



UBS Limited

Pillar 3 – Supplementary Disclosures

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Introduction

UBS Limited (the "Company") is a credit institution incorporated in Great Britain which is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

This document provides the supplementary disclosure information for UBS Limited as at 31 December 2015. These are the required Pillar 3 disclosures that are not included in other sections of the 2015 Annual Report and Financial Statements of UBS Limited, which can be found through the following link:

→ [UBS Limited Annual Report and Financial Statements 2015](#)

The capital adequacy framework consists of three pillars each of which focuses on a different aspect of adequacy. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 addresses the principles of the supervisory review process empha-

sising the need for a qualitative approach to supervising banks. Pillar 3 aims to encourage market discipline by requiring banks to publish a range of disclosures, mainly on risk and capital.

This Pillar 3 supplementary section is based upon the EU regulations, Directive 2013/36/EU and Regulation 575/2013 (together known as "CRD IV") and their related technical standards, as implemented within the UK by the PRA.

As UBS Limited is a wholly owned subsidiary of UBS AG further qualitative disclosures around risk management policies and processes may be found in the UBS Group AG disclosures at the following link:

→ [UBS Group AG Annual Report 2015](#)

The following table identifies the location of the Pillar 3 disclosures within the 2015 Annual Report and Financial Statements and this document.

Location of Pillar 3 Disclosures

Pillar 3 Requirement	Location of disclosure in 2015 Annual Report and Financial Statements of UBS Limited	Location of Pillar 3 disclosure in this supplementary document
Risk management objectives and policies	Risk, treasury and capital management (note 33)	Risk management objectives and policies
Scope of application	Strategic Report	
UBS Limited Board of Directors and its diversity and recruitment policies		UBS Limited Board of Directors
Own Funds		Own funds
Capital Requirements	Risk, treasury and capital management (note 33)	Capital requirements
Exposure to counterparty credit risk	Risk, treasury and capital management (note 33)	Exposure to counterparty credit risk
Capital buffers		Countercyclical capital buffer
Credit risk adjustments	Notes to the financial statements (note 14)	Credit exposure and credit risk adjustments
Asset Encumbrance		Asset encumbrance
Use of ECAs		External credit assessment institutions
Exposure to market risk	Risk, treasury and capital management (note 33)	Capital requirements
Operational risk	Risk, treasury and capital management (note 33)	Capital requirements
Exposure in equities not included in the trading book		Exposures in equities not included in the trading book
Exposure to interest rate risk on positions not included in the trading book	Risk, treasury and capital management (note 33)	
Exposure to securitisation positions		Securitisation positions
Leverage Ratio		Leverage ratio
Use of credit risk mitigation techniques	Risk, treasury and capital management (note 33)	Credit risk mitigation
Remuneration policy		Remuneration

Risk management objectives and policies

Declaration of adequacy of risk management arrangements

The management of UBS Limited has assessed the adequacy of risk management arrangements of the Company. Based on this assessment, management considers that risk management systems put in place are adequate with regard to the profile and strategy of UBS Limited. This statement is given and should be interpreted in accordance with the provisions of Article 435(1(e)) of Regulation (EU) No 575/2013.

Risk Statement

UBS Limited is exposed to credit risk, market risk, liquidity and funding risk and operational risk as described below.

Credit risk

For UBS Limited credit risk arises primarily from traded products, including over-the-counter (OTC) derivative transactions and exchange-traded derivatives, as well as securities financing transactions such as repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions. Credit risk from banking products (such as loans, loan commitments and guarantees) relates primarily to undrawn loan commitments which are sub-participated to UBS Limited's parent, UBS AG, or third parties, and amounts due from banks.

Market risk

Within UBS Limited market risk arising from trading activities relates primarily to equity and fixed income securities and derivatives trading for client facilitation purposes within the Investment Bank. Non-

trading interest rate risk, which relates primarily to treasury activities, is not material.

Liquidity and funding risk

UBS Limited is exposed to liquidity and funding risk through its securities trading and derivative businesses, securities financing transactions and unsecured borrowing. Liquidity risk arising from banking products is limited as loans are sub-participated to the Company's parent, UBS AG, or to third parties.

Operational risk

Operational risk is an inevitable consequence of being in business, as losses can result from inadequate or failed internal processes, people and systems or from external causes (deliberate, accidental or natural). Events may be direct financial losses or indirect in the form of revenue forgone as a result of business suspension. They may also result in damage to our reputation and to our franchise, which have longer term financial consequences.

Risk Appetite and Key Ratios

Please refer to note 33 of UBS Limited's 2015 Annual Report and Financial Statements for a comprehensive explanation of the Company's risk appetite framework together with a description of the risk governance arrangements including the committees that support the UBS Limited Board (Board) in the overall control and management of the risk of the Company.

The following table outlines the key regulatory ratios for the Company as at the year end. See also the Leverage Ratio section which discloses the relevant information for the Company's leverage ratio.

Key Ratios

<i>GBP million</i>	31.12.15	31.12.14
Total Credit Exposure	17,146	17,047
Total RWA	12,316	10,810
<i>Of which credit risk (including CVA Risk)</i>	8,764	7,588
<i>Of which market risk</i>	2,227	1,869
<i>Of which operational risk</i>	1,325	1,353
Capital Ratio – CET1	20.85%	31.35%
Capital Ratio – Tier 1	22.76%	37.04%
Capital Ratio – Total Capital	27.53%	46.26%

Credit and market risk

As described in Note 33 of the Company's financial statements, the Board has established a risk appetite framework, a key objective of which is to ensure that the Company maintains sufficient capital to withstand the effects of a severe adverse economic or geopolitical event. The Company has specific quantitative objectives to maintain a Basel III CET1 ratio and total capital ratio in excess of the regulatory minimum levels post a severe stress event. Further information on the use of stress scenarios for the calculation of capital-based risk appetite objectives can be found in the "Capital management" section of the UBS Group AG Annual Report. The Company's actual CET1 and total capital ratios as of 31 December 2015 are shown in the Key Ratios table, above.

To complement the risk appetite objectives, the Company has established limits for market and credit risk at the entity-wide level

and at more granular levels. Market risk for the Company is measured using value-at-risk (VaR) at a 95% confidence interval over a one-day holding period. The VaR measure was GBP 2 million at the end of the year, significantly below the limit approved by the Board. The Company's credit risk exposures were also within Board approved limits as of 31 December 2015.

Liquidity risk

The balance sheet of UBS Limited is stressed against different liquidity scenarios including a sudden UBS idiosyncratic event and a prolonged general market-wide stress. From these stress tests the Company is able to monitor the liquidity risk of the entity against a number of metrics, based on both internally-derived and regulatory-prescribed models. In each case UBS Limited surpasses the minimum requirement and/or Board-determined set limit.

UBS Limited Board of Directors

The names of the Directors of UBS Limited, together with the number of other directorships each member held as at 31 December 2015 are shown in the table below.

