	25.1	11.5	16.3		102.6		
Total non-financial liabilities	11.3	3.9	0.1	0.2	0.4	0.4	0.7	17.0		
Total liabilities	1,002.4	95.8	115.8	72.9	85.2	84.7	16.6	1,473.4		
Guarantees, loan commitments and forward starting transaction	ıs²									
Irrevocable loan commitments	78.7	0.5	0.4	0.0				79.6		
Guarantees	40.7							40.7		
Forward starting reverse repurchase and securities borrowing										
agreements	24.9							24.9		
Irrevocable committed prolongation of existing loans	2.5	0.7	1.4	0.0				4.6		
Total	146.7	1.2	1.7	0.0				149.8		

	31.12.23									
		Due between	Due between				Perpetual /			
	Due within	1 and 3	3 and 12	Due between	Due between	Due over	Not			
USD bn	1 month	months	months	1 and 2 years	2 and 5 years	5 years	applicable	Total		
Assets										
Total financial assets measured at amortized cost	416.2	25.6	47.6	105.2	77.8	94.0		766.4		
Amounts due from banks	12.0	0.5	5.4	10.0	0.2	0.1		28.2		
Loans and advances to customers	<i>135.5</i>	12.1	33.3	89.4	61.4	74.0		405.6 54.3		
Other financial assets measured at amortized cost	7.4	1.6	4.2	5.1	16.1	19.9		54.3		
Total financial assets measured at fair value through profit or										
loss	312.5	6.7	7.8	7.4	11.8	3.4	1.9	351.5		
Financial assets at fair value not held for trading	24.8	6.7	7.8	7.4	11.8	3.4	1.9	63.8		
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	6.6		0.2		1.2	0.4	27.5	35.9		
Total assets	735.4	33.4	56.5	112.7	90.8	97.8	29.5	1,156.0		
Liabilities										
Total financial liabilities measured at amortized cost	497.1	65.1	81.1	30.3	49.6	27.1	12.5	762.8		
Customer deposits	433.2	48.9	49.6	15.3	8.4	0.3		555.7		
Funding from UBS Group AG measured at amortized cost	2.5	0.8		8.2	24.3	19.0	12.5	67.3		
Debt issued measured at amortized cost	6.4	11.7	26.8	6.3	11.8	6.8		69.8		
of which: non-subordinated	6.4	11.7	24.3	6.0	11.6	6.8		66.8 3.0		
of which: subordinated			2.5	0.3	0.2			3.0		
Total financial liabilities measured at fair value through										
profit or loss <sup>1</sup>	250.1	11.4	22.6	23.3	8.3	12.7		328.4		
Debt issued designated at fair value	13.1	11.3	21.8	23.0	8.0	9.1		86.3		
Total non-financial liabilities	5.2	2.8	0.0	0.1	0.4	0.1	0.5	9.2		
Total liabilities	752.5	79.3	103.8	53.7	58.3	39.9	13.0	1,100.4		
Guarantees, loan commitments and forward starting transaction	ns²									
Irrevocable loan commitments	43.0	0.5	0.4	0.0	0.0			44.0		
Guarantees	33.4							33.4		
Forward starting reverse repurchase and securities borrowing										
agreements	10.4							10.4		
Irrevocable committed prolongation of existing loans	2.0	0.8	1.3	0.0	0.0			4.2		
Total	88.8	1.4	1.8	0.0	0.0			91.9		

<sup>1.</sup>As of 31 December 2024 and 31 December 2023, the contractual redemption amount at maturity of debt issued designated at fair value through profit or loss and other financial liabilities designated 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.

# 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 AG 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.

	31.12.24									
		Due between	Due between				Perpetual /			
	Due within	1 and 3	3 and 12	Due between	Due between	Due over	Not			
USD bn	1 month	months	months	1 and 2 years	2 and 5 years	5 years	applicable	Total		
Financial liabilities recognized on balance sheet <sup>1</sup>										
Amounts due to banks	13.5	3.1	3.1	1.5	2.8			24.1		
Payables from securities financing transactions	5.4	1.5	0.7	2.8	5.0			15.5		
Cash collateral payables on derivative instruments	36.3							36.4		
Customer deposits	612.3	66.5	53.7	9.9	13.9	0.3		756.7		
Funding from UBS Group AG measured at amortized cost <sup>2</sup>	0.3	4.0	6.4	21.9	44.6	50.3	16.3	143.8		
Debt issued measured at amortized cost <sup>2</sup>	8.5	7.7	30.6	16.8	20.7	24.2		108.5		
Other financial liabilities measured at amortized cost	11.4	0.1	0.7	0.9	2.5	2.6		18.3		
of which: lease liabilities	0.1	0.1	0.6	0.7	1.5	1.5		4.5		
Total financial liabilities measured at amortized cost	687.8	83.0	95.3	53.7	89.6	77.4	16.3	1,103.2		
Financial liabilities at fair value held for trading <sup>3,4</sup>	35.2							35.2		
Derivative financial instruments <sup>3,5</sup>	180.7							180.7		
Brokerage payables designated at fair value	49.0							49.0		
Debt issued designated at fair value <sup>6</sup>	12.1	11.7	28.1	27.7	12.5	22.1		114.1		
Other financial liabilities designated at fair value	22.6	0.5	1.4	1.7	1.6	14.8		42.6		
Total financial liabilities measured at fair value through										
profit or loss	299.6	12.2	29.6	29.4	14.1	36.9		421.7		
Total	987.4	95.2	124.9	83.1	103.7	114.3	16.3	1,524.9		
Guarantees, loan commitments and forward starting transact	ions									
Irrevocable loan commitments <sup>7</sup>	78.7	0.5	0.4	0.0				79.6		
Guarantees	40.7							40.7		
Forward starting reverse repurchase and securities										
borrowing agreements <sup>7</sup>	24.9							24.9		
Irrevocable committed prolongation of existing loans	2.5	0.7	1.4	0.0				4.6		
Total	146.7	1.2	1.7	0.0				149.8		

	31.12.23								
		Due between	Due between				Perpetual /		
uco I	Due within	1 and 3	3 and 12		Due between	Due over	Not	Ŧ.I	
USD bn	1 month	months	months	1 and 2 years	2 and 5 years	5 years	applicable	Total	
Financial liabilities recognized on balance sheet <sup>1</sup>									
Amounts due to banks	6.2	2.6	3.9	0.3	4.4	0.0		17.4	
Payables from securities financing transactions	4.0	1.1	0.7					5.8	
Cash collateral payables on derivative instruments	34.9							34.9	
Customer deposits	433.5	49.7	51.6	16.9	9.8	0.3		561.8	
Funding from UBS Group AG measured at amortized cost <sup>2</sup>	2.8	1.7	1.7	11.0	31.9	24.1	12.9	86.1	
Debt issued measured at amortized cost	6.4	11.9	27.4	7.0	12.8	8.1		73.6	
Other financial liabilities measured at amortized cost	6.2	0.1	0.4	0.5	1.1	1.1		9.4	
of which: lease liabilities	0.0	0.1	0.4	0.5	1.1	1.1		3.3	
Total financial liabilities measured at amortized cost	494.1	67.0	85.7	35.6	60.1	33.6	12.9	789.1	
Financial liabilities at fair value held for trading <sup>3,4</sup>	31.7							31.7	
Derivative financial instruments <sup>3,5</sup>	140.7							140.7	
Brokerage payables designated at fair value	42.3							42.3	
Debt issued designated at fair value <sup>6</sup>	13.1	11.8	22.5	25.7	8.1	11.8		93.0	
Other financial liabilities designated at fair value	22.1	0.1	0.8	0.3	0.3	7.2		30.8	
Total financial liabilities measured at fair value through									
profit or loss	249.9	11.9	23.3	26.0	8.4	19.0		338.4	
Total	744.0	78.9	109.0	61.6	68.5	52.6	12.9	1,127.5	
Guarantees, loan commitments and forward starting transaction	ons								
Irrevocable loan commitments <sup>7</sup>	43.0	0.5	0.4	0.0	0.0			44.0	
Guarantees	33.4							33.4	
Forward starting reverse repurchase and securities									
borrowing agreements <sup>7</sup>	10.4							10.4	
Irrevocable committed prolongation of existing loans	2.0	0.8	1.3	0.0	0.0			4.2	
Total	88.8	1.4	1.8	0.0	0.0			91.9	

<sup>1</sup> 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 33.0bn due within 1 month (31 December 2023: USD 29.9bn), USD 2.2bn due between 1 month and 1 year (31 December 2023: USD 1.8bn) and USD 0bn due between 1 and 5 years (31 December 2023: USD 050). 5 Includes USD 166m (31 December 2023: USD 52m) 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 66.3bn (31 December 2023: USD 050.) 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. 7 Excludes derivative loan commitments and forward starting reverse repurchase agreements measured at fair value (see footnote 5).

### **Derivatives designated in hedge accounting relationships**

UBS AG 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 UBS AG

### 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.

## 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, funding from UBS Group AG, 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

UBS AG 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 UBS AG, 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 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

UBS AG 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 instruments, 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.

# Note 25 Hedge accounting (continued)

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 and interest rate contracts acting as economic hedges, which are reported in *Net interest income*.

#### All hedges: designated hedging instruments and hedge ineffectiveness

			As of or	for the year ende	d	
				31.12.24		
	_	Carrying	amount	Changes in	Changes in	Hedge
USD m	Notional amount	Derivative financial assets	Derivative financial liabilities	fair value of hedging instruments <sup>1</sup>	fair value of hedged items <sup>1</sup>	ineffectiveness recognized in the income statement
Interest rate risk						
Fair value hedges	227,737	25	10	(718)	676	(43)
Cash flow hedges	88,256	1	0	(1,458)	1,453	(5)
Foreign exchange risk						
Fair value hedges <sup>2</sup>	51,562	566	1,153	(749)	721	(28)
Hedges of net investments in foreign operations	20,454	670	1	1,345	(1,340)	4

			As of or	for the year ende	d	
		Carrying amount (			Changes in	Hedge
	_	Derivative	Derivative	fair value of	fair value of	ineffectiveness
	Notional	financial	financial	hedging	hedged	recognized in the
_USD m	amount	assets	liabilities	instruments1	items1	income statement
Interest rate risk						
Fair value hedges	114,618	0	0	2,203	(2,195)	8
Cash flow hedges	83,333	3	0	(35)	57	22
Foreign exchange risk						
Fair value hedges <sup>2</sup>	33,877	468	291	132	(151)	(19)
Hedges of net investments in foreign operations	13,260	3	455	(910)	912	3

<sup>1</sup> 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.

# Note 25 Hedge accounting (continued)

USD m	31.12.2	4	31.12.23	
	Interest rate		Interest rate	
	risk	FX risk	risk	FX risk
Loans and advances to customers				
Carrying amount of designated loans	58,439		15,296	
of which: accumulated amount of fair value hedge adjustment	<i>373</i>		(508)	
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	(176)		(179)	
Other financial assets measured at amortized cost – debt securities				
Carrying amount of designated debt securities	9,125		6,333	
of which: accumulated amount of fair value hedge adjustment	(348)		(109)	
Customer deposits				
Carrying amount of customer deposits	13,031		8,972	
of which: accumulated amount of fair value hedge adjustment	(18)		50	
Funding from UBS Group AG and its subsidiaries				
Carrying amount of designated debt instruments	105,470	15,419	63,760	17,693
of which: accumulated amount of fair value hedge adjustment	(5,820)		(3, 174)	
Debt issued measured at amortized cost				
Carrying amount of designated debt issued	39,731	21,047	15,243	4,636
of which: accumulated amount of fair value hedge adjustment	31		(412)	

<sup>1</sup> In addition, as of 31 December 2024 UBS AG designated in fair value hedges of FX risk USD 15bn (31 December 2023 USD 12bn) of intragroup debt instruments that are not recognized on consolidated balance sheet but FX gains and losses on these instruments impact consolidated profit or loss.

### Fair value hedges: profile of the timing of the nominal amount of the hedging instrument

			31.12.24			
USD bn	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	Total
Interest rate swaps	3	9	38	115	64	228
Cross-currency swaps	1	0	5	36	9	52
			31.12.23			
USD bn	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	Total
Interest rate swaps	1	6	12	62	35	115
Cross-currency swaps	1	2	2	22	7	34

# Cash flow hedge reserve on a pre-tax basis

USD m	31.12.24	31.12.23
Amounts related to hedge relationships for which hedge accounting continues to be applied	(2,514)	(2,349)
Amounts related to hedge relationships for which hedge accounting is no longer applied	(714)	(1,331)
Total other comprehensive income recognized directly in equity related to cash flow hedges, on a pre-tax basis	(3,228)	(3,680)

# Foreign currency translation reserve on a pre-tax basis

USD m	31.12.24	31.12.23
Amounts related to hedge relationships for which hedge accounting continues to be applied	639	(690)
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	904	(424)

# a) Defined benefit plans

UBS AG has established defined benefit plans for its employees in various jurisdictions in accordance with local regulations and practices. The major plans are located in Switzerland, with smaller plans mainly in UK, US and Germany. The level of benefits depends on the specific plan rules.

### Major Swiss pension plans

The major Swiss pension plans consist of the UBS Swiss plan and the Credit Suisse Swiss plan, covering employees of UBS AG in Switzerland and employees of companies in Switzerland that have close economic or financial ties with UBS AG, and exceed the minimum benefit requirements under Swiss pension law. A significant number of employees are employed by UBS Business Solutions AG and Credit Suisse Services AG, which are subsidiaries of UBS Group AG. UBS AG, UBS Business Solutions AG and Credit Suisse Services AG each are legal sponsors of the Swiss plans. The sponsoring entities apply proportionate defined benefit accounting, i.e. the net pension cost and the net pension asset / liability of the Swiss pension plans are allocated proportionally between UBS AG, UBS Business Solutions AG and Credit Suisse Services AG based on the aggregated net pension cost and defined benefit obligations related to their employees. 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 144,060 (USD 158,639), 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 AG Swiss plan, depending on the age of the employee, UBS AG 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 AG 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 AG also pays risk contributions that are used to fund disability and survivor benefits.