Recruitment for the management body and the management body's actual knowledge, skills and experience

Recruitment Policy

The management body of UBS Limited is its Board of Directors which is comprised of Non-Executive and Executive Directors.

The Board has a Nomination Committee the mandate of which includes identifying and nominating candidates for any Board vacancies, having evaluated the balance of knowledge, skills, experience, independence and diversity of the Board in the context of the UBS Group environment.

In considering suitable candidates, the Nomination Committee considers a broad range of qualities and competencies. In addition, the Nomination Committee takes into account the relevant policies of the UBS Group. Further detail of the UBS Group approach to recruitment is set out in the UBS Group AG Annual Report 2015 under the section "Our Employees, Attracting and recruiting talent".

The Nomination Committee held eight meetings during 2015.

Board Biographies

As at 24 March 2016 the Board consisted of 8 Directors (4 Executive and 4 Non-Executive), summaries of their respective knowledge, skills and expertise are set out below:

- John Tattersall has been a Non-Executive Director of UBS Limited since 16 November 2011. John became Chairman of the Board and of the Nomination Committee on 1 January 2016 and had previously held Chairmanships of the Risk Committee and the Audit Committee. John retired as a partner of PricewaterhouseCoopers LLP in 2009. He was Chairman of the Risk and Regulation Committee of the Financial Services Faculty of the Institute of Chartered Accountants in England and Wales, and a member of the faculty board. John is a non-executive board member of a number of other financial services firms and charities, and was until 31 December 2015 Chair of the Gibraltar Financial Services Commission. He started his career in the financial services sector with Kleinwort Benson Limited in 1973 after graduating from Christ's College, Cambridge in Economics.
- Michelle Bereaux was appointed a Non-Executive Director of UBS limited on 16 June 2015 and is additionally Chairman of the Remuneration Committee and the Audit Committee. Michelle qualified as a Solicitor with 24 years' experience in the banking and financial services industry. Michelle rejoined UBS in 2001 becoming the EMEA Regional Chief Operating Officer of the UBS-IB in 2004. In the period 2005 to 2009, Michelle had served as the Global COO of the Investment Banking Department subsequently becoming the UBS-IB Chief of Staff and Joint Global COO of the UBS-IB in 2009. In 2010 UBS AG appointed Michelle as a Group Managing Director. In 2011 Michelle took on a Global Strategic Projects role for the UBS-IB Chief Executive before becoming Global Head of Human Resources ('HR') in the UBS-IB from November 2011 to October 2014. Michelle was a Group Managing Director in Global HR until June 2015.

UBS Limited directors – number of directorships

	Number of Directorships Held at 31.12.15	Directorships under SYSC 4.3A.7(1) R that do not count for the limits under SYSC 4.3A.5R & 6R	Remaining directorships adjusted by SYSC 4.3A7(2) (E = Executive, NE = Non-Executive)
Michelle M Bereaux (appointed 16 June 2015)	1	–	1 NE
Nigel P Bretton	1	–	1 E
Beatriz Martin Jimenez (appointed 28 Jan 2015)	1	–	1 E
Jonathan (Bobby) P A Magee (appointed 12 March 2015)	2	–	2 NE
Andrea Orcel	2	1	1 E
David C B Soanes	4	3	1 E
Patricia J Scotland (The Rt Hon. The Baroness Scotland of Asthal, QC) (appointed 1 April 2015)	4	3	1 NE
John H Tattersall	14	8	4 NE

- The Rt. Hon. the Baroness Scotland of Asthal, QC was appointed a Non-Executive Director of UBS Limited on 1 April 2015. After graduating with LLB Hons (London), Patricia Scotland was called to the Bar, Middle Temple, in 1977, received Silk in 1991 and became a Bencher in 1997. She was appointed an Assistant Recorder in 1994, a Recorder in 2000 and approved to sit as a Deputy High Court Judge of the Family Division. Baroness Scotland became the first female Attorney General in the 700 year history of the post and was also Shadow Attorney General. She was previously Home Office Minister of State for the Criminal Justice System and Law Reform, Spokesperson for the Department of Trade and Industry on women and equality issues in the House of Lords and was raised to the Privy Council in 2001. The Baroness also served as Parliamentary Secretary at the Lord Chancellor's Department and Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office. She is a Dame of the Sacred Military Constantinian Order of Saint George. She is a former member of the Bar Public Relations Committee, Race Relations Committee, Professional Conduct Committee, Judicial Studies Board Ethnic Minority Advisory Committee, House of Commons Working Party on Child Abduction, Legal Advisory Panel on the National Consumer Council, the Independent Committee for the Supervision of Standards of Telephone Information Services and the National Advisory Committee on Mentally Disordered Offenders, Chairman of HMG Caribbean Advisory Group, the Dominican Representative of the Council of The British Commonwealth Ex-Service league and served as a member of the Millennium Commission. In November 2015 Baroness Scotland was elected to become the Commonwealth Secretary-General from 1 April 2016 and in order to take up that appointment will be relinquishing her UBS Limited Directorship at the end of March 2016.
- Jonathan (Bobby) Magee was appointed a Non-Executive Director of UBS Limited on 12 March 2015 and is additionally Chairman of the Risk Committee. Bobby studied Mathematics at Jesus College, Cambridge and worked for 20 years at JPMorgan based in London, New York and Tokyo, specialising in exotic derivatives, market risk and quantitative research. Bobby had roles both on trading desks and in control functions with his last role (2005–2007) as Global Head of Exotics trading including Interest Rate, Credit, Equity and Commodity Exotics. Since 2008 has split his time between family, charity and consulting roles.
- Andrea Orcel was appointed an Executive Director and Chief Executive of UBS Limited on 8 December 2014. Andrea Orcel is the Chief Executive of the UBS-IB and a member of the UBS Group Executive Board. Andrea joined UBS in July 2012 from Bank of America Merrill Lynch, where he served as Executive Chairman and President of Emerging Markets (ex-Asia). Andrea was previously Head of Merrill Lynch's Global Origination division. From 2004, Andrea was EMEA Head of Origination and President of Global Markets & Investment Banking. Andrea was appointed Global Head of the Financial Institutions division in 2003, and EMEA Head in 1999, having joined Merrill Lynch in 1992. From 1990 to 1992, he was with the Boston Consulting Group as a senior consultant. In 1988 he joined Goldman Sachs as an associate in fixed income. Andrea has a degree in Economics and Commerce from the "La Sapienza" University of Rome, and an MBA from INSEAD.
- Nigel Bretton was appointed Finance Director of UBS Limited on 21 October 2014. Nigel holds a degree in Commerce with French and German from Birmingham University. He worked for 10 years at KPMG, mainly as a financial sector auditor and consultant and working extensively in France, Germany and Switzerland. Nigel then became UK Financial Controller at J P Morgan for 3 years, UK and EMEA Controller at Credit Suisse First Boston for 8 years, Chief Financial Officer ('CFO') Wholesale and International Banking at Lloyds TSB for 4 years and CFO Commercial (and latterly, also Private Banking) at Royal Bank of Scotland for 6 years. Nigel joined UBS in September 2014 and is the CFO for the UBS-IB and UBS UK.
- Beatriz Martin Jimenez was appointed an Executive Director and Chief Operating Officer ('COO') of UBS Limited on 28 January 2015. In December 2014 Beatriz took over as the COO for the UK, a cross-divisional function for both UBS Limited and UBS AG London Branch and on 1 October 2015 Beatriz was also appointed COO of the UBS-IB. Beatriz drives strategic initiatives globally, plays a key role in a wide variety of bank-wide operational issues. Beatriz joined UBS from Morgan Stanley, where she had been Managing Director for Solutions Sales for Switzerland, focusing on financial institutions in the region. Prior to this, also for Morgan Stanley, she was the Head of European Fixed Income Banks Solutions in Europe and a member of the Interest Rate and Credit OpCo from 2009 to 2011. Between 2004 and 2009 she was Managing Director and Head of the Iberia Fixed Income Sales, having been promoted from Executive Director in 2007. From 1996 to 2004, Beatriz held a number of roles in structuring and trading at Deutsche Bank, both in London and Frankfurt. She started her career as a graduate trainee with Deutsche Bank in 1996. Beatriz holds a Masters Degree in Business from the Universidad Autonoma de Madrid, where she also completed a year abroad as part of the Erasmus exchange program, completing a year at the Frankfurt School of Finance and Management.
- David Soanes was appointed an Executive Director of UBS Limited on 5 December 2014. David graduated from Magdalene College, Cambridge University in 1991. Later that year David joined the Debt Capital Markets ('DCM') group of Swiss Bank Corporation (now UBS). In 2000, David was appointed head of the DCM Financial Institutions Group, EMEA and in 2004 to head all investment grade DCM business in Europe. David moved to the Investment Banking Department in 2006 to become Head of the Financial Institutions Group ('FIG') in EMEA. David's responsibilities were expanded in 2007 to include the fixed income businesses of DCM and Structured Sales for FIG clients in EMEA. In 2008 David was appointed head of the Global Capital Markets ('GCM') team for EMEA,

spanning Equity and DCM. David was appointed Deputy Head of GCM in 2009 and Global Head of GCM in March 2011 when he joined the UBS-IB Executive Committee. In October 2012 David was appointed to head the newly formed Corporate Client Solutions business for Europe, the Middle East and Africa and in 2013 to Global Head of Financial Institutions Group. In addition to joining the Board in December 2014, David also became the UBS UK Country Head as well as a member of the UBS UK Executive Committee.

Diversity in relation to selection of the management body

The UBS Group is committed to offering equal opportunities and is focused on strengthening all aspects of diversity. Gender diver-

sity remains a key focus for the UBS Group. Each division of the UBS Group undertakes divisional diversity planning with the aim to increase the number of women working at UBS, particularly in senior roles. The Nomination Committee takes into account the policies of the UBS Group when selecting members of the Board. Further information on the UBS Group approach to diversity is set out in the UBS Group AG Annual Report 2015 under the section "Our employees, Building diversity and inclusion".

In February 2014, the Board adopted the recommendation of Lord Davies' Report aimed at ensuring at least a 25% female representation on its Board. This goal is currently met by the Board.

Own funds

Reconciliation of balance sheet total equity to regulatory capital

The following table provides a reconciliation of total equity per the balance sheet to the total regulatory capital in accordance with CRR (575/2013) Article 437 1(a) and Annex I of Commission Implementing Regulation (EU) 1423/2013.

Reconciliation of balance sheet total equity to regulatory capital

<i>GBP million</i>	31.12.15	31.12.14
Balance sheet total equity¹	3,042	4,191
Add:		
Tier 2 instruments classified as other liabilities	587	997
Less:		
Prudential Filters	(44)	(56)
Deferred tax assets	(172)	(106)
Own credit gains deducted for regulatory purposes	(24)	(15)
Adjustments for unrealised gains held in accumulated other comprehensive income	–	(10)
Total Own Funds	3,390	5,001

¹ Taken from audited results for UBS Limited as set out in its Annual Report and Financial Statements 2015

Main features and terms and conditions of capital instruments issued by UBS Limited

Capital instruments main features

	Common Equity Tier 1	Additional Tier 1	Tier 2
Issuer	UBS Limited	UBS Limited	UBS Limited
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
Governing law(s) of the instrument	English	English	English
Regulatory treatment			
Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	CET1 Instrument	Additional Tier 1	Tier 2
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	GBP 2,411million	GBP 235 million	a. USD 292 million b. EUR 528 million
Nominal amount of instrument	1.00	GBP 235 million	a. USD 292 million b. EUR 528 million
Issue price	Various	1.00	1.00
Redemption price	Par	Par	Par
Accounting classification	Shareholders Equity	Shareholders Equity	Liability – amortised cost
Original date of issuance	Various	5.15.2014	5.14.2014
Perpetual or dated	Perpetual	Perpetual	Dated
Original maturity date	No Maturity	No Maturity	5.14.2024
Issuer call subject to prior supervisory approval	N/A	Yes	Yes
Optional call date, contingent call dates and redemption amount	N/A	15.05.2019, or earlier upon occurrence of tax or regulatory event at par value	14.05.2019, or earlier upon occurrence of tax or regulatory event at par value
Subsequent call dates, if applicable	N/A	any time after 15/05/2019	any time after 14/05/2019 up to maturity
Coupons / dividends			
Fixed or floating dividend / coupon	Floating	Floating	Floating
Coupon rate and any related index	N/A	3m LIBOR plus 5.02 percent	a. 3m LIBOR plus 2.71 percent b. 3m EURIBOR plus 2.65 percent
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
Convertible or non-convertible	Non convertible	Non convertible	Non convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	No	Yes	Yes
If write-down, write-down trigger(s)	N/A	CET1 ratio falls below 7.0%	Point of non viability – PRA statutory approach
If write-down, full or partial	N/A	Full	PRA discretion under banking Act (2009)
If write-down, permanent or temporary	N/A	Permanent	PRA discretion under banking Act (2009)
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	AT1	Tier 2	General Creditors
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A

Nature and amounts of capital deductions from the own funds of UBS Limited

Nature and amounts of capital deductions from own funds

GBP million	31.12.15		31.12.14	
	Amount	Transitional Amount	Amount	Transitional Amount
Capital instruments and the related share premium accounts				
<i>of which: Instrument type 1</i>	2,411		3,350	
Retained earnings	395		220	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1		6	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,807		3,576	
Additional value adjustments	(44)		(56)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met)	(172)		(106)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(22)		(15)	
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	–	(10)	(10)
Total Common Equity Tier 1 capital	2,568	–	3,389	(10)
Capital instruments and the related share premium accounts				
<i>of which: classified as equity under applicable accounting standards</i>	235		615	
Total Additional Tier 1 capital	235	–	615	0
Total Tier 1 capital	2,803	–	4,004	(10)
Capital instruments and the related share premium accounts	587		997	
Total Tier 2 capital	587	–	997	0
Total Own Funds	3,390	–	5,001	(10)

Capital requirements

Assessing capital requirements

UBS Limited assesses the adequacy of its capital resources in terms of both amount and type through a number of processes governed by the Board, the UBS Limited Risk Committee (Risk Committee) and the UBS Limited Asset and Liability Committee (ALCO).