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 2024, the technical funding ratio in accordance with Swiss pension law was 120.6% at a 0.5% technical interest rate for the UBS Swiss plan and 125.7% at a 1.31% technical interest rate for the Credit Suisse Swiss plan (UBS Swiss plan 31 December 2023: 119.2% at a 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.

## Note 26 Post-employment benefit plans (continued)

As of 31 December 2024, 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 2,683m for the UBS Swiss plan and USD 2,474m for the Credit Suisse Swiss plan (UBS Swiss plan 31 December 2023: USD 3,585m). 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 2024 and 31 December 2023, the estimated future economic benefit of the UBS Swiss plan was zero and therefore no net defined benefit asset was recognized on the balance sheet; as of 31 December 2024 a net defined benefit asset of USD 17m was recognized by UBS AG for prepaid contributions held at the Credit Suisse Swiss plan.

The regular employer contributions in 2025 are estimated at USD 297m for the UBS Swiss plan and USD 200m for the Credit Suisse Swiss plan.

#### Financial information

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*.

vea		
USD m Major Swiss plans	21 12 241	31.12.23
Defined benefit obligation at the beginning of the year	15.748	12,539
Defined benefit obligation at the beginning of the year  Defined benefit obligation recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>	13,367	12,333
Current service cost	411	236
Interest expense	296	287
Plan participant contributions	244	163
Remeasurements	2.657	1,901
of which: actuarial (gains) / losses due to changes in demographic assumptions	2,037 18	1,901 45
of which: actuarial (gains) / losses due to changes in financial assumptions		
of which: experience (gains) / losses <sup>3</sup>	2,011 628	1, 168 688
Curtailments	(71)	(3)
Benefit payments	(1,420)	(662)
Foreign currency translation  Defined benefit obligation at the end of the year	(1,257) 29,977	1,288 15,748
of which: amounts owed to active members	29,911 16.758	9,336
of which: amounts owed to deferred members		
	0	0
of which: amounts owed to retirees  of which: funded plans	13,219 29,977	6,412 15.748
of which: unfunded plans	29,977	
<u> </u>		16.057
Fair value of plan assets at the beginning of the year	19,333 16.097	16,957
Fair value of plan assets recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>		F13
Return on plan assets excluding interest income	1,623	513
Interest income	369	393
Employer contributions	431	290
Plan participant contributions	244	163
Benefit payments	(1,420)	(662)
Administration expenses, taxes and premiums paid	(15) 0	(8)
Other movements		
Foreign currency translation	(1,527)	1,685
Fair value of plan assets at the end of the year Surplus / (deficit)	35,135	19,333
	5,158	3,585
Asset ceiling effect at the beginning of the year	3,585	4,418
Asset ceiling effect recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>	2,713	
Interest expense on asset ceiling effect	68	102
Asset ceiling effect excluding interest expense and foreign currency translation on asset ceiling effect	(955)	(1,332)
Foreign currency translation	(270)	397
Asset ceiling effect at the end of the year	5,141	3,585
Net defined benefit asset / (liability) of major Swiss plans	17	0
Other plans		/105
Net defined benefit asset / (liability) of other plans <sup>4</sup>	203	(105)
Total net defined benefit asset / (liability)	220	(105)
of which: Net defined benefit asset	911	383
of which: Net defined benefit liability <sup>5</sup>	(691)	(487)

1 Including Credit Suisse AG from 31 May 2024. 2 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG. 3 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. 4 Mainly relates to UK, US and German plans. 5 Refer to Note 19c.

#### Note 26 Post-employment benefit plans (continued)

USD m		
Major Swiss plans	31.12.242	31.12.23
Current service cost	411	236
Interest expense related to defined benefit obligation	296	287
Interest income related to plan assets	(369)	(393)
Interest expense on asset ceiling effect	68	102
Administration expenses, taxes and premiums paid	15	8
Curtailments	(71)	(3)
Other movements	1	0
Net periodic expenses recognized in net profit for major Swiss plans	353	236
Other plans		
Net periodic expenses recognized in net profit for other plans <sup>3</sup>	27	23
Total net periodic expenses recognized in net profit	380	259

<sup>1</sup> Refer to Note 7. 2 Including Credit Suisse AG from 31 May 2024. 3 Includes differences between actual and estimated performance award accruals.

#### Other comprehensive income - gains / (losses) on defined benefit plans

USD m		
Major Swiss plans	31.12.241	31.12.23
Other comprehensive income recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>	109	
Remeasurement of defined benefit obligation	(2,657)	(1,901)
of which: change in discount rate assumption	(2,102)	(1,332)
of which: change in rate of salary increase assumption	(168)	(42)
of which: change in rate of pension increase assumption	0	0
of which: change in rate of interest credit on retirement savings assumption	<i>257</i>	207
of which: change in life expectancy	0	0
of which: change in other actuarial assumptions	(17)	(46)
of which: experience gains / (losses) <sup>3</sup>	(628)	(688)
Return on plan assets excluding interest income	1,623	513
Asset ceiling effect excluding interest expense and foreign currency translation	955	1,332
Total gains / (losses) recognized in other comprehensive income for major Swiss plans	30	(56)
Other plans		
Total gains / (losses) recognized in other comprehensive income for other plans <sup>4</sup>	(83)	(47)
Total gains / (losses) recognized in other comprehensive income	(53)	(103)
of which: attributable to other comprehensive income recognized upon the merger of UBS AG and Credit Suisse AG <sup>2</sup>	53	
of which: attributable to other comprehensive income recognized for defined benefit plans during the period <sup>15</sup>	(106)	(103)

<sup>1</sup> Including Credit Suisse AG from 31 May 2024. 2 Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG. 3 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. 4 Mainly relates to UK, US and German plans. 5 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.

Major Swiss defined benefit plans	31.12.24	31.12.23
Duration of the defined benefit obligation (in years)	13.3 <sup>1</sup>	14.1
Maturity analysis of benefits expected to be paid		
USD m		
Benefits expected to be paid within 12 months	2,095	811
Benefits expected to be paid between 1 and 3 years	3,392	1,627
Benefits expected to be paid between 3 and 6 years	5,043	2,552
Benefits expected to be paid between 6 and 11 years	7,718	4,233
Benefits expected to be paid between 11 and 16 years	6,607	3,878
Benefits expected to be paid in more than 16 years	20,622	13,751

<sup>1</sup> The duration of the defined benefit obligation represents a weighted average across the 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 AG 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 26 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 major Swiss defined benefit plans

In %	31.12.241	31.12.23
Discount rate	0.92	1.48
Rate of salary increase	2.80	2.36
Rate of pension increase	0.00	0.00
Rate of interest credit on retirement savings	2.02	2.48

<sup>1</sup> Represents weighted average across the UBS and Credit Suisse plans.

	aged 65		aged 45	j
Swiss mortality table: BVG 2020 G with CMI 2023 projections <sup>1</sup>	31.12.24	31.12.23	31.12.24	31.12.23
Life expectancy at age 65 for a male member currently	21.9	21.8	23.5	23.5
Life expectancy at age 65 for a female member currently	23.6	23.5	25.2	25.1

<sup>1</sup> In 2023, BVG 2020 G with CMI 2022 projections was used.