A Capital Management Framework has been established with the objective of ensuring that the Company complies at all times with relevant regulation and its internal capital risk appetite.

As part of the business planning process, each operating business forecasts its capital needs over a three year horizon. The resulting plan is subject to stress testing to determine whether the Company's capital resources are sufficient should severe market conditions or other events arise. Furthermore UBS Limited considers whether the regulatory capital measures specified in the Capital Requirements Regulation (CRR) are sufficient given the risk profile of the Company. The results of this process are discussed with the PRA who set a minimum capital requirement for the Company. The Board considers all these factors in establishing the total amount of capital required and the nature of the capital instruments that should be issued.

The Board sets capital limits, thresholds and triggers. Procedures are in place to monitor the businesses performance against these metrics and escalate any issues arising through the governance fora.

Quarterly stress testing is undertaken to ensure that capital remains sufficient to enable the firm to continue to meet the Board's metrics should a stress event occur. The results are discussed by the ALCO and reported to the Board.

The Company business plan forms part of the overall UBS Group planning process which is approved by the UBS Group Executive Board.

Pillar 1 capital requirements

For Pillar 1, regulatory capital exposures are calculated using supervisory standardised approaches except for the following types of credit risk where exposure is determined by internal credit models:

- Credit risk exposure arising from OTC derivatives is calculated using a PRA approved IMM credit model. Exposures on OTC transactions that are not approved to be calculated in this model are calculated using the supervisory mark-to-market approach.
- Credit risk exposure arising from securities funding transactions (SFT) is calculated using a PRA approved IMA credit model. Exposures on SFT transactions not approved to be calculated in this model are calculated using the supervisory volatility adjustments approach for master netting agreements.

UBS Limited applies standardised risk weightings as set out later in this document in the section headed 'External credit assessment institutions'.

The following table sets out the CRR Pillar 1 capital requirements for UBS Limited as at 31 December 2015.

Pillar 1 capital requirements

GBP million	31.12.15	31.12.14
Credit, counterparty credit risks		
Central governments and central banks	–	–
Regional governments and local authorities	2	3
Public sector entities	3	6
Multilateral development banks	–	–
International organisations	–	–
Institutions	207	196
Corporates	354	262
Retail	–	–
Secured by mortgages on immovable property	–	–
Exposures in default	–	–
Items associated with particularly high risk	–	–
Covered bonds	–	–
Securitisation positions	3	6
Claims on Institutions and corporates in short term credit assessments	–	–
Collective investment undertakings	–	–
Equity	–	–
Other items	11	10
Total credit, counterparty credit risks	580	483
Risk exposure amount for contributions to the default fund of a CCP	4	3
Settlement risk	5	2
Position, foreign exchange and commodities risk		
Traded debt instruments	91	94
Equity	53	39
Foreign exchange	34	16
Commodity	–	–
Total position, foreign exchange and commodities risk	178	149
Operational risk capital	106	108
Credit valuation adjustment exposure	112	120
Large exposures in the trading book	–	–
Other risk exposures	–	–
Total Pillar 1 capital requirement	985	865

Exposure to counterparty credit risk

Credit exposure of derivative instruments

The net current credit exposure is drawn from balance sheet carrying values allowing for netting benefits and collateral received as shown in the table below.

Regulatory net credit exposure is determined in accordance with the requirements of the CRR.

Credit exposure of derivative instruments

<i>GBP million</i>	31.12.15	31.12.14
Gross positive replacement values	17,668	30,042
Netting benefits recognised	13,964	23,520
Net replacement values	3,704	6,522
Derivative margin and collateral delivered out	6,027	7,052
Netting benefits recognised	1,747	3,038
Net derivative margin and collateral delivered out	4,280	4,014
Total derivative exposure	7,984	10,536
Collateral held	3,670	6,447
Net current credit exposure	4,314	4,089
Regulatory net credit exposure (total counterparty credit risk)	9,481	7,455
<i>of which: treated with internal models (effective expected positive exposure)</i>	3,675	4,011
<i>of which: treated with supervisory approaches (current exposure method)</i>	5,806	3,444

Credit derivatives

The following table provides an overview of the credit derivative portfolio of UBS Limited by product group using notional amounts. UBS Limited does not utilise credit derivatives within its banking book.

Credit derivatives

31.12.15	Regulatory banking book			Regulatory trading book			
Notional amounts GBP million	Protection bought	Protection sold	Total	Protection bought	Protection sold	Total	Total
Credit default swaps	–	–	–	6,037	4,870	10,907	10,907
Net current credit exposure	–	–	–	6,037	4,870	10,907	10,907

31.12.14	Regulatory banking book			Regulatory trading book			
Notional amounts GBP million	Protection bought	Protection sold	Total	Protection bought	Protection sold	Total	Total
Credit default swaps	–	–	–	20,428	19,025	39,453	39,453
Net current credit exposure	–	–	–	20,428	19,025	39,453	39,453

Credit rating of UBS Limited

A three notch downgrade in the credit rating of UBS Limited at 31 December 2015 would have required the Company to deliver additional collateral worth GBP 71 million (2014 - GBP 153 million) to clients with whom UBS Limited has executed collateral support agreements.

Countercyclical capital buffer

Geographical distribution of credit exposures for the countercyclical capital buffer

The following table sets out credit exposures as at 31 December 2015, split by geographical distribution, utilised in the calculation of the countercyclical capital buffer that was implemented in the UK during 2015.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

As at 31.12.15 GBP million	General credit exposures taken under the standardised approach	Trading book position exposures taken under the standardised approach	Securitisation exposures taken under the standardised approach	Own funds requirements: general credit exposures	Own funds requirements: trading book positions	Own funds requirements: securitisations	Total own funds requirements	Own funds requirements weights	Countercyclical capital buffer rate
Breakdown by country									
Angola	2	–	–	–	–	–	–	–	0.000%
Australia	41	11	–	3	–	–	3	0.70	0.000%
Austria	4	4	–	–	1	–	1	0.23	0.000%
Belgium	55	6	–	5	–	–	5	1.17	0.000%
Bermuda	–	3	–	–	–	–	–	–	0.000%
Brazil	11	1	–	1	–	–	1	0.23	0.000%
Bulgaria	–	1	–	–	–	–	–	–	0.000%
Canada	4	12	–	–	1	–	1	0.23	0.000%
Cayman Islands	36	7	–	3	–	–	3	0.70	0.000%
China	7	–	–	–	–	–	–	–	0.000%
Curaçao	91	–	–	7	–	–	7	1.64	0.000%
Cyprus	–	1	–	–	–	–	–	–	0.000%
Denmark	132	20	–	11	1	–	12	2.82	0.000%
Finland	117	16	–	6	2	–	8	1.88	0.000%
France	955	98	–	52	6	–	58	13.62	0.000%
Germany	32	112	–	2	9	–	11	2.58	0.000%
Greece	–	1	–	–	–	–	–	–	0.000%
Hong Kong	7	–	–	1	–	–	1	0.23	0.000%
Hungary	1	–	–	–	–	–	–	–	0.000%
Ireland	52	15	–	4	1	–	5	1.17	0.000%
Isle of Man	–	1	–	–	–	–	–	–	0.000%
Italy	381	43	9	31	2	3	36	8.45	0.000%
Japan	67	14	–	5	2	–	7	1.64	0.000%
Jersey	–	21	–	–	1	–	1	0.23	0.000%
Luxembourg	274	52	–	23	5	–	28	6.57	0.000%
Malta	35	–	–	3	–	–	3	0.70	0.000%
Mauritius	74	–	–	6	–	–	6	1.41	0.000%
Monaco	2	–	–	–	–	–	–	–	0.000%
Netherlands	776	83	–	47	4	–	51	11.97	0.000%
New Zealand	10	6	–	1	–	–	1	0.23	0.000%
Norway	34	7	–	1	–	–	1	0.23	1.000%
Philippines	1	–	–	–	–	–	–	–	0.000%
Poland	4	2	–	–	–	–	–	–	0.000%
Portugal	37	1	–	3	–	–	3	0.70	0.000%

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (continued)

As at 31.12.15 GBP million	General credit exposures taken under the standardised approach	Trading book position exposures taken under the standardised approach	Securitisation exposures taken under the standardised approach	Own funds requirements: general credit exposures	Own funds requirements: trading book positions	Own funds requirements: securitisations	Total own funds requirements	Own funds requirements weights	Countercyclical capital buffer rate
Breakdown by country (continued)									
Russia	15	2	–	1	–	–	1	0.23	0.000%
Singapore	38	–	–	3	–	–	3	0.70	0.000%
South Africa	–	2	–	–	–	–	–	–	0.000%
Spain	186	28	–	15	2	–	17	3.99	0.000%
Sweden	218	14	–	14	1	–	15	3.52	1.000%
Switzerland	119	23	–	6	2	–	8	1.88	0.000%
Thailand	10	–	–	1	–	–	1	0.23	0.000%
Turkey	–	5	–	–	–	–	–	–	0.000%
United Arab Emirates	16	–	–	1	–	–	1	0.23	0.000%
United Kingdom	1,107	317	–	85	18	–	103	24.18	0.000%
United States	445	109	–	21	3	–	24	5.63	0.000%
Virgin Islands, British	–	2	–	–	–	–	–	–	0.000%
Total	5,396	1,040	9	362	61	3	426	100	

Countercyclical capital buffer

The table below sets out the calculation of the countercyclical capital buffer as at 31 December 2015.

Amount of institution-specific countercyclical capital buffer

GBP million	31.12.15
Total risk exposure amount	12,316
Institution-specific countercyclical buffer rate	0.036%
Institution-specific countercyclical capital buffer requirement	4

Credit exposure and credit risk adjustments

Credit exposure

The following table shows the derivation of risk weighted assets (RWA) from the regulatory credit exposure, broken down by exposure class.

Credit exposure

As at year end GBP million	As at 31.12.15			As at 31.12.14		
	Average credit exposure	Credit exposure after accounting and regulatory offsets	RWA	Average credit exposure	Credit exposure after accounting and regulatory offsets	RWA
Total Credit Exposure						
Central governments and central banks	3,328	2,690	1	4,044	3,976	1
Regional governments and local authorities	86	68	29	116	92	38
Public sector entities	39	35	31	393	203	77
Multilateral development banks	1,572	746	–	1,573	1,820	–
International organisations	–	–	–	–	–	–
Institutions	8,694	8,198	2,583	7,163	6,901	2,452
Corporates	5,167	5,256	4,418	4,448	3,915	3,252
Retail	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–
Exposures in default	–	–	–	–	1	1
Exposures associated with particularly high risk	2	–	1	1	–	1
Covered bonds	–	–	–	–	–	–
Securitisation positions	11	9	39	24	15	72
Institutions and corporates in short term credit assessments	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–	–
Equity exposures	2	2	2	2	2	2
Other items	138	142	142	83	122	122
Total	19,039	17,146	7,246	17,847	17,047	6,018

Regulatory credit exposure by geographical region

The following table provides a breakdown of credit exposures by exposure class and geographical regions.

Credit Exposure by Geographical Region

As at 31.12.15 GBP million	UK	Rest of Europe	North America	Latin America	Asia Pacific	Middle East and Africa	Supra-national	Total
Total Credit Exposure								
Central governments and central banks	1,296	1,177	211	–	3	3	–	2,690
Regional governments and local authorities	–	65	–	–	1	2	–	68
Public sector entities	–	35	–	–	–	–	–	35
Multilateral development banks	–	–	–	–	–	–	746	746
International organisations	–	–	–	–	–	–	–	–
Institutions	2,325	5,457	245	–	153	18	–	8,198
Corporates	964	3,429	577	11	256	19	–	5,256
Retail	–	–	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–	–
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–
Securitisation positions	–	9	–	–	–	–	–	9
Institutions and corporates in short term credit assessments	–	–	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–	–	–	–
Equity exposures	2	–	–	–	–	–	–	2
Other items	142	–	–	–	–	–	–	142
Total	4,729	10,172	1,033	11	413	42	746	17,146

As at 31.12.14 GBP million	UK	Rest of Europe	North America	Latin America	Asia Pacific	Middle East and Africa	Supra-national	Total
Total Credit Exposure								
Central governments and central banks	1,424	2,284	257	1	2	8	–	3,976
Regional governments and local authorities	–	91	–	–	1	–	–	92
Public sector entities	–	202	–	–	1	–	–	203
Multilateral development banks	–	–	–	–	–	–	1,820	1,820
International organisations	–	–	–	–	–	–	–	–
Institutions	2,073	4,340	303	–	176	9	–	6,901
Corporates	495	3,173	169	17	59	2	–	3,915
Retail	–	–	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–	–	–
Exposures in default	–	1	–	–	–	–	–	1
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–
Securitisation positions	–	15	–	–	–	–	–	15
Institutions and corporates in short term credit assessments	–	–	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–	–	–	–
Equity exposures	2	–	–	–	–	–	–	2
Other items	122	–	–	–	–	–	–	122
Total	4,116	10,106	729	18	239	19	1,820	17,047

Note: Exposure classes for which UBS Limited has no reportable exposure have been removed from this table

Regulatory credit exposure by counterparty type

The following table provides a breakdown of credit exposures by credit exposure class and counterparty type.