### 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 assumptions of major Swiss defined benefit plans<sup>1</sup>

Increase / (decrease) in defined benefit obligation		
USD m	31.12.24	31.12.23
Discount rate		
Increase by 50 basis points	(1,667)	(857)
Decrease by 50 basis points	1,893	973
Rate of salary increase		
Increase by 50 basis points	166	120
Decrease by 50 basis points	(167)	(117)
Rate of pension increase		
Increase by 50 basis points	1,315	639
Decrease by 50 basis points		_2
rate of interest credit of retirement savings		
Increase by 50 basis points	254	144
Decrease by 50 basis points	(252)	(144)
Life expectancy		
Increase in longevity by one additional year	895	416

<sup>1</sup> 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 2024 and as of 31 December 2023, a downward change in assumption is not applicable.

### Note 26 Post-employment benefit plans (continued)

#### Composition and fair value of Swiss defined benefit plan assets

		:	31.12.24			1.12.23		
		ir value		Plan asset allocation %	Eni	r value		Plan asset allocation %
USD m	Quoted in an active market	Other	Total	allocation %	Quoted in an active market	Other	Total	anocation %
Cash and cash equivalents	773	0	773	2	62	0	62	0
Equity securities								
Foreign	0	1,216	1,216	3	0	0	0	0
Bonds								
Domestic, AAA to BBB—	133	0	133	0	0	0	0	0
Real estate / property								
Domestic	0	3,955	3,955	11	0	2,426	2,426	13
Foreign	0	617	617	2	0	576	576	3
Investment funds								
Equity								
Domestic	885	0	885	3	489	0	489	3
Foreign	5,645	1,177	6,822	19	3,283	1,244	4,526	23
Bonds <sup>1</sup>								
Domestic, AAA to BBB-	4,682	0	4,682	13	2,605	0	2,605	13
Domestic, below BBB—	8	0	8	0	0	0	0	0
Foreign, AAA to BBB–	8,902	0	8,902	25	4,073	0	4,073	21
Foreign, below BBB—	862	0	862	2	668	0	668	3
Real estate								
Domestic	1,654	0	1,654	5	0	0	0	0
Foreign	385	67	451	1	0	45	45	0
Other	799	1,927	2,726	8	1,094	1,910	3,004	16
Other investments	218	1,231	1,449	4	378	481	859	4
Total fair value of plan assets	24,947	10,189	35,135	100	12,652	6,681	19,333	100
			31.12.24				31.12.23	
Total fair value of plan assets			35,135				19,333	
of which: Investments in UBS Group AG instruments <sup>2</sup>								
Bank accounts at UBS Group AG			<i>782</i>				69	
UBS Group AG debt instruments			<i>137</i>				116	
UBS Group AG shares			42				26	
Securities lent to UBS Group AG			609				467	
Property occupied by UBS Group AG			41				61	
Derivative financial instruments, counterpa	rty UBS Group		44					
AG³			(83)				302	

<sup>1</sup> 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 AG encompass accounts in the name of the Swiss pension funds. The other positions disclosed in the table encompass both direct investments in UBS AG instruments and UBS Group AG shares and indirect investments, i.e. those made through funds that the pension fund invests in. 3 Securities lent to UBS AG and derivative financial instruments are presented gross of any collateral. Securities lent to UBS AG were fully covered by collateral as of 31 December 2024 and 31 December 2023. Net of collateral, derivative financial instruments amounted to negative USD 50m as of 31 December 2024 (31 December 2023: negative USD 19m).

### b) Defined contribution plans

UBS AG sponsors several defined contribution plans, with the most significant plans in the US and the UK. UBS AG'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 408m in 2024 and USD 320m in 2023.

## > Refer to Note 6 for more information

### c) Related-party disclosure

UBS AG is the principal provider of banking services for the pension funds of UBS and Credit Suisse in Switzerland. In this capacity, UBS AG is engaged to execute most of the pension funds' banking activities. These activities can include, but are not limited to, investment management fees, trading, securities lending and borrowing and derivative transactions. The non-Swiss UBS AG pension funds do not have a similar banking relationship with UBS AG. During 2024, UBS AG received USD 25m in fees for banking services from the major UBS AG plans (2023: USD 20m). As of 31 December 2024, the Swiss, UK and US post-employment benefit plans held USD 378m in UBS shares (31 December 2023: USD 396m).

> Refer to the "Composition and fair value of Swiss defined benefit plan assets" table in Note 26a for more information about fair value of investments in UBS AG and UBS Group AG instruments held by the major Swiss pension funds

#### Note 27 Employee benefits: variable compensation

#### a) Plans offered

UBS 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. For the majority of variable compensation awards granted under such plans to employees of UBS AG, the grantor entity is UBS Group AG. Expenses associated with these awards are charged by UBS Group AG to UBS AG. For the purpose of this Note, references to shares refer to UBS Group AG shares.

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 (the LTIP) is a mandatory deferral plan for GEB members and Managing Directors (MDs) reporting to the GEB and their direct reports at MD level.

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 (TSR), which compares the 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 (the EOP) is the deferred share-based compensation plan for employees whose deferral is not within the scope of the LTIP. 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 (the 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 the Swiss Financial Market Supervisory Authority (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.

### **Deferred compensation plans awarded to employees of Credit Suisse**

#### Existing compensation plans offered to employees of Credit Suisse prior to 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 the 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 include upfront cash awards, share awards and other deferred awards settled in cash and continue to be expensed over the future service period.

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.

Retention awards were offered to selected employees of the Credit Suisse Group in 2023 prior to the acquisition date. These awards were contingent on the completion of the acquisition and were 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.

### 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, determined using a formulaic approach based on production, and deferred awards.

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 deferred awards. These amounts generally vest over a six-year period. The deferred award takes into account the overall percentage rate and production.

Cash compensation and deferred 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.

### 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 2024, as well as expenses that were deferred and will be recognized in the income statement for 2025 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 2024 associated with these awards was USD 122m for outstanding deferred compensation plans that existed on the date of the acquisition.

The majority of expenses deferred to 2025 and later that are related to the 2024 performance year pertain to awards granted in February 2025. The total unamortized compensation expense for unvested share-based awards granted up to 31 December 2024 will be recognized in future periods over a weighted average period of 2.4 years.

#### Note 27 Employee benefits: variable compensation (continued)

#### Variable compensation

	Expenses recognized in 2024			Expenses deferred to 2025 and later <sup>1</sup>		
	Related to the 2024 performance	Related to prior performance		Related to the 2024 performance	Related to prior	
USD m	year	years	Total	year	years	Total
Non-deferred cash	2,469	(59)	2,410	0	0	0
Deferred compensation awards	463	638	1,101	679	814	1,493
of which: Equity Ownership Plan	146	<i>263</i>	409	242	209	<i>451</i>
of which: Deferred Contingent Capital Plan	163	268	431	286	491	777
of which: Long-Term Incentive Plan	131	67	197	124	90	214
of which: Fund Ownership Plan	24	41	64	27	24	<i>52</i>
Variable compensation — performance awards	2,932	579	3,511	679	814	1,493
Variable compensation – financial advisors <sup>2</sup>	4,485	808	5,293	1,028	3,639	4,667
of which: non-deferred cash	4,125	(1)	4,124	0	0	0
of which: deferred share-based awards	123	96	219	130	232	362
of which: deferred cash-based awards	203	239	443	476	1,176	1,652
of which: compensation commitments with recruited financial advisors	33	474	<i>507</i>	422	2,231	2,653
Variable compensation — other <sup>3</sup>	314	297	610	220	455	675
Total variable compensation	7,730	1,684	9,4144	1,927	4,908	6,835

<sup>1</sup> Estimate as of 31 December 2024. Actual amounts to be expensed in future periods may vary; e.g. due to forfeiture of awards. 2 Financial advisor compensation consists of cash compensation, determined using a formulaic approach based on production, and deferred awards. 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 930m in expenses related to share-based compensation (performance awards: USD 606m; other variable compensation: USD 105m; financial advisor compensation: USD 219m). A further USD 101m in expenses related to share-based compensation was recognized within other expense categories included in Note 7 (salaries: USD 2m related to role-based allowances; social security: USD 74m; other personnel expenses: USD 25m related to the Equity Plus Plan).

#### Variable compensation (continued)

	Expenses recognized in 2023			Expenses deferred to 2024 and later <sup>1</sup>		
USD m	Related to the 2023 performance year	Related to prior performance years	Total	Related to the 2023 performance year	Related to prior performance years	Tota
Non-deferred cash	1,884	(36)	1,848	0	0	0
Deferred compensation awards	356	637	993	537	731	1,268
of which: Equity Ownership Plan	95	319	415	180	<i>235</i>	416
of which: Deferred Contingent Capital Plan	124	<i>233</i>	357	216	436	652
of which: Long-Term Incentive Plan	121	39	160	112	33	145
of which: Fund Ownership Plan	15	45	61	28	27	55
Variable compensation – performance awards	2,240	601	2,841	537	731	1,268
Variable compensation – financial advisors <sup>2</sup>	3,761	788	4,549	1,236	3,300	4,536
of which: non-deferred cash	3,440	(4)	3,436	0	0	0
of which: deferred share-based awards	110	87	197	113	209	321
of which: deferred cash-based awards	169	245	414	301	1,029	1,331
of which: compensation commitments with recruited financial advisors	42	459	501	822	2,062	2,884
Variable compensation — other <sup>3</sup>	168	111	279	224	214	438
Total variable compensation	6,169	1,500	7,6694	1,997	4,245	6,242

1 Estimate as of 31 December 2023. Actual amounts expensed may vary; e.g. due to forfeiture of awards.

2 Financial advisor compensation consists of cash compensation, determined using a formulaic approach based on production, and deferred awards. 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 818m in expenses related to share-based compensation (performance awards: USD 575m; other variable compensation: USD 46m; financial advisor compensation: USD 197m). A further USD 135m 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 109m; other personnel expenses: USD 22m related to the Equity Plus Plan).

#### Note 27 Employee benefits: variable compensation (continued)

Variable compensation (continued)							
	Expen	Expenses recognized in 2022			Expenses deferred to 2023 and later		
	Related to the 2022 performance			Related to the 2022 performance	Related to prior		
USD m	year	years	Total	year	years	Total	
Non-deferred cash	2,012	(9)	2,003	0	0	0	
Deferred compensation awards	346	561	907	582	730	1,312	
of which: Equity Ownership Plan	191	<i>225</i>	416	294	240	<i>534</i>	
of which: Deferred Contingent Capital Plan	123	211	334	238	395	634	
of which: Long-Term Incentive Plan	11	30	41	30	40	70	
of which: Fund Ownership Plan	21	95	116	20	54	74	
Variable compensation – performance awards	2,358	552	2,910	582	730	1,312	
Variable compensation – financial advisors²	3,799	709	4,508	1,290	2,652	3,942	
of which: non-deferred cash	3,481	0	3,481	0	0	0	
of which: deferred share-based awards	104	62	166	122	180	302	
of which: deferred cash-based awards	185	215	400	588	636	1,224	
of which: compensation commitments with recruited financial advisors	29	432	461	580	1,836	2,416	
Variable compensation — other <sup>3</sup>	146	72	217	230	189	419	
Total variable compensation	6,304	1,332	7,6364	2,101	3,571	5,672	

<sup>1</sup> Estimate as of 31 December 2022. Actual amounts expensed may vary; e.g. due to forfeiture of awards. 2 Financial advisor compensation consists of cash compensation, determined using a formulaic approach based on production, and deferred awards. 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 680m in expenses related to share-based compensation (performance awards: USD 457m; other variable compensation: USD 56m; financial advisor compensation: USD 166m). A further USD 80m 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 57m; other personnel expenses: USD 19m related to the Equity Plus Plan).

## c) Outstanding share-based compensation awards

## Share and performance share awards

Movements in outstanding share-based awards granted by UBS AG and its subsidiaries to employees during 2024 and 2023 are provided in the table below.

#### Movements in outstanding share-based compensation awards

		Weighted		Weighted
	Number of shares 2024	average grant date fair value (USD)	Number of shares 2023	average grant date fair value (USD)
Outstanding, at the beginning of the year	756,925	19	614,428	17
Share obligations assumed at merger with Credit Suisse AG	7,697,548	20		
Awarded during the year	151,964	26	279,310	20
Distributed during the year	(1,202,448)	20	(132,770)	15
Forfeited during the year	(219,425)	21	(4,043)	19
Outstanding, at the end of the year	7,184,565	20	756,925	19
of which: shares vested for accounting purposes	4,936,340		217,420	

The total carrying amount of the liability related to cash-settled share-based awards as of 31 December 2024 and 31 December 2023 was USD 22m and USD 14m, 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 28 Interests in subsidiaries and other entities

#### a) Interests in subsidiaries

UBS AG defines its significant subsidiaries as those entities that, either individually or in aggregate, contribute significantly to UBS AG's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and contribution to UBS AG'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 table below lists UBS AG's individually significant subsidiaries as of 31 December 2024. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares held entirely by UBS AG and the proportion of ownership interest held is equal to the voting rights held by UBS AG.

The country where the respective registered office is located is also the principal place of business. UBS AG operates through a global branch network and a significant proportion of its 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 AG as of 31 December 2024<sup>1</sup>

Company	Registered office	Primary business	Share cap	ital in million	Equity interest accumulated in %
Credit Suisse International	London, UK	Non-core and Legacy	USD	7,267.5	97.6
UBS Americas Holding LLC	Wilmington, Delaware, US	Group Items	USD	2,900.0 <sup>2</sup>	100.0
UBS Americas Inc.	Wilmington, Delaware, US	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, US	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, US	Global Wealth Management	USD	0.0	100.0
UBS Securities LLC	Wilmington, Delaware, US	Investment Bank	USD	1,283.1 <sup>3</sup>	100.0
UBS Switzerland AG	Zurich, Switzerland	Personal & Corporate Banking	CHF	10.0	100.0

<sup>1</sup> 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 2.9bn. 3 Consists of common share capital of USD 100,000 and non-voting preferred share capital of USD 1.3bn.