Credit exposure by counterparty

31.12.15 GBP million	Private individuals	Corporates	Public entities (including sovereigns and central banks)	Banks and multilateral institutions	Total
Total Credit Exposure					
Central governments and central banks	–	–	2,690	–	2,690
Regional governments and local authorities	–	–	68	–	68
Public sector entities	–	–	35	–	35
Multilateral development banks	–	–	–	746	746
International organisations	–	–	–	–	–
Institutions	–	–	–	8,198	8,198
Corporates	–	5,256	–	–	5,256
Retail	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–
Exposures in default	–	–	–	–	–
Exposures associated with particularly high risk	–	–	–	–	–
Covered bonds	–	–	–	–	–
Securitisation positions	–	9	–	–	9
Institutions and corporates in short term credit assessments	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–
Equity exposures	–	–	–	2	2
Other items	–	141	1	–	142
Total	–	5,406	2,794	8,946	17,146

31.12.14 GBP million	Private individuals	Corporates	Public entities (including sovereigns and central banks)	Banks and multilateral institutions	Total
Total Credit Exposure					
Central governments and central banks	–	–	3,976	–	3,976
Regional governments and local authorities	–	–	92	–	92
Public sector entities	–	–	203	–	203
Multilateral development banks	–	–	–	1,820	1,820
International organisations	–	–	–	–	–
Institutions	–	–	–	6,901	6,901
Corporates	–	3,915	–	–	3,915
Retail	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–
Exposures in default	–	1	–	–	1
Exposures associated with particularly high risk	–	–	–	–	–
Covered bonds	–	–	–	–	–
Securitisation positions	–	15	–	–	15
Institutions and corporates in short term credit assessments	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–
Equity exposures	–	–	–	2	2
Other items	–	114	8	–	122
Total	–	4,045	4,279	8,723	17,047

Regulatory credit exposure by residual maturity

The table below provides a breakdown of credit exposures by credit exposure class and residual maturity.

Credit exposure by maturity

31.12.15 GBP million	Callable and on demand	Due in 1 year or less	Due between 1 year and 5 years	Due over 5 years	Total
Total Credit Exposure					
Central governments and central banks	–	2,086	472	132	2,690
Regional governments and local authorities	–	14	31	23	68
Public sector entities	–	–	–	35	35
Multilateral development banks	–	372	374	–	746
International organisations	–	–	–	–	–
Institutions	799	4,603	1,519	1,277	8,198
Corporates	274	2,683	1,775	524	5,256
Retail	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–
Exposures in default	–	–	–	–	–
Exposures associated with particularly high risk	–	–	–	–	–
Covered bonds	–	–	–	–	–
Securitisation positions	–	–	9	–	9
Institutions and corporates in short term credit assessments	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–
Equity exposures	–	–	–	2	2
Other items	–	142	–	–	142
Total	1,073	9,900	4,180	1,993	17,146

31.12.14 GBP million	Callable and on demand	Due in 1 year or less	Due between 1 year and 5 years	Due over 5 years	Total
Total Credit Exposure					
Central governments and central banks	5	2,176	1,549	246	3,976
Regional governments and local authorities	–	10	53	29	92
Public sector entities	–	35	81	87	203
Multilateral development banks	–	595	1,225	–	1,820
International organisations	–	–	–	–	–
Institutions	857	3,079	2,394	571	6,901
Corporates	107	2,012	1,152	644	3,915
Retail	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–
Exposures in default	–	–	–	–	–
Exposures associated with particularly high risk	–	–	1	–	1
Covered bonds	–	–	–	–	–
Securitisation positions	–	–	15	–	15
Institutions and corporates in short term credit assessments	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–
Equity exposures	–	–	–	2	2
Other items	–	122	–	–	122
Total	969	8,029	6,470	1,579	17,047

Note: Callable and on demand includes positions without an agreed residual maturity, for example loans without a fixed term and cash collateral receivables on derivative financial instruments for which notice of termination has not been given. Exposure on derivatives is determined at a netting set level for each counterparty. The maturity is disclosed based upon trade level attribution of the exposure. Equity holdings have been classified as having a maturity of greater than 5 years.

Impairment, default and credit loss

UBS Limited does not have any materially impaired assets.

Changes in allowances, provisions and specific credit valuation adjustments

The following table provides a breakdown of movements in the specific and collective allowances and provisions for impaired assets including changes in the credit valuation adjustments for defaulted derivatives.

Changes in allowances and provisions

<i>GBP million</i>	Specific allowances and provisions for banking products and securities financing	Specific credit valuation adjustments for derivatives	Total specific allowances, provisions and credit valuation adjustments	Collective loan loss allowances	Total allowances provisions and specific credit valuations
Opening balance at 31.12.14	–	–	–	–	–
Write off / usage of provisions	(1)	–	(1)	–	(1)
Recoveries (on written off provisions)	3	–	3	–	3
Increase / (decrease) in allowances, provisions and specific credit valuation adjustments	(2) ¹	–	(2)	–	(2)
Foreign currency translation and other adjustments	–	–	–	–	–
Transfers	–	–	–	–	–
Closing balance at 31.12.15	–	–	–	–	–

¹ The decrease in allowances, provisions and specific credit valuation adjustments relates to corporate counterparts or clients.

Asset encumbrance

The following tables set out the required disclosures for asset encumbrance as required by the EBA in the CRR and supporting technical guidelines.

Median amounts of encumbered and unencumbered assets – on and off balance sheet

	Carrying Amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
Median of month end balances during year <i>GBP Million</i>	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Classification of assets	9,824	11,332	–	–	37,224	48,953	–	–
Equity Instruments	9	181	9	181	2,097	1,336	2,097	1,336
Debt securities	1,683	1,642	1,683	1,642	5,980	7,556	5,980	7,556
Other assets	3,551	3,665	–	–	22,324	31,144	–	–

Median amounts of liabilities associated with encumbered assets and collateral received

	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	
Median of the month end balances during year <i>GBP million</i>	31.12.15	31.12.14	31.12.15	31.12.14
Carrying amount of selected financial liabilities	32,391	41,017	23,722	23,741

UBS Limited holds circa. GBP 37 billion of unencumbered assets compared with GBP 10 billion of encumbered assets. The largest portion of the unencumbered assets is positive replacement values shown in the other assets row. A significant portion of the GBP 6 billion of unencumbered debt securities is the local liquidity portfolio maintained in the entity to protect against adverse liquidity shocks.

The main drivers of encumbered assets are securities borrowing and lending and margins pledged against derivatives. There are no covered bond issuances or securitisation programs within the Company.

Asset encumbrance is one consideration in the funding and liquidity structure for UBS Limited. The Company relies on a diverse form of funding including its capital, interbank borrowing principally from its parent and secured financing. The Company's trading portfolio is of high quality and liquidity and therefore is materially funded through the securities financing markets. This secured financing creates an encumbrance on the assets held. These transactions are generally short-term and have small haircuts.

In addition to encumbrance of assets on the balance sheet securities accepted as collateral are rehypothecated. A significant majority of this activity related to reverse repurchase agreements that are financed via repurchase agreements. The remainder primarily relates to securities used to settle trading portfolio liabilities, securities lending activity as well as collateral pledged to OTC counterparts and exchange traded derivative client margins.