#### Other subsidiaries

The table below lists other direct and indirect subsidiaries of UBS AG that are not individually significant but contribute to UBS AG'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 as of 31 December 2024

Company	Registered office	Primary business	Share ca	pital in million	Equity interest accumulated in %
Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	Investment Banking	BRL	164.8	100.0
Credit Suisse (UK) Limited	London, UK	Global Wealth Management	GBP	245.2	100.0
Credit Suisse (USA) LLC	Wilmington, Delaware, US	Non-core and Legacy	USD	0.0	100.0
Credit Suisse Securities (Europe) Limited	London, UK	Non-core and Legacy	USD	9.6	100.0
Credit Suisse Securities (USA) LLC	Wilmington, Delaware, US	Non-core and Legacy	USD	0.0	100.0
Credit Suisse Securities (Japan) Limited	Tokyo, Japan	Non-core and Legacy	JPY	78,100.0	100.0
UBS Asset Management (Americas) LLC	Wilmington, Delaware, US	Asset Management	USD	0.0	100.0
UBS Asset Management Life Ltd	London, UK	Asset Management	GBP	15.0	100.0
UBS Business Solutions US LLC	Wilmington, Delaware, US	Group Items	USD	0.0	100.0
UBS Credit Corp.	Wilmington, Delaware, US	Global Wealth Management	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	0.31	100.0
UBS Securities Hong Kong Limited	Hong Kong SAR, China	Investment Bank	HKD	3,254.2	100.0
UBS Securities Japan Co., Ltd.	Tokyo, Japan	Investment Bank	JPY	44,908.7	100.0
UBS SuMi TRUST Wealth Management Co., Ltd.	Tokyo, Japan	Global Wealth Management	JPY	5,165.0	51.0

<sup>1</sup> Includes a nominal amount relating to redeemable preference shares.

#### Note 28 Interests in subsidiaries and other entities (continued)

#### Consolidated structured entities

Consolidated structured entities (SEs) include certain investment funds, securitization vehicles and client investment vehicles. UBS AG has no individually significant subsidiaries that are SEs.

In 2024 and 2023, UBS AG did not enter into any contractual obligation that could require UBS AG to provide financial support to consolidated SEs. In addition, UBS AG did not provide support, financial or otherwise, to a consolidated SE when UBS AG was not contractually obligated to do so, nor does UBS AG currently have any intention to do so in the future. Furthermore, UBS AG did not provide support, financial or otherwise, to a previously unconsolidated SE that resulted in UBS AG controlling the SE during the reporting period.

### b) Interests in associates and joint ventures

As of 31 December 2024 and 31 December 2023, no associate or joint venture was individually material to UBS AG. Also, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to UBS 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 UBS AG.

#### Investments in associates and joint ventures

USD m	2024	2023
Carrying amount at the beginning of the year	983	1,101
Balance recognized upon the merger of UBS AG and Credit Suisse AG <sup>1</sup>	1,330	
Additions	0	1
Disposals	(6)	0
Share of comprehensive income	105	(180)
of which: share of net profit / (loss) <sup>2</sup>	<i>74</i>	(163)
of which: share of other comprehensive income <sup>3</sup>	31	(17)
Share of changes in retained earnings	(3)	(1)
Dividends received	(31)	(35)
Foreign currency translation	(73)	97
Carrying amount at the end of the year	2,306	983
of which: associates	2,057	980
of which: SIX Group AG, Zurich⁴	1,484	826
of which: other associates	<i>572</i>	154
of which: joint ventures <sup>5</sup>	249	3

<sup>1</sup> Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG. 2 For 2024, consists of USD 40m from associates and USD 33m from joint ventures (for 2023, consists of negative USD 163m from associates). 3 For 2024, consists of USD 31m from associates (for 2023, consists of negative USD 17m from associates). 4 In 2024, UBS AG's legal equity interest amounted to 34% (for 2023, UBS AG's legal equity interest amounted to 17%). UBS AG is represented on the Board of Directors. 5 In October 2024, UBS AG entered into an agreement to sell its 50% interest in Swisscard AECS GmbH. Refer to Note 29 for more information.

#### c) Unconsolidated structured entities

UBS AG 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 2024, UBS AG 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 AG did not consolidate as of 31 December 2024 because it did not control them.

#### Interests in unconsolidated structured entities

The table below presents UBS AG's interests in and maximum exposure to loss from unconsolidated SEs, as well as the total assets held by the SEs in which UBS AG had an interest as of year-end, except for investment funds and other vehicles sponsored by third parties, for which the carrying amount of UBS AG's interest as of year-end has been disclosed.

As a consequence of the merger of UBS AG and Credit Suisse AG and the resulting increase in interests in structured entities, interests in client vehicles sponsored by UBS AG are presented separately to other vehicles sponsored by third parties, to clearly distinguish the different types of entities that UBS AG is involved with.

## Sponsored unconsolidated structured entities in which UBS AG did not have an interest at year-end

During 2024 and 2023, UBS AG did not earn material income from sponsored unconsolidated SEs in which UBS AG did not have an interest at year-end.

During 2024 and 2023, UBS AG and third parties did not transfer any assets into sponsored securitization vehicles created in the year. UBS AG and third parties transferred assets, alongside deposits and debt issuances (which are assets from the perspective of the vehicle), of USD 2.5bn and USD 3.0bn, respectively, into sponsored client vehicles created in 2024 (2023: USD 0.5bn and USD 0.5bn, respectively). For sponsored investment funds, several new open ended and close ended funds were created during the year with further transfers arising from management of the strategy and investor activity, which, when combined with market movements, resulted in a net asset value movement of USD 3bn in 2024 (2023: USD 3bn).

#### Note 28 Interests in subsidiaries and other entities (continued)

Interests in	unconsolidated	structured	entities
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			3	31.12.24		
USD m, except where indicated	Securitization vehicles <sup>1</sup>	Client vehicles sponsored by UBS AG <sup>2</sup>	Investment funds	Other vehicles sponsored by third parties <sup>3</sup>	Total	Maximum exposure to loss <sup>4</sup>
Financial assets at fair value held for trading	94	143	6,482	235	6,953	6,953
Derivative financial instruments	2	110	83	0	195	195
Loans and advances to customers	0	138	286	23	446	446
Financial assets at fair value not held for trading	1,275	0	631	236	2,142	2,142
Financial assets measured at fair value through other comprehensive income	0	0	0	0	0	0
Other financial assets measured at amortized cost	1,023	0	0	0	1,024	1,024
Total assets	2,394	392	7,482	494	10,761	10,761
Derivative financial instruments	1	50	716	0	767	2
Total liabilities	1	50	716	0	767	2
Assets held by the unconsolidated structured entities in which UBS AG had an interest (USD bn)	635	3 <sup>6</sup>	180 <sup>7</sup>	08		