Although the total value of encumbered assets has remained stable since the last disclosure period the ratio of encumbered assets as a proportion of total assets has increased. This is primarily driven by a decrease in derivative positive replacement value on the balance sheet

The management of the Company's liquidity is the responsibility of the Group Treasury function and it is the ALCO's responsibility to review the Company's unencumbered asset balance on a monthly basis including a review of contingent encumbrance.

Further details including contingency funding are provided in Note 33 of the statutory accounts.

External credit assessment institutions

Use of external credit assessment institutions (ECAIs)

The standardised approach requires banks to use risk assessments prepared by external credit assessment institutions (ECAI) or export credit agencies to determine the risk weightings applied to rated counterparties. For this purpose UBS Limited uses three recognised ECAIs; Standard and Poor's Rating Group, Moody's Investor Service and Fitch Group.

The mapping of external ratings to the standardised approach risk weights is currently determined by the PRA and published in section 8 of its December 2013 Supervisory Statement SS10/13. UBS Limited applies risk weightings determined in this way to all relevant exposure classes in both the trading and non-trading books.

Credit risk mitigation

Exposure by credit quality step (CQS)

The following tables provide a breakdown of regulatory credit exposure, both before and after credit risk mitigation, by the credit quality steps of the standardised approach to credit risk. In both tables exposures, calculated using credit models approved

by the PRA, are shown after the application of securities collateral. Credit models are used for the calculation of exposure for certain over the counter derivative transactions and for certain securities financing transactions. Exposures not calculated using these credit models are shown as netted exposures before and after the application of securities collateral.

Regulatory net credit exposure before credit risk mitigation

31.12.15 GBP million	Credit Quality Step						Total
	1	2	3	4	5	6	
Regulatory net credit exposure before credit risk mitigation							
Central governments and central banks	2,767	5	65	–	–	–	2,837
Regional governments and local authorities	16	–	52	–	–	–	68
Public sector entities	5	–	30	–	–	–	35
Multilateral development banks	746	–	–	–	–	–	746
Institutions	5,370	4,821	487	46	77	1	10,802
Corporates	704	676	477	3,702	48	10	5,617
Items associated with particularly high risk	–	–	–	–	–	–	–
Securitisations	–	–	9	–	–	–	9
Equities	–	–	–	2	–	–	2
Other items	–	–	–	142	–	–	142
Total	9,608	5,502	1,120	3,892	125	11	20,258

31.12.14 GBP million	Credit Quality Step						Total
	1	2	3	4	5	6	
Regulatory net credit exposure before credit risk mitigation							
Central governments and central banks	4,147	1	77	–	1	–	4,226
Regional governments and local authorities	26	–	69	–	–	–	95
Public sector entities	151	8	44	–	1	–	204
Multilateral development banks	1,820	–	–	–	–	–	1,820
Institutions	4,093	6,278	483	239	178	12	11,283
Corporates	695	504	423	2,719	3	16	4,360
Items associated with particularly high risk	–	–	–	1	–	–	1
Securitisations	–	–	–	15	–	–	15
Equities	–	–	–	2	–	–	2
Other items	–	–	–	122	–	–	122
Total	10,932	6,791	1,096	3,098	183	28	22,128

Regulatory net credit exposure after credit risk mitigation

31.12.15 GBP million	Credit Quality Step						Total
	1	2	3	4	5	6	
Regulatory net credit exposure after credit risk mitigation							
Central governments and central banks	2,620	5	65	–	–	–	2,690
Regional governments and local authorities	16	–	52	–	–	–	68
Public sector entities	5	–	30	–	–	–	35
Multilateral development banks	746	–	–	–	–	–	746
Institutions	5,159	2,446	468	46	77	2	8,198
Corporates	704	647	477	3,371	48	9	5,256
Items associated with particularly high risk	–	–	–	–	–	–	–
Securitisations	–	–	9	–	–	–	9
Equities	–	–	–	2	–	–	2
Other items	–	–	–	142	–	–	142
Total	9,250	3,098	1,101	3,561	125	11	17,146

31.12.14 GBP million	Credit Quality Step						Total
	1	2	3	4	5	6	
Regulatory net credit exposure after credit risk mitigation							
Central governments and central banks	3,897	1	77	–	1	–	3,976
Regional governments and local authorities	23	–	69	–	–	–	92
Public sector entities	150	8	44	–	1	–	203
Multilateral development banks	1,820	–	–	–	–	–	1,820
Institutions	3,915	2,124	433	239	178	12	6,901
Corporates	694	472	423	2,307	3	16	3,915
Items associated with particularly high risk	–	–	–	1	–	–	1
Securitisations	–	–	–	15	–	–	15
Equities	–	–	–	2	–	–	2
Other items	–	–	–	122	–	–	122
Total	10,499	2,605	1,046	2,686	183	28	17,047

Unrated corporates receive a risk weight of 100% under the CRR. This is equivalent to a CQS of either 3 or 4. For disclosure purposes in the above tables they are shown as CQS 4.

UBS Limited has received a guarantee from its parent UBS AG covering non-trading book balances held at another UBS Group entity. As at 31 December 2015 the guaranteed amount stood at GBP 48.3 million and represents a transfer of risk to UBS AG but at no change of risk weight.

Exposures in equities not included in the trading book

Exposure in equities not in the trading book

The table below shows the equity instruments held in the banking book with their amounts disclosed for IFRS and the regulatory capital adjusted amount. This adjustment considers the differences to IFRS resulting in the total equity instruments exposure under the CRD IV framework.

Equity exposures not in trading book

<i>GBP million</i>	31.12.15	31.12.14
Financial investments available for sale	2	2
Total equity instruments under IFRS	2	2
Regulatory capital adjustment	-	-
Total equity instruments under CRD IV	2	2
<i>Of which to be risk weighted:</i>	-	-
<i>Publically traded</i>	-	-
<i>Privately held (dealer quoted)</i>	2	2
<i>Of which : deducted from equity</i>	-	-
RWA of equity exposures treated as non-trading book credit risks	2	2
Capital requirement	-	-
Total capital charge	-	-

Note: UBS Limited does not have any material gains or losses to report for this period.

The equity holding represents shares in an exchange that are held by UBS Limited as a requirement of membership.

Securitisation positions

Exposure to securitisation positions

UBS Limited is not the originator or sponsor of securitisation positions. UBS Limited enters into derivative contracts with securitisation vehicles incidental to its normal trading business. The value of these contracts is not material as determined under the Company's Pillar 3 policy.

Leverage ratio

Leverage ratio exposures

The following tables set out the leverage ratio and related disclosures in accordance with Article 451 of the Capital Requirements Regulation EU No. 575/2013.

The following table outlines the leverage ratio and its main components.