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USD m, except where indicated	Securitization vehicles <sup>1</sup>	Client vehicles sponsored by UBS AG <sup>2</sup>	Investment funds	Other vehicles sponsored by third parties <sup>3</sup>	Total	Maximum exposure to loss <sup>4</sup>
Financial assets at fair value held for trading	88	37	7,413		7,538	7,538
Derivative financial instruments	2	147	66		215	215
Loans and advances to customers	0	0	200		200	200
Financial assets at fair value not held for trading	0	0	143		143	143
Financial assets measured at fair value through other comprehensive income	0	0	0		0	0
Other financial assets measured at amortized cost	188	0	0		188	438
Total assets	278	185	7,821		8,285	8,534
Derivative financial instruments	1	8	590		598	2
Total liabilities	1	8	590		598	2
Assets held by the unconsolidated structured entities in which UBS AG had an interest (USD bn)	175	26	1187			

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 AG and third parties. 2 Client vehicles sponsored by UBS AG are structured entities that do not qualify as a securitization in line with regulatory requirements and are not considered an investment fund. 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 of 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 sets value of the investment funds sponsored by UBS AG and the carrying amount of UBS AG's interest in other vehicles sponsored by

UBS AG 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. UBS AG's maximum exposure to loss is generally equal to the carrying amount of UBS AG'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 UBS AG is exposed to.

The maximum exposure to loss disclosed in the table above does not reflect UBS AG'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 2024 and 2023, UBS AG did not provide support, financial or otherwise, to any unconsolidated SE when not contractually obligated to do so, nor does UBS AG currently have any intention to do so in the future.

In 2024 and 2023, 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 AG-sponsored funds.

#### Interests in securitization vehicles

As of 31 December 2024 and 31 December 2023, UBS AG 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, UBS AG 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, as a result of the merger of UBS AG and Credit Suisse AG, is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The net asset value of such vehicles was USD 24bn as of 31 December 2024 and has been excluded from the table above.

#### Note 28 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 2024 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 UBS AG 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 UBS AG versus sponsored by third parties.

Refer to the 31 December 2024 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information

### Interests in client vehicles sponsored by UBS AG

UBS AG-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 AG 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 2024 and 31 December 2023, UBS AG retained interests in client vehicles sponsored by UBS AG 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.

UBS AG 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, UBS AG 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 UBS AG'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 net asset value of such funds were USD 547bn and USD 356bn as of 31 December 2024 and 31 December 2023, respectively, and has been excluded from the table above. UBS AG did not have any material exposure to loss from these interests as of 31 December 2024 or as of 31 December 2023.

## 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.

### Disposals of subsidiaries and businesses

#### Agreement to sell Select Portfolio Servicing

On 13 August 2024, UBS AG entered into an agreement to sell Select Portfolio Servicing, the US mortgage servicing business of Credit Suisse, which is managed in Non-core and Legacy. Completion of the transaction is subject to regulatory approvals and other customary closing conditions. As of 31 December 2024, the associated assets and liabilities were presented as Assets of disposal groups held for sale and Liabilities of disposal groups held for sale, respectively, and amounted to USD 1,823m and USD 1,212m, respectively. UBS AG does not expect to recognize a material profit or loss upon completion of the transaction.

#### Agreement to sell Swisscard AECS GmbH

In October 2024, UBS AG entered into an agreement to sell to American Express Swiss Holdings GmbH (American Express) its 50% interest in Swisscard AECS GmbH (Swisscard), a joint venture in Switzerland between UBS AG and American Express, subject to certain closing conditions. Also in October 2024, UBS AG entered into an agreement with Swisscard to transition the Credit Suisse-branded card portfolios to UBS AG. In January 2025, UBS AG completed the purchase of the card portfolios, with the actual client migration expected to take place over the following quarters. The two transactions will result in similar profit and loss effects over the course of 2025 and, therefore, on a net basis are not expected to have a material impact for UBS AG. In the fourth quarter of 2024, UBS AG recorded an expense of USD 41m in connection with the termination of the Swisscard joint venture.

#### **Changes in organization**

### Legal structure integration

On 31 May 2024, the merger of UBS AG and Credit Suisse AG was completed. UBS AG succeeded to all rights and obligations of Credit Suisse AG, including all outstanding Credit Suisse AG debt instruments.

#### Refer to Note 2 for more information about the merger of UBS AG and Credit Suisse AG

On 7 June 2024, the transition to a single US intermediate holding company was completed.

On 1 July 2024, the merger of UBS Switzerland AG and Credit Suisse (Schweiz) AG was completed. UBS Switzerland AG succeeded to all rights and obligations of Credit Suisse (Schweiz) AG.

### Note 30 Related parties

Related parties of UBS AG are:

- entities within UBS Group, i.e. the parent entity, UBS Group AG, and fellow subsidiaries consolidated within UBS Group (including Credit Suisse subsidiaries from the date of the acquisition of the Credit Suisse Group);
- associates (entities that are under the significant influence of UBS AG or other group entities consolidated within UBS Group);
- joint ventures (entities in which UBS AG or other group entity consolidated within UBS Group shares control with another party);
- post-employment benefit plans for the benefit of UBS AG's employees or employees of entities related to UBS AG;
- 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. UBS AG considers the members of the Board of Directors (the BoD) and the Executive Board (the EB) of UBS AG and the members of the Board of Directors (the BoD) and the Group Executive Board (the GEB) of UBS Group AG 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 EB and GEB members (as defined above) is included in the table below.

#### Note 30 Related parties (continued)

Remuneration of key management personnel			
USD m, except where indicated	31.12.24	31.12.23	31.12.22
Base salaries and other cash payments <sup>1</sup>	33	35	26
Incentive awards – cash <sup>2</sup>	30	24	16
Annual incentive award under DCCP	39	36	23
Employer's contributions to retirement benefit plans	3	3	2
Benefits in kind, fringe benefits (at market value)	2	1	1
Share-based compensation <sup>3</sup>	65	63	42
Total	172	162	110
Total (CHF m) <sup>4</sup>	151	147	106

1 For 2023 and 2022, may include role-based allowances in line with market practice and regulatory requirements. For 2024, role-based allowances for EB/GEB members were eliminated. 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 27 for more information. For EB/GEB members, share-based compensation for 2024, 2023 and 2022 was entirely composed of LTIP awards. For the Chairman and the Vice-Chairman of the BoD, the share-based compensation for 2024, 2023 and 2022 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 (2024: USD / CHF 0.91; 2022: USD / CHF 0.91; 2022: USD / CHF 0.96).

The independent members of the BoD, including the Chairman, do not have employment or service contracts with UBS AG, 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 13.1m (CHF 11.5m) in 2024, USD 11.7m (CHF 10.6m) in 2023 and USD 11.1m (CHF 10.7m) in 2022.

## b) Equity holdings of key management personnel

Equity holdings of key management personnel <sup>1</sup>		
	31.12.24	31.12.23
Number of UBS Group AG shares held by members of the BoD, EB and parties closely linked to them <sup>2</sup>	5,593,474	5,121,564

1 No options were held in 2024 and 2023 by non-independent members of the BoD or any EB member or any of their 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 2024 and 31 December 2023. 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 2024 and 31 December 2023. As of 31 December 2024, no member of the BoD or EB 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 EB 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.