Leverage ratio disclosures

<i>GBP million</i>	31.12.15
On-balance sheet items (excluding derivatives, securities financing transactions but including collateral)	12,624
Asset amounts deducted in determining Tier 1 capital	(239)
Total on-balance sheet exposures	12,385
Replacement cost of derivative transactions	3,891
Add-on amounts for potential future exposure of derivative transactions	14,269
Receivable assets for cash variable margin for derivative transactions	(1,946)
Exempted CCP transactions	(2,369)
Adjusted notional of written credit derivatives	4,655
Adjusted effective notional offsets & add-on deductions for written credit derivatives	(4,186)
Total derivative exposures	14,314
Gross securities financing transaction assets	15,126
Netted amounts of cash payables and receivables of gross securities financing transaction assets	(6,994)
Counterparty credit risk exposure for securities financing transaction assets	2,146
Total securities financing transaction exposures	10,278
Off-balance sheet exposures at gross notional amounts	1,704
Adjustments for conversion to credit equivalent amounts	(874)
Total other off-balance sheet assets	830
Total leverage ratio exposure	37,807
Tier 1 Capital	2,803
Leverage Ratio	7.41%

The following table reconciles the leverage ratio exposure amount to the balance sheet assets.

Reconciliation of accounting assets and leverage ratio exposures

<i>GBP million</i>	31.12.15
Total assets as per published financial statements	40,106
Adjustments for derivative instruments	(5,920)
Adjustments for securities financing transactions (SFTs)	3,030
Adjustments for off-balance sheet items	830
Other adjustments	(239)
Total	37,807

The table below sets out the split of the balance sheet assets.

Split of balance sheet exposures

<i>GBP million</i>	31.12.15
Total on-balance sheet exposures (excluding derivatives, SFTs, exempted exposures)	
Trading book exposures	8,867
Banking book exposures	4,226
<i>of which: sovereigns</i>	3,154
<i>Institutions</i>	807
<i>Corporate</i>	121
<i>Other exposures</i>	144
Total	13,093

The Company's capital management framework includes an integrated approach to manage capital and leverage including triggers, monitoring, planning and reporting.

The Leverage Ratio is reported on a regular basis against Board established triggers. Leverage, own funds and leverage ratio denominator are reported to UBSL ALCO and Board on a monthly

basis. Material movements in own funds or leverage ratio denominator are investigated and analysed.

The Company's recovery plan triggers form tests for daily capital reporting, forecasts and stress tests, and assist the ALCO and Board of the Company to assess whether actions or mitigation plans should be put in place to address any such hypothetical incident.

Remuneration

Remuneration policy and compensation structure

Remuneration at UBS operates within the UBS Total Reward Principles. These principles and supporting processes provide a compensation structure for all employee remuneration at UBS, including those in the UK.

The principles are published as part of the Compensation Report in the UBS Group AG Annual Report 2015, which can be accessed via the link below.

→ [Compensation report](#)

Remuneration awarded for 2015 in respect of UBS Material Risk Takers (MRT's)

The following tables show details of the awards made to UK material risk takers (MRT's) at UBS, identified under the Regulatory Technical Standards of the European Banking Association (EBA), in respect of the financial year. All figures are shown in GBP 000s, unless otherwise indicated. The disclosure is made covering all staff designated MRT's under the PRA/FCA UK Remuneration Code. This includes MRT's identified in respect of UBS Limited, UBS AG London Branch and UBS asset management entities in the UK.

Number of beneficiaries and total remuneration, broken out by business area

	Number of Beneficiaries		Total Remuneration (GBP 000's)	
	31.12.15	31.12.14	31.12.15	31.12.14
Corporate Centre	116	91	69,402	58,256
Investment Bank	366	286	380,917	280,935
Wealth Management	41	8	24,645	6,811
Management	48	31	25,742	19,909
Total	571	416	500,706	365,911

Total Remuneration broken out by "senior manager" and "other"

	Number of Beneficiaries		Fixed Remuneration (GBP 000's)		Variable Remuneration (GBP 000's)	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Senior Managers	22	20	27,250	20,101	38,182	25,231
Other	549	396	192,285	158,505	242,989	162,074
Total	571	416	219,535	178,606	281,171	187,305

Note: "Senior Manager" categorised as UK material risk takers at Group Managing Director rank or above.

Breakdown of forms of variable remuneration awarded

GBP thousand	Number of Beneficiaries	Immediate Cash	Deferred Cash	Immediate Shares	Deferred Shares
31.12.15					
Senior Managers	22	2,093	12,476	1,355	22,257
Other	480	38,714	66,895	30,368	107,013
Total	502	40,807	79,371	31,723	129,270
31.12.14					
Senior Managers	18	2,144	8,180	1,389	13,518
Other	335	22,578	47,944	16,584	74,968
Total	353	24,722	56,124	17,973	88,486

Note: An additional 69 material risk takers received no variable remuneration in respect of 2015. (2014 – 63) material risk takers

Summary of outstanding deferred remuneration, broken out into vested and unvested portions, and vehicle type

GBP thousand	Senior Managers		Other		Total	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Deferred remuneration – granted during year	33,017	46,008	121,793	187,051	154,810	233,059
Deferred remuneration – distributed during year	34,453	12,203	142,215	61,875	176,668	74,078
Performance adjustments during year		859	13,353	20,966	13,353	21,825
Outstanding deferred remuneration at year end	116,502	74,430	444,321	301,880	560,823	376,310

Notes:

- For granted remuneration, price and FX as at grant date.
- For distributions, price and FX as at distribution date.
- Performance adjustments include performance plan reductions and forfeitures upon termination; the value is based on transaction price and FX on transaction date.
- Outstanding remuneration based on price and spot FX rate as at year end

Summary of MRT population identifying 236 of the 571 that received total remuneration in excess of EUR 1,000,000 in accordance with Article 450 of the CRR

	Number of Beneficiaries		
	Senior Management	Other	Total
	31.12.15	31.12.15	31.12.15
1,000,000 – 1,500,000	3	94	97
1,500,001 – 2,000,000	2	43	45
2,000,001 – 2,500,000	5	22	27
2,500,001 – 3,000,000	1	16	17
3,000,001 – 3,500,000	-	14	14
3,500,001 – 4,000,000	2	5	7
4,000,001 – 4,500,001	-	7	7
4,500,001 – 5,000,000	2	7	9
5,000,001 – 6,000,000	2	4	6
6,000,001 and above	5	1	6
Total			

Note: This table is provided in EUR in line with CRD IV requirements

Summary of guarantees paid to new hires during year

	Number of Beneficiaries		Amount (GBP 000's)	
	31.12.15	31.12.14	31.12.15	31.12.14
Senior Managers	-	-	-	-
Other	4	3	4,385	2,365
Total	4	3	4,385	2,365

Note: Highest individual award was GBP 1,609,000

Summary of severance payments made during the year

	Number of Beneficiaries		Amount (GBP 000's)	
	31.12.15	31.12.14	31.12.15	31.12.14
Senior Managers	-	-	-	-
Other	14	13	1,783	2,435
Total	14	13	1,783	2,435

Note: Highest individual severance award was GBP 255,000

There were no sign-on awards granted in 2015 or 2014.

Contacts

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