#### Loans, advances and mortgages to key management personnel<sup>1</sup>

USD m, except where indicated	2024	2023
Balance at the beginning of the year	55	28
Balance at the end of the year <sup>2</sup>	51	55
Balance at the end of the year (CHF m) <sup>2</sup>	46	46

<sup>1</sup> All loans are secured loans. 2 Swiss franc amounts disclosed represent the respective US dollar amounts translated at the relevant year-end closing exchange rate.

In addition, there were outstanding deposit balances with key management personnel that amounted to USD 139m (CHF 126m) as of 31 December 2024 and USD 21m (CHF 18m) as of 31 December 2023.

#### d) Other related-party transactions with entities controlled by key management personnel

In 2024 and 2023, UBS AG did not enter into transactions with entities over whom key management personnel or their close family members have solely or jointly a direct or indirect significant influence and as of 31 December 2024, 31 December 2023 and 31 December 2022 there were no outstanding balances related to such transactions. Furthermore, in 2024 and 2023, such entities did not sell any goods or provide any services to UBS AG and therefore did not receive any fees from UBS AG. UBS AG also did not provide services to such entities in 2024 and 2023 and therefore also received no fees.

### Note 30 Related parties (continued)

### e) Transactions with associates and joint ventures

USD m	2024	2023
Carrying amount at the beginning of the year	183	217
Additions <sup>1</sup>	955	664
Reductions	(440)	(716)
Foreign currency translation	(34)	18
Carrying amount at the end of the year	663	183
of which: unsecured loans and receivables	<i>656</i>	174

<sup>1</sup> Additions in 2024 include balances of USD 89m recognized upon the merger of UBS AG and CS AG.

#### Other transactions with associates and joint ventures

	As of or for the	e year ended
USD m	31.12.24	31.12.23
Payments to associates and joint ventures for goods and services received	200	155
Fees received for services provided to associates and joint ventures	27	10
Liabilities to associates and joint ventures	312	103

In addition to the items in the table above, transactions with associates and joint ventures also include off-balance sheet exposures of USD 1.1bn, which are provided on an arm's length basis.

Refer to Note 28 for an overview of investments in associates and joint ventures

## f) Receivables and payables from / to UBS Group AG and other subsidiaries of UBS Group AG

USD m	31.12.24	31.12.23
Receivables		
Amounts due from banks	0	14,7521
Cash collateral receivables on derivative instruments	0	312
Loans and advances to customers	2,826	4,889
Other financial assets measured at amortized cost	423	232
Financial assets at fair value held for trading	123	325
Derivative financial instruments	885	3,031
Payables		
Amounts due to banks	0	364
Cash collateral payables on derivative instruments	876	1,447
Customer deposits	3,699	3,069
Funding from UBS Group AG measured at amortized cost	107,918	67,282
Other financial liabilities measured at amortized cost	3,930	2,574
Derivative financial instruments	42	2,032
Other financial liabilities designated at fair value <sup>2</sup>	5,342	2,995

<sup>1</sup> Reflects funding provided to Credit Suisse. 2 Mainly represents funding recognized from UBS Group AG that is designated at fair value. Refer to Note 19b for more information.

#### Note 31 Invested assets and net new money

The following disclosures provide a breakdown of UBS AG'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 AG 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 UBS AG 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 AG 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 AG'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.

#### **Net new money**

Net new money in a reporting period is the amount of invested assets entrusted to UBS AG by new and existing clients, less those withdrawn by existing clients and clients who terminated relationships with UBS AG.

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 AG 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 AG.

#### Invested assets and net new money

USD bn	As of or for the ye	As of or for the year ended		
	31.12.24	31.12.23		
Fund assets managed by UBS	639	429		
Discretionary assets	2,213	1,674		
Other invested assets	3,235	2,402		
Total invested assets <sup>1</sup>	6,087	4,505		
of which: double counts	503	411		
Net new money <sup>1,2</sup>	81	112		

<sup>1</sup> Includes the share of net new money and invested assets relating to associates in the Asset Management business division. 2 Includes double counts.

#### **Development of invested assets**

USD bn	31.12.24	31.12.23
Total invested assets at the beginning of the year <sup>1,2</sup>	4,505	3,981
Net new money	81	112
Market movements <sup>3</sup>	497	379
Foreign currency translation	(126)	69
Invested assets recognized upon the merger of Credit Suisse AG with UBS AG <sup>4</sup>	1,153	
Other effects	(23)	(37)
of which: acquisitions / (divestments)	(4)	(25)
Total invested assets at the end of the year <sup>1,2</sup>	6,087	4,505

<sup>1</sup> Includes the share of net new money and invested assets relating to associates in the Asset Management business division. 2 Includes double counts. 3 Includes interest and dividend income. 4 Invested assets recognized upon the merger of UBS AG and Credit Suisse AG were measured and reported as of 31 May 2024, the merger effective date, in alignment with UBS AG's accounting policies.

#### Note 32 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

	Closing exchar	Closing exchange rate As of		Average rate <sup>1</sup>		
	As of			For the year ended		
	31.12.24	31.12.23	31.12.24	31.12.23	31.12.22	
1 CHF	1.10	1.19	1.13	1.11	1.05	
1 EUR	1.04	1.10	1.08	1.08	1.05	
1 GBP	1.25	1.28	1.28	1.25	1.23	
100 JPY	0.63	0.71	0.66	0.71	0.76	

<sup>1</sup> 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 UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

### Note 33 Main differences between IFRS Accounting Standards and Swiss GAAP

The consolidated financial statements of UBS 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 I 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. Goodwill and intangible assets

Under IFRS Accounting Standards, goodwill acquired in a business combination is not amortized but tested annually for impairment. Intangible assets with an indefinite useful life are also not amortized but tested annually for impairment. Under Swiss GAAP, 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 ten years, can be justified. In addition, these assets are tested annually for impairment.

### 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.

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 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.

## Note 34 Supplemental guarantor information

In 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for contractual obligations of UBS AG existing on the asset transfer date, including the full and unconditional guarantee of certain SEC-registered debt securities issued by UBS AG. The joint liability of UBS Switzerland AG for contractual obligations of UBS AG decreased in 2024 by USD 0.7bn to USD 2.6bn as of 31 December 2024. The decrease substantially relates to a combination of contractual maturities, fair value movements and foreign currency effects.

UBS AG, together with UBS Group AG, has fully and unconditionally guaranteed the outstanding SEC-registered debt securities of Credit Suisse (USA) LLC, which as of 31 December 2024 consisted of a single outstanding issuance with a balance of USD 742m maturing in July 2032. Credit Suisse (USA) LLC is an indirect, wholly owned subsidiary of UBS AG. UBS AG assumed Credit Suisse AG's obligations under the guarantee as of 31 May 2024 (i.e. the date of the merger). In accordance with the guarantee, if Credit Suisse (USA) LLC fails to make a timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either UBS Group AG or UBS AG, without first proceeding against Credit Suisse (USA) LLC.

